
City of Mount Clemens, Michigan

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

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Independent Auditor's Report

To the Honorable Mayor and City Commission
City of Mount Clemens, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Mount Clemens, Michigan (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Mount Clemens, 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, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Mount Clemens, Michigan as of June 30, 2018 and the respective changes in its financial position and cash flows (where applicable) for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, during the year ended June 30, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which established accounting and financial reporting standards for defined benefit OPEB plans provided to the employees of governmental employers. Our opinion is not modified with respect to this matter.

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

Plante & Moran, PLLC

December 5, 2018

This discussion and analysis is included with the City of Mount Clemens, Michigan's (the "City") financial report to provide an overview of the City's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the financial statements.

Overview of the Financial Statements

The basic financial statements section of this report consists of the government-wide financial statements, fund financial statements, and notes to the financial statements. The notes section is to be read in conjunction with, and is an integral part of, each financial statement included within both series.

The first series provides information about the governmental and business-type activities of the City. There are two statements in each series, a statement of net position and statement of activities. These two statements are presented on a full accrual basis, which is designed to present a longer-term view of the City's finances. Unlike more traditional fund-based financial statements, these statements reflect the City's investment in capital assets net of depreciation as an asset, noncurrent liabilities as liabilities, and the current period depreciation as expenditures.

These second of these two series consists of the more traditional fund-based financial statements. It is grouped by governmental funds, proprietary funds, and component unit. These statements illustrate how the services provided by the City were financed in the short term. These fund-based financial statements report the City's operations in more detail than the government-wide financial statements.

City's Net Position

The following tables show, in a condensed format, the current year's net position compared to the prior year.

	Governmental Activities			Percent Change
	2017	2018	Change	
Assets				
Current and other assets	\$ 9,313,532	\$ 9,746,239	\$ 432,707	4.6
Capital assets	10,989,159	10,779,877	(209,282)	(1.9)
Total assets	20,302,691	20,526,116	223,425	1.1
Deferred Outflows of Resources	445,504	1,051,751	606,247	136.1
Liabilities				
Current liabilities	535,209	543,173	7,964	1.5
Noncurrent liabilities	40,924,744	41,224,899	300,155	0.7
Total liabilities	41,459,953	41,768,072	308,119	0.7
Deferred Inflows of Resources	178,794	84,809	(93,985)	(52.6)
Net Position				
Net investment in capital assets	9,110,881	9,049,421	(61,460)	(0.7)
Restricted	2,198,144	2,884,991	686,847	31.2
Unrestricted	(32,199,577)	(32,209,426)	(9,849)	-
Total net position	\$ (20,890,552)	\$ (20,275,014)	\$ 615,538	(2.9)

City of Mount Clemens, Michigan

Management's Discussion and Analysis (Continued)

	Business-type Activities			Percent Change
	2017	2018	Change	
Assets				
Current and other assets	\$ 6,593,429	\$ 8,209,875	\$ 1,616,446	24.5
Capital assets	48,311,933	46,195,776	(2,116,157)	(4.4)
Total assets	54,905,362	54,405,651	(499,711)	(0.9)
Deferred Outflows of Resources	171,832	301,103	129,271	75.2
Liabilities				
Current liabilities	1,379,182	1,426,600	47,418	3.4
Noncurrent liabilities	25,246,596	22,887,111	(2,359,485)	(9.3)
Total liabilities	26,625,778	24,313,711	(2,312,067)	(8.7)
Deferred Inflows of Resources	34,368	24,969	(9,399)	(27.3)
Net Position				
Net investment in capital assets	36,540,880	37,142,386	601,506	1.6
Restricted	513,738	513,125	(613)	(0.1)
Unrestricted	(8,637,570)	(7,287,437)	1,350,133	(15.6)
Total net position	<u>\$ 28,417,048</u>	<u>\$ 30,368,074</u>	<u>\$ 1,951,026</u>	6.9

Total net position related to the City's governmental activities increased by approximately \$600,000, which is a 2.9 percent increase. The increase is primarily a result of the increase of deferred outflows related to pension.

The City's business-type activities include water, sewer, sanitation, auto parking, and the ice arena. The City provides water and sewer services through its own water plant and sewage treatment plant. The ice arena is owned by the City, but is operated by a management company.

In reviewing the City's net position for business-type activities, the net investment in capital assets increased by approximately 2 percent. Liabilities were reduced by approximately 9 percent due to the reduction of long-term debt. Total net position of the business-type activities showed an increase of approximately \$2 million.

During the fiscal year ended June 30, 2018, the City implemented Governmental Accounting Standards Board Statement No. 75 (GASB 75), Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which established accounting and financial reporting standards for defined benefit OPEB plans provided to the employees of governmental employers. This statement's rules cause the government-wide statements to recognize the actuarially determined asset or liability related to providing retiree healthcare coverage, as well as any "other" postemployment benefits (other than pensions). The statement was applied retroactively; as such, the June 30, 2017 net position was restated to reflect the City's liability. The liability as of June 30, 2018 is approximately \$38 million, related to the City's governmental activities, and approximately \$14 million, related to the City's business-type activities.

City's Changes in Net Position

The following tables show, in a condensed format, the current year's changes in net position compared to the prior year.

City of Mount Clemens, Michigan

Management's Discussion and Analysis (Continued)

	Governmental Activities			Percent Change
	2017	2018	Change	
Revenue				
Program revenue:				
Charges for services	\$ 1,080,867	\$ 1,244,027	\$ 163,160	15.1
Operating grants	2,045,773	2,667,293	621,520	30.4
General revenue:				
Property taxes	6,408,528	6,334,528	(74,000)	(1.2)
Intergovernmental	1,822,394	1,868,658	46,264	2.5
Investment earnings	12,219	21,597	9,378	76.7
Other revenue	676,601	874,324	197,723	29.2
Total revenue	<u>12,046,382</u>	<u>13,010,427</u>	<u>964,045</u>	<u>8.0</u>
Expenses				
General government	3,906,207	2,997,880	(908,327)	(23.3)
Public safety	5,718,968	6,029,850	310,882	5.4
Public works	2,885,219	3,034,644	149,425	5.2
Recreation	316,530	332,515	15,985	5.1
Total expenses	<u>12,826,924</u>	<u>12,394,889</u>	<u>(432,035)</u>	<u>(3.4)</u>
Change in Net Position	(780,542)	615,538	1,396,080	(178.9)
Net Position - Beginning of year, as previously reported	10,521,828	9,741,286	(780,542)	(7.4)
Cumulative Effect of Change in Accounting	-	(30,631,838)	(30,631,838)	-
Net Position - Beginning of year	<u>10,521,828</u>	<u>(20,890,552)</u>	<u>(31,412,380)</u>	<u>(298.5)</u>
Net Position - End of year	<u>\$ 9,741,286</u>	<u>\$ (20,275,014)</u>	<u>\$ (30,016,300)</u>	<u>(308.1)</u>

City of Mount Clemens, Michigan

Management's Discussion and Analysis (Continued)

	Business-type Activities			Percent Change
	2017	2018	Change	
Revenue				
Operating revenue	\$ 11,008,468	\$ 13,167,223	\$ 2,158,755	19.6
Nonoperating revenue:				
Property taxes	99,492	93,926	(5,566)	(5.6)
Investment earnings	3,087	10,405	7,318	237.1
Total revenue	11,111,047	13,271,554	2,160,507	19.4
Expenses				
Operating expenses - Other than depreciation	7,014,129	8,623,134	1,609,005	22.9
Depreciation	2,407,050	2,426,148	19,098	0.8
Interest expense	289,974	271,246	(18,728)	(6.5)
Total expenses	9,711,153	11,320,528	1,609,375	16.6
Change in Net Position	1,399,894	1,951,026	551,132	39.4
Net Position - Beginning of year, as previously reported	37,688,612	39,088,506	1,399,894	3.7
Cumulative Effect of Change in Accounting	-	(10,671,458)	(10,671,458)	-
Net Position - Beginning of year, as adjusted	37,688,612	28,417,048	(9,271,564)	(24.6)
Net Position - End of year	<u>\$ 39,088,506</u>	<u>\$ 30,368,074</u>	<u>\$ (8,720,432)</u>	(22.3)

The City's three largest sources of revenue for governmental activities are property taxes at 48.6 percent of total revenue, state-shared revenue at 14.3 percent, and operating grants at 20.5 percent.

Property taxes, the largest source of general government revenue, experienced a decrease of approximately 1 percent due to a decrease in several of the millage rates in compliance with Headlee rollback.

State-shared revenue, the City's second largest source of general government revenue, showed an approximate \$46,000 increase from the previous year and still continues at the reduced levels of recent years. The amount received from the State of Michigan as of June 30, 2018 was \$1.869 million, or 27 percent less than what the City received in the 2002 fiscal year. The City realizes that there are no guarantees that further revenue-sharing cuts will not be made, as the State's economy continues to impact the revenue-sharing payments. An eligible city, village, or township will receive an amount for fulfilling the required documents. The City's compliance with Public Act 84 for City, Village, and Township Revenue Sharing (CVTRS) allows the City to receive \$554,891 of statutory revenue-sharing dollars.

In past years, the City has experienced declining revenue, and, in response, the City reduced its full-time staff. Since 1999, the City reduced staff from 159 to 62. To accomplish the reduction, the City did not fill vacant positions, resulting from retirement, and reorganized. In 2005, the City had a fund balance of only \$688,000. With the City's foresight and thorough review of processes and reorganization, the City was able to make several changes without increasing the community's taxes or imposing fees. Savings were accomplished in part by the City disbanding the police department in 2005 and contracting with the Macomb County Sheriff's Department. The contract for law enforcement and emergency dispatch services will continue to provide long-lasting effects to the City's sustained success in providing public safety to its community.

In the City's General Fund, about 40 percent of expenses are outsourced. Current outsourcing includes the assessor, police, dispatch, engineering, legal services, information technology, recreation, the inspection department, and building maintenance, which includes janitorial services, cable TV in the schools, and parking lot snow removal. All of these outsourced services are continually reviewed to ensure the maximum savings for our community. By contracting these services, the City's residents receive quality services while saving money, and the City eliminates the legacy costs associated with these positions.

The City implemented Medicare Advantage plans effective July 1, 2015 with the objective of better managing retiree health costs, reducing administrative processes, and reducing the OPEB liability about \$5 million. On July 1, 2016, the City also moved to a self-insured healthcare plan under Blue Cross Blue Shield, which continues to offset future cost increases.

With the challenging financial landscape, the City's departments need to be recognized for their diligence in adhering to their budgets and finding new ways to control expenses.

Under governmental activities program expenses, public safety accounted for 48.6 percent of expenditures. General government expenditures are the next most significant, accounting for 24.2 percent of total expenditures. Finally, public works makes up 24.5 percent of the City's expenditures.

For the business-type activities, as a result of the annual utility rate study, user rates were adjusted based upon American Water Works Association (AWWA) standards, and fixed fees are charged based upon equivalent meter ratio scale. Utilizing this scale makes all customer classes equal with the capacity of water they are able to receive, based on meter size. City management is continually attempting to improve utility operational efficiency and reduce costs. The magnitude of funds necessary to accomplish needed infrastructure replacement cannot be generated by improved efficiency alone. In addition, the Michigan Department of Environmental Quality is requiring the City to make improvements to the water and sewer plant. These improvements include the pump stations, retention basin, wastewater treatment plant, water filtration plant, and sewer transmission.

Financial Analysis of Individual Funds

Our analysis of the City's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Commission creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millage. The City's major governmental funds are the General Fund and Major Streets and Trunklines Fund; all other funds are reported as nonmajor funds. The other supplemental information includes combining schedules that present the individual nonmajor funds. All of the City's enterprise funds are presented as major funds.

The General Fund pays for most of the City's governmental services. The most significant services in 2018 were police (\$3.03 million), fire (\$1.57 million), and general government services (\$2.22 million).

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year, such as lower than anticipated expenditures, primarily due to unfilled budgeted staff positions.

Total General Fund expenditures increased by approximately 3 percent, and the total net change in fund balance was an increase of \$1,088,600. The General Fund fund balance as of June 30, 2018 is approximately \$5.2 million.

Capital Assets and Debt Administration

In a 2006, the City recorded its interest in debt related to the construction of the new 41B District Court building. Debt to finance the building was issued by the Charter Township of Clinton and is allocated among participating communities in proportion to the volume of cases attributable to each community. The debt was refinanced at a lower interest rate in 2016. The City's portion of the debt at June 30, 2018 is \$1,671,620, which is annually paid as a reduction in the City's share of court revenue.

Economic Factors and Next Year's Budgets and Rates

On August 5, 2014, voters of the community passed a charter amendment that raised the ad valorem property tax authority from 15 mills to 20 mills; due to a Headlee rollback, the actual levy was 13.7970 mills. A total of 56 percent of the voters supported this increase. The City Commission voted during the 2016 FY budget process to increase the millage rate to the full 20 mills. The impact on the revenue allowed the City Commission to approve much-needed capital investments for the General Fund, Public Works Department, Fire Department, and to create a Sidewalk Safety Fund. Along with these projects, the City began to rebuild fund balance in the General Fund.

State-shared revenue has been stable in recent years (2018 - increase of \$46,264, 2017 - increase of \$69,069), and slight increases are projected for future years.

Through the use of long-term planning, the City will evaluate and monitor its budget, plan for future capital investments, and make adjustments based on the economic conditions.

As of June 30, 2018, four of the five bargaining unit agreements were expired, but were renewed in calendar year 2018. All four agreements are in place from the 2019 fiscal year through the 2021 fiscal year.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at (586) 469-6818.

June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 7,357,957	\$ 6,151,380	\$ 13,509,337	\$ 158,657
Investments (Note 3)	-	305,520	305,520	-
Receivables:				
Taxes	155,917	-	155,917	-
Customers	-	1,376,264	1,376,264	-
Other receivables	191,634	524,376	716,010	-
Other governmental units	611,433	-	611,433	-
Internal balances (Note 5)	789,805	(789,805)	-	-
Inventory	-	6,694	6,694	-
Prepaid expenses	91,027	17,146	108,173	11,200
Restricted assets (Note 6)	-	536,321	536,321	-
Investment in joint ventures (Note 12)	172,059	-	172,059	-
Net pension asset (Note 9)	376,407	81,979	458,386	-
Capital assets: (Note 4)				
Assets not subject to depreciation	2,791,978	3,637,078	6,429,056	151,892
Assets subject to depreciation - Net	7,987,899	42,558,698	50,546,597	-
Total assets	20,526,116	54,405,651	74,931,767	321,749
Deferred Outflows of Resources				
Bond refunding loss being amortized	-	71,833	71,833	-
Deferred outflow related to pension (Note 9)	1,050,315	228,752	1,279,067	-
Deferred outflows related to OPEB (Note 10)	1,436	518	1,954	-
Total deferred outflows of resources	1,051,751	301,103	1,352,854	-
Liabilities				
Accounts payable	318,297	178,387	496,684	11,101
Due to other governmental units	8,840	-	8,840	-
Accrued liabilities and other	216,036	110,026	326,062	-
Unearned revenue	-	1,138,187	1,138,187	-
Noncurrent liabilities:				
Due within one year: (Note 6)				
Payable from restricted assets	-	435,875	435,875	-
Compensated absences	300,000	74,933	374,933	-
Current portion of long-term debt	97,983	2,133,418	2,231,401	-
Due in more than one year:				
Compensated absences (Note 6)	366,084	37,410	403,494	-
Environmental remediation (Note 7)	810,000	-	810,000	-
Net OPEB obligation (Note 10)	38,018,359	13,721,378	51,739,737	-
Long-term debt (Note 6)	1,632,473	6,484,097	8,116,570	-
Total liabilities	41,768,072	24,313,711	66,081,783	11,101
Deferred Inflows of Resources				
Deferred inflows related to pension (Note 9)	39,408	8,584	47,992	-
Deferred inflows related to OPEB (Note 10)	45,401	16,385	61,786	-
Total deferred inflows of resources	84,809	24,969	109,778	-
Net Position				
Net investment in capital assets	9,049,421	37,142,386	46,191,807	151,892
Restricted:				
Streets	2,398,109	-	2,398,109	-
Debt service	141,353	-	141,353	-
Transportation	304,933	-	304,933	-
Public improvement	40,596	-	40,596	-
Revenue bond ordinance	-	513,125	513,125	-
Unrestricted	(32,209,426)	(7,287,437)	(39,496,863)	158,756
Total net position	\$ (20,275,014)	\$ 30,368,074	\$ 10,093,060	\$ 310,648

City of Mount Clemens, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,997,880	\$ 371,246	\$ 1,021,069	\$ -
Public safety	6,029,850	721,606	-	-
Public works	3,034,644	105,717	1,646,224	-
Recreation	332,515	45,458	-	-
Total governmental activities	12,394,889	1,244,027	2,667,293	-
Business-type activities:				
Sewage Disposal System	4,810,382	6,394,139	-	-
Water Supply System	3,636,177	3,719,493	-	-
Sanitary Department	834,188	800,019	-	-
Automobile Parking System	442,640	697,850	-	-
Ice Arena	1,597,141	1,555,722	-	-
Total business-type activities	11,320,528	13,167,223	-	-
Total primary government	\$ 23,715,417	\$ 14,411,250	\$ 2,667,293	\$ -
Component Units - Downtown Development Authority	\$ 349,677	\$ 76,582	\$ -	\$ -

General revenue:
 Property taxes
 State-shared revenue
 Unrestricted investment earnings
 Franchise fees
 Gain on sale of capital assets
 Miscellaneous

Total general revenue

Change in Net Position

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

Net Position - End of year

Statement of Activities

Year Ended June 30, 2018

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,605,565)	\$ -	\$ (1,605,565)	\$ -
(5,308,244)	-	(5,308,244)	-
(1,282,703)	-	(1,282,703)	-
(287,057)	-	(287,057)	-
(8,483,569)	-	(8,483,569)	-
-	1,583,757	1,583,757	-
-	83,316	83,316	-
-	(34,169)	(34,169)	-
-	255,210	255,210	-
-	(41,419)	(41,419)	-
-	1,846,695	1,846,695	-
(8,483,569)	1,846,695	(6,636,874)	-
-	-	-	(273,095)
6,334,528	93,926	6,428,454	262,739
1,868,658	-	1,868,658	-
21,597	10,405	32,002	-
253,491	-	253,491	-
-	-	-	57,888
620,833	-	620,833	-
9,099,107	104,331	9,203,438	320,627
615,538	1,951,026	2,566,564	47,532
(20,890,552)	28,417,048	7,526,496	263,116
<u>\$ (20,275,014)</u>	<u>\$ 30,368,074</u>	<u>\$ 10,093,060</u>	<u>\$ 310,648</u>

City of Mount Clemens, Michigan

Governmental Funds Balance Sheet

June 30, 2018

	General Fund	Major Streets and Trunklines	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (Note 3)	\$ 4,514,523	\$ 1,178,274	\$ 1,581,831	\$ 7,274,628
Receivables:				
Taxes	155,917	-	-	155,917
Other receivables	139,292	-	52,152	191,444
Other governmental units	355,127	191,517	64,789	611,433
Due from other funds (Note 5)	176,238	-	-	176,238
Advances to other funds (Note 5)	613,567	-	-	613,567
Prepaid expenses	87,183	-	2,370	89,553
	\$ 6,041,847	\$ 1,369,791	\$ 1,701,142	\$ 9,112,780
Total assets				
Liabilities				
Accounts payable	\$ 289,373	\$ 6,930	\$ 6,330	\$ 302,633
Due to other governmental units	282	-	8,558	8,840
Accrued liabilities and other	204,858	2,368	6,713	213,939
	494,513	9,298	21,601	525,412
Total liabilities				
Deferred Inflows of Resources - Unavailable revenue	371,432	-	-	371,432
Fund Balances				
Nonspendable:				
Prepays	87,183	-	2,370	89,553
Long-term receivable	613,567	-	-	613,567
Restricted:				
Right-of-way maintenance	-	141,392	287,119	428,511
Street construction	-	1,219,101	750,497	1,969,598
Transportation	-	-	302,563	302,563
Public improvement	-	-	40,596	40,596
Assigned:				
Local street construction	-	-	100,000	100,000
Sidewalks	-	-	106,396	106,396
Capital outlay	300,000	-	-	300,000
Transportation	-	-	90,000	90,000
Unassigned	4,175,152	-	-	4,175,152
	5,175,902	1,360,493	1,679,541	8,215,936
Total fund balances				
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,041,847	\$ 1,369,791	\$ 1,701,142	\$ 9,112,780

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2018

Fund Balances Reported in Governmental Funds	\$	8,215,936
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		10,170,152
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		371,432
Investments in joint ventures are not financial resources and are not reported in the funds		172,059
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds		(1,727,597)
Other long-term liabilities, such as claims and judgments and landfill closure and postclosure costs, do not present a claim on current financial resources and are not reported as fund liabilities		(810,000)
<p>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:</p>		
Employee compensated absences		(646,522)
Net pension asset and related deferred inflows and deferred outflows		1,387,314
Net other postemployment benefits liability and related deferred inflows and deferred outflows		(38,062,324)
Internal service funds are included as part of governmental activities		654,536
Net Position of Governmental Activities	\$	<u>(20,275,014)</u>

City of Mount Clemens, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2018

	General Fund	Major Streets and Trunklines	Nonmajor Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 6,022,435	\$ -	\$ 278,742	\$ 6,301,177
Special assessments	-	-	55,753	55,753
Intergovernmental:				
Federal entitlement and grant revenue	41,817	-	-	41,817
State-shared grants and other revenue	2,689,019	1,079,431	682,137	4,450,587
Charges for services	1,280,337	18,487	88,870	1,387,694
Fines and fees	33,351	-	-	33,351
Licenses and permits	284,071	-	-	284,071
Investment income	12,050	5,982	3,565	21,597
Other revenue - Miscellaneous revenue	513,442	4,494	102,897	620,833
Total revenue	10,876,522	1,108,394	1,211,964	13,196,880
Expenditures				
Current services:				
General government	2,224,144	-	-	2,224,144
Public safety	4,810,435	-	-	4,810,435
Public works	470,791	706,824	928,475	2,106,090
Other functions	1,978,324	-	-	1,978,324
Recreation	254,228	-	-	254,228
Total expenditures	9,737,922	706,824	928,475	11,373,221
Excess of Revenue Over Expenditures	1,138,600	401,570	283,489	1,823,659
Other Financing Sources (Uses)				
Transfers in (Note 5)	-	-	50,000	50,000
Transfers out (Note 5)	(50,000)	-	-	(50,000)
Total other financing (uses) sources	(50,000)	-	50,000	-
Net Change in Fund Balances	1,088,600	401,570	333,489	1,823,659
Fund Balances - Beginning of year	4,087,302	958,923	1,346,052	6,392,277
Fund Balances - End of year	\$ 5,175,902	\$ 1,360,493	\$ 1,679,541	\$ 8,215,936

Governmental Funds

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

Year Ended June 30, 2018

Net Change in Fund Balance Reported in Governmental Funds	\$ 1,823,659
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	444,119
Depreciation expense	(590,531)
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	43,547
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	97,813
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(1,135,565)
Claims and similar costs that do not use current financial resources are not reported as expenditures in the governmental funds	30,000
Losses from joint ventures are not recorded in the funds	(24,176)
Internal service funds are included as part of governmental activities	<u>(73,328)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 615,538</u></u>

City of Mount Clemens, Michigan

	Enterprise Funds				
	Sewage Disposal System	Water Supply System	Sanitary Department	Automobile Parking System	Ice Arena
Assets					
Current assets:					
Cash and cash equivalents (Note 3)	\$ 3,502,494	\$ 1,675,757	\$ 595,957	\$ 25,440	\$ 351,732
Investments (Note 3)	-	-	305,520	-	-
Receivables:					
Customers	740,457	635,731	76	-	-
Other receivables	420,732	8,951	1,603	93,090	-
Inventory	6,694	-	-	-	-
Prepaid expenses and other assets	6,988	9,237	315	606	-
Total current assets	4,677,365	2,329,676	903,471	119,136	351,732
Noncurrent assets:					
Restricted assets (Note 6)	-	536,321	-	-	-
Advances to other funds (Note 5)	708,549	-	-	-	-
Net pension asset (Note 9)	41,501	30,259	2,862	7,357	-
Capital assets: (Note 4)					
Assets not subject to depreciation	-	-	-	3,637,078	-
Assets subject to depreciation - Net	27,667,140	11,503,344	-	997,423	2,390,791
Total noncurrent assets	28,417,190	12,069,924	2,862	4,641,858	2,390,791
Total assets	33,094,555	14,399,600	906,333	4,760,994	2,742,523
Deferred Outflows of Resources					
Bond refunding loss being amortized	-	-	-	71,833	-
Deferred outflow related to pension (Note 9)	115,803	84,436	7,985	20,528	-
Deferred outflows related to OPEB (Note 10)	265	253	-	-	-
Total deferred outflows of resources	116,068	84,689	7,985	92,361	-
Liabilities					
Current liabilities:					
Accounts payable	77,014	32,623	52,470	98	16,182
Due to other funds (Note 5)	-	-	-	176,238	-
Accrued liabilities and other	36,111	37,442	2,565	4,083	29,825
Unearned revenue	1,138,187	-	-	-	-
Compensated absences (Note 6)	30,238	31,821	8,247	4,627	-
Current portion of long-term debt	1,218,177	549,241	-	366,000	-
Total current liabilities	2,499,727	651,127	63,282	551,046	46,007
Noncurrent liabilities:					
Advances from other funds (Note 5)	-	708,549	-	-	613,567
Payable from restricted assets (Note 6)	-	435,875	-	-	-
Compensated absences (Note 6)	15,097	15,886	4,117	2,310	-
Net OPEB obligation (Note 10)	7,021,082	6,700,296	-	-	-
Long-term debt (Note 6)	1,933,311	2,931,786	-	1,619,000	-
Total noncurrent liabilities	8,969,490	10,792,392	4,117	1,621,310	613,567
Total liabilities	11,469,217	11,443,519	67,399	2,172,356	659,574
Deferred Inflows of Resources					
Deferred inflows related to pension (Note 9)	4,346	3,168	299	771	-
Deferred inflows related to OPEB (Note 10)	8,384	8,001	-	-	-
Total deferred inflows of resources	12,730	11,169	299	771	-
Net Position					
Net investment in capital assets	24,515,652	7,586,442	-	2,649,501	2,390,791
Restricted for revenue bond ordinance	-	507,068	-	-	-
Unrestricted	(2,786,976)	(5,063,909)	846,620	30,727	(307,842)
Total net position	\$ 21,728,676	\$ 3,029,601	\$ 846,620	\$ 2,680,228	\$ 2,082,949

Proprietary Funds Statement of Net Position

June 30, 2018

Enterprise Funds	Governmental Activities
Total Enterprise Funds	Proprietary Internal Service Fund
\$ 6,151,380	\$ 83,329
305,520	-
1,376,264	-
524,376	190
6,694	-
17,146	1,474
8,381,380	84,993
536,321	-
708,549	-
81,979	-
3,637,078	-
42,558,698	609,725
47,522,625	609,725
55,904,005	694,718
71,833	-
228,752	-
518	-
301,103	-
178,387	15,664
176,238	-
110,026	2,097
1,138,187	-
74,933	-
2,133,418	616
3,811,189	18,377
1,322,116	-
435,875	-
37,410	19,562
13,721,378	-
6,484,097	2,243
22,000,876	21,805
25,812,065	40,182
8,584	-
16,385	-
24,969	-
37,142,386	606,866
507,068	-
(7,281,380)	47,670
\$ 30,368,074	\$ 654,536

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

Year Ended June 30, 2018

	Enterprise Funds					Governmental Activities	
	Sewage Disposal System	Water Supply System	Sanitary Department	Automobile Parking System	Ice Arena	Total Enterprise Funds	Proprietary Internal Service Fund
Operating Revenue							
Customer billings	\$ 4,975,579	\$ 3,529,624	\$ 765,474	\$ 676,117	\$ 1,555,722	\$ 11,502,516	\$ -
Billings to other funds	-	-	-	-	-	-	588,232
Other revenue	1,418,560	189,869	34,545	21,733	-	1,664,707	51,986
Total operating revenue	6,394,139	3,719,493	800,019	697,850	1,555,722	13,167,223	640,218
Operating Expenses							
Cost of materials	153,975	192,639	3,502	4,055	84,153	438,324	166,836
Water supply and sewage disposal	3,119,054	1,200,561	-	-	-	4,319,615	-
Maintenance and operations	11,473	-	769,686	190,198	1,283,801	2,255,158	314,409
General and administrative	46,518	1,457,479	61,000	-	45,040	1,610,037	79,648
Depreciation	1,379,687	678,600	-	183,714	184,147	2,426,148	150,199
Total operating expenses	4,710,707	3,529,279	834,188	377,967	1,597,141	11,049,282	711,092
Operating Income (Loss)	1,683,432	190,214	(34,169)	319,883	(41,419)	2,117,941	(70,874)
Nonoperating Revenue (Expense)							
Property tax revenue	-	-	93,926	-	-	93,926	-
Investment income	4,850	1,529	4,026	-	-	10,405	66
Interest expense	(99,675)	(106,898)	-	(64,673)	-	(271,246)	(2,520)
Total nonoperating (expense) revenue	(94,825)	(105,369)	97,952	(64,673)	-	(166,915)	(2,454)
Change in Net Position	1,588,607	84,845	63,783	255,210	(41,419)	1,951,026	(73,328)
Net Position - Beginning of year (as restated) (Note 14)	20,140,069	2,944,756	782,837	2,425,018	2,124,368	28,417,048	727,864
Net Position - End of year	\$ 21,728,676	\$ 3,029,601	\$ 846,620	\$ 2,680,228	\$ 2,082,949	\$ 30,368,074	\$ 654,536

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2018

	Enterprise Funds					Total Enterprise Funds	Governmental Activities
	Sewage Disposal System	Water Supply System	Sanitary Department	Automobile Parking System	Ice Arena		Proprietary Internal Service Fund
Cash Flows from Operating Activities							
Receipts from customers	\$ 6,436,202	\$ 3,579,936	\$ 800,020	\$ 697,850	\$ 1,555,722	\$ 13,069,730	\$ 640,218
Payments to suppliers	(2,990,315)	(1,028,183)	(701,142)	(53,357)	(1,423,554)	(6,196,551)	(340,793)
Payments to (receipts from) employees and fringes	(642,349)	(728,799)	(73,388)	(126,800)	4,260	(1,567,076)	(225,021)
Other (payments) receipts	(178,135)	(4,053)	(44,888)	(40,484)	-	(267,560)	537
Net cash and cash equivalents provided by (used in) operating activities	2,625,403	1,818,901	(19,398)	477,209	136,428	5,038,543	74,941
Cash Flows from Noncapital Financing Activities							
Activities - Property taxes not restricted for capital activities	-	-	93,926	-	-	93,926	-
Cash Flows from Capital and Related Financing Activities							
Purchase of capital assets	(118,505)	(71,035)	-	-	(120,451)	(309,991)	(81,817)
Principal and interest paid on capital debt	(1,476,545)	(1,084,955)	-	(451,769)	-	(3,013,269)	(50,009)
Net cash and cash equivalents used in capital and related financing activities	(1,595,050)	(1,155,990)	-	(451,769)	(120,451)	(3,323,260)	(131,826)
Cash Flows Provided by Investing Activities							
Interest received on investments	4,850	8,199	4,026	-	-	17,075	65
Net Increase (Decrease) in Cash and Cash Equivalents	1,035,203	671,110	78,554	25,440	15,977	1,826,284	(56,820)
Cash and Cash Equivalents - Beginning of year	2,467,291	1,004,647	517,403	-	335,755	4,325,096	140,149
Cash and Cash Equivalents - End of year	<u>\$ 3,502,494</u>	<u>\$ 1,675,757</u>	<u>\$ 595,957</u>	<u>\$ 25,440</u>	<u>\$ 351,732</u>	<u>\$ 6,151,380</u>	<u>\$ 83,329</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities							
Operating income (loss)	\$ 1,683,432	\$ 190,214	\$ (34,169)	\$ 319,883	\$ (41,419)	\$ 2,117,941	\$ (70,874)
Adjustments to reconcile operating income (loss) to net cash from operating activities:							
Depreciation	1,379,687	678,600	-	183,714	184,147	2,426,148	150,199
Changes in assets and liabilities:							
Receivables	(136,072)	(143,610)	(44,887)	(40,484)	-	(365,053)	537
Prepaid and other assets	8,586	4,309	3,032	2,892	-	18,819	1,758
Net pension or OPEB asset	139,012	1,022,248	46,948	(12,159)	-	1,196,049	-
Accounts payable	(9,428)	(7,743)	(1,164)	24	(10,560)	(28,871)	4,472
Accrued and other liabilities	(439,814)	74,883	10,842	23,339	4,260	(326,490)	(11,151)
Total adjustments	941,971	1,628,687	14,771	157,326	177,847	2,920,602	145,815
Net cash and cash equivalents provided by (used in) operating activities	<u>\$ 2,625,403</u>	<u>\$ 1,818,901</u>	<u>\$ (19,398)</u>	<u>\$ 477,209</u>	<u>\$ 136,428</u>	<u>\$ 5,038,543</u>	<u>\$ 74,941</u>

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2018

	Trust Funds - Pension and Other Retirement Benefits	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ 717,765	\$ 207,475
Investments: (Note 3)		
U.S. government securities	2,102,731	-
Mutual funds	31,184,429	-
Private placement bonds	153,092	-
Closely held equities	3,874,563	-
Common stock	10,763,155	-
Corporate bonds	5,517,463	-
U.S. mortgage-backed securities	3,456,616	-
U.S. collateralized mortgage obligations	988,861	-
Corporate asset-backed securities	1,099,828	-
Corporate collateralized mortgage obligations	1,132,844	-
Receivables:		
Accrued interest receivable	82,569	-
Other receivables	-	2,484
Total assets	61,073,916	\$ 209,959
Liabilities		
Accounts payable	9,757	\$ -
Due to other governmental units	258	3,730
Refundable deposits, bonds, etc.	-	206,229
Accrued liabilities and other	186	-
Total liabilities	10,201	\$ 209,959
Net Position Restricted for Pension and OPEB	\$ 61,063,715	

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2018

	Trust Funds - Pension and Other Retirement Benefits
Additions	
Investment income:	
Interest and dividends	\$ 2,712,989
Net increase in fair value of investments	594,422
Investment-related expenses	(206,329)
Net investment income	3,101,082
Contributions:	
Employer	2,169,453
Employee	215,289
Total contributions	2,384,742
Total additions	5,485,824
Deductions - Benefit payments	6,372,208
Net Decrease in Net Position Held in Trust	(886,384)
Net Position Restricted for Pension and OPEB - Beginning of year	61,950,099
Net Position Restricted for Pension and OPEB - End of year	\$ 61,063,715

City of Mount Clemens, Michigan

Component Units Statement of Net Position

June 30, 2018

	<u>Downtown Development Authority</u>
Assets	
Cash and cash equivalents	\$ 158,657
Prepaid expenses and other assets	11,200
Capital assets not subject to depreciation	<u>151,892</u>
Total assets	321,749
Liabilities - Accounts payable	<u>11,101</u>
Net Position	
Net investment in capital assets	151,892
Unrestricted	<u>158,756</u>
Total net position	<u>\$ 310,648</u>

Component Units
Statement of Activities

Year Ended June 30, 2018

	Expenses	Program Revenue		Net	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	(Expense) Revenue and Changes in Net Position
				Downtown Development Authority	
Functions/Programs -					
Downtown Development Authority	\$ 349,677	\$ 76,582	\$ -	\$ -	\$ (273,095)
Total component units	<u>\$ 699,354</u>	<u>\$ 153,164</u>	<u>\$ -</u>	<u>\$ -</u>	(273,095)
General revenue:					
Property taxes					262,739
Gain on sale of capital assets					<u>57,888</u>
Total general revenue					<u>320,627</u>
Change in Net Position					47,532
Net Position - Beginning of year					<u>263,116</u>
Net Position - End of year					<u>\$ 310,648</u>

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

Blended Component Unit

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

Discretely Presented Component Units

The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body, which consists of 11 individuals, is selected by the City Commission. In addition, the DDA's budget is subject to approval by the City Commission.

The Brownfield Redevelopment Finance Authority (BRFA) was created to facilitate the implementation of plans for the identification, treatment, and revitalization of environmentally distressed areas within the City designated as Brownfield Redevelopment Zones. The BRFA's board of directors, consisting of nine members, is selected by the City Commission. In addition, the BRFA's budget is subject to approval by the City Commission. The BRFA had no financial activity during the year or at year end.

Financial statements of the DDA and BRFA can be obtained from the administrative offices at One Crocker Blvd., Mount Clemens, MI 48043.

The City has excluded the Mount Clemens Housing Commission (the "Housing Commission") from this report. Even though the City appoints the Housing Commission's directors, it does not have the ability to impose its will.

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 unit. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

Fund Accounting

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

Governmental Funds

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

- The General Fund, which is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund
- The Major Streets and Trunklines Fund, which accounts for the resources of state gas and weight tax collections and other revenue that are restricted for use on major streets

Proprietary Funds

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

- The Sewage Disposal System Fund, which accounts for the activities of the sewage collection and disposal system operated by the City
- The Water Supply System Fund, which accounts for the activities of the water treatment and distribution system operated by the City
- The Sanitary Department Fund, which accounts for the City's garbage and rubbish disposal activities for city residents
- The Automobile Parking System Fund, which accounts for the City's metered on-street and parking lot activities
- The Ice Arena Fund, which accounts for the operations of the City's ice arena

Note 1 - Summary of Significant Accounting Policies (Continued)

The City's internal service fund is used to allocate machinery and equipment purchases and maintenance to the various funds 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 Pension System and Other Employee Benefits Trust Fund, which accounts for the accumulation of resources for pension benefit payments to substantially all city employees
- The Retiree Health Care Trust Fund, which accounts for the accumulation of resources for retiree healthcare payments to substantially all city employees
- The Agency Funds, which account for assets held by the City in a trustee capacity for other taxing authorities, members of the community, and other parties. 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 government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (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 are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

Basis of Accounting

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

Specific Balances and Transactions

Cash and Cash Equivalents

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

Investments

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

Approximately \$4 million of the assets held by the pension plan at June 30, 2018 are not publicly traded and, therefore, do not always have a readily determinable market value. Management's estimates of these values are based on information provided by investment managers, fund managers, and other means. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the values that would have been used had a ready market for these securities existed.

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 the government-wide and fund financial statements.

Restricted Assets

The outstanding bonds of the enterprise funds require amounts to be set aside for debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as a restricted asset.

Capital Assets

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Capital Asset Class	Lives - Years
Roads, bridges, and sidewalks	25-40
Buildings and building improvements	10-50
Land improvements	10-20
Machinery and equipment	5-15
Plant facilities	50-66
Production facilities	20-66
Transmission facilities	50
Tunnels and retention basins	50

Long-term Obligations

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category: the unamortized portion of the loss on a bond refunding, which is reported as a deferred outflow in the proprietary funds, and deferred outflows of resources related to pensions and OPEB, as detailed in Notes 9 and 10.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category. The deferred inflows of resources reported in the governmental funds balance sheet relate to revenue collected beyond the City's period of availability. The City also reports deferred inflows of resources related to pensions and OPEB, as detailed in Notes 9 and 10. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position

Net position of the City is classified in three components. Net investment in capital assets 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. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Position Flow Assumption

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

Fund Balance Flow Assumption

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

Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The honorable mayor and the City Commission are the highest level of decision-making authority for the government that can, by adoption of a resolution, commit fund balance. Once adopted, the limitation imposed by the resolution 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 honorable mayor and the City Commission may assign fund balance. The honorable mayor and the City Commission may also assign fund balance as they do when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Properties are assessed as of December 31. The related property taxes become a lien on July 1 of the following year. The taxes are due on February 28, after which point they are added to the county tax rolls.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2017 taxable valuation of the City totaled \$310.0 million (a portion of which is abated and a portion of which is captured by the TIFA and DDA), on which taxes levied consisted of 19.9220 mills for operating purposes, 0.9101 mills for pension, 0.9101 mills for Dial-A-Ride services, and 0.3000 mills for sanitation services. Net of tax capture by the Downtown Development Authority, the tax levies resulted in approximately \$6.1 million for operating purposes, \$279,000 for pension, \$279,000 for Dial-A-Ride services, and \$94,000 for sanitation services. These amounts are recognized in the respective General Fund, special revenue fund, and enterprise fund financial statements as tax revenue.

Pension

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

Other Postemployment Benefit Costs

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

Compensated Absences (Vacation and Sick Leave)

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds as they come due for employee terminations as of year end. All other accrued compensated absences are reported in the government-wide financial statements; generally, the funds that report each employee's compensation (the General Fund and water and sewer funds, primarily) are used to liquidate the obligation.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the water and sewer funds and internal service funds are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

The City is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all special revenue funds, except for the fringe benefit reimbursements which are budgeted as revenue. All annual appropriations lapse at fiscal year end.

Prior to the first regular City Commission meeting in April, the city manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are held to obtain taxpayer comments, and the budget is legally enacted through passage of an ordinance prior to the third Monday in May.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The city manager is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the City Commission.

June 30, 2018

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

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services are 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:

	Final Budget	Actual
General Fund - Public safety	\$ 4,808,500	\$ 4,810,435

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, 2001 is as follows:

Shortfall at July 1, 2017		\$ (698,187)
Current year permit revenue		495,552
Related expenses:		
Direct costs	\$ 232,213	
Estimated indirect costs	23,221	255,434
Current year surplus		240,118
Cumulative shortfall June 30, 2018		\$ (458,069)

Note 3 - Deposits and Investments

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

The Pension Trust Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. The City has a separate investment policy for its pension funds, which follows the State Pension Act limits. At June 30, 2018, the City's deposits and investments are in accordance with statutory authority.

The City has designated six banks for the deposit of its funds. The investment policy was adopted by the commission in accordance with Public Act 196 of 1997.

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that deposits and investments held by a third-party custodian be evidenced by a safekeeping receipt. At year end, the City had \$13.45 million of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Fiduciary Funds

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's pension trust fund and retiree health care trust fund do not have policies for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

Investment Type	Fair Value	How Held
Common stock	\$ 10,763,155	Counterparty
Closely held equities	3,874,563	Counterparty
Mutual funds	31,184,429	Counterparty
Corporate bonds	5,517,463	Counterparty
Corporate asset-backed securities	1,099,828	Counterparty
Corporate collateralized mortgage obligations	1,132,844	Counterparty
U.S. government collateralized mortgage obligations	988,861	Counterparty
U.S. government mortgage-backed securities	3,456,616	Counterparty
U.S. government treasuries, notes, and bonds	2,102,731	Counterparty
Private placement	153,092	Counterparty
Total investments	<u>\$ 60,273,582</u>	

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity.

At year end, the City had the following investments:

Investment	Fair Value	Weighted- average Maturity (Years)
Corporate asset-backed	\$ 1,099,828	4.66
Corporate bonds	5,517,463	9.68
Corporate collateralized mortgage obligations	1,132,844	29.53
U.S. government collateralized mortgage obligations	988,861	16.21
U.S. government mortgage-backed	3,456,616	28.91
U.S. government treasuries, notes, and bonds	2,102,731	15.98
Private placement	153,092	12.41
Total	<u>\$ 14,451,435</u>	

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	S&P: AAA-A	S&P: BBB-B	Not Rated
Corporate asset-backed	\$ 741,880	\$ -	\$ 357,948
Corporate bonds	1,689,189	3,183,621	110,121
Corporate collateralized mortgage obligations	214,360	-	918,484
Private placement	35,543	117,549	-
U.S. government collateralized mortgage obligations	-	-	988,861
U.S. government mortgage-backed	-	-	3,456,616
U.S. government treasuries, notes, and bonds	-	-	2,102,731
Foreign bonds	364,417	170,115	-
Total	<u>\$ 3,045,389</u>	<u>\$ 3,471,285</u>	<u>\$ 7,934,761</u>

Concentration of Credit Risk

The City places limits on deposits maintained at any given financial institution to no more than 50 percent of the City's total deposits.

The City and the City's Pension and Retiree Health funds do not limit investments in any one issuer. At June 30, 2018, the City's Pension Fund maintained investments in Loomis Sayles Small Cap Value Fund, totaling approximately 10.86 percent of the Pension Fund's total investments; Loomis Sayles Global Equity and Income Fund, totaling approximately 11.04 percent of the Pension Fund's total investments; Loomis Sayles Capital Income Fund, totaling approximately 11.55 percent of the Pension Fund's total investments; Oakmark Global Select Fund, totaling approximately 14.66 percent of the Pension Fund's total investments; and Loomis Sayles Senior Loan Fund, LLC, totaling approximately 6.41 percent of the Pension Fund's total investments.

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

Note 3 - Deposits and Investments (Continued)

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

Assets Measured at Fair Value on a Recurring Basis Fair Value Measurement Using

	Assets Measured at Fair Value on a Recurring Basis Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Common stock	\$ 10,763,155	\$ -	\$ -	\$ 10,763,155
Corporate bonds	-	5,517,463	-	5,517,463
Corporate asset-backed securities	-	1,099,828	-	1,099,828
Corporate collateralized mortgage obligations	-	1,132,844	-	1,132,844
U.S. government collateralized mortgage obligations	-	988,861	-	988,861
U.S. government mortgage-backed securities	-	3,456,616	-	3,456,616
U.S. government treasuries, notes, and bonds	-	2,102,731	-	2,102,731
Private placement	-	153,092	-	153,092
Mutual funds	31,184,429	-	-	31,184,429
Total investments by fair value level	\$ 41,947,584	\$ 14,451,435	\$ -	\$ 56,399,019

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

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

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

Investments in Entities that Calculate Net Asset Value per Share

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

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

	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Loomis Sayles Senior Loan Fund, LLC	\$ 3,874,563	\$ -	No restrictions	None

The Loomis Sayles Senior Loan Fund, LLC invests in a portfolio of "par" bank loans. The fund seeks to diversify risks and reduce volatility by investing in a wide range of industries and securities. The fund's composite portfolio includes investments in approximately 92 percent U.S. investments, 4 percent Canadian investments, and 4 percent other international investments. The fair value of the investment has been estimated using the net asset value of the City's ownership interest in members' capital.

June 30, 2018

Note 4 - Capital Assets

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

Governmental Activities

	Balance July 1, 2017	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated - Land	\$ 2,791,978	\$ -	\$ -	\$ 2,791,978
Capital assets being depreciated:				
Sidewalks and other intangible rights	1,792,655	127,470	-	1,920,125
Buildings and improvements	6,905,598	82,315	-	6,987,913
Machinery and equipment	7,505,225	244,795	(5,512)	7,744,508
Land improvements	2,992,017	76,868	-	3,068,885
Roads and bridges	10,950,365	-	-	10,950,365
Subtotal	30,145,860	531,448	(5,512)	30,671,796
Accumulated depreciation:				
Sidewalks	1,694,786	26,374	-	1,721,160
Buildings and improvements	3,160,755	114,319	-	3,275,074
Machinery and equipment	6,592,818	250,330	(5,512)	6,837,636
Land improvements	2,781,001	25,633	-	2,806,634
Roads and bridges	7,719,319	324,074	-	8,043,393
Subtotal	21,948,679	740,730	(5,512)	22,683,897
Net capital assets being depreciated	8,197,181	(209,282)	-	7,987,899
Net capital assets	\$ 10,989,159	\$ (209,282)	\$ -	\$ 10,779,877

June 30, 2018

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2017	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated - Land	\$ 3,637,078	\$ -	\$ -	\$ 3,637,078
Capital assets being depreciated:				
Plant facilities	25,264,796	72,067	-	25,336,863
Production facilities	20,423,517	-	-	20,423,517
Transmission facilities	10,852,034	-	-	10,852,034
Tunnel and retention basins	35,435,604	-	-	35,435,604
Machinery and equipment	11,777,160	237,924	-	12,015,084
Land improvements	1,547,654	-	-	1,547,654
Subtotal	105,300,765	309,991	-	105,610,756
Accumulated depreciation:				
Plant facilities	16,429,007	597,451	-	17,026,458
Production facilities	11,131,572	403,445	-	11,535,017
Transmission facilities	4,837,700	217,041	-	5,054,741
Tunnel and retention basins	18,065,804	736,836	-	18,802,640
Machinery and equipment	8,751,811	434,496	-	9,186,307
Land improvements	1,410,016	36,879	-	1,446,895
Subtotal	60,625,910	2,426,148	-	63,052,058
Net capital assets being depreciated	44,674,855	(2,116,157)	-	42,558,698
Net capital assets	<u>\$ 48,311,933</u>	<u>\$ (2,116,157)</u>	<u>\$ -</u>	<u>\$ 46,195,776</u>

Component Unit - Downtown Development Authority

	Balance July 1, 2017	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated - Land	\$ 151,892	\$ -	\$ -	\$ 151,892

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

Governmental activities:				
General government				\$ 146,934
Public safety				53,367
Public works				361,220
Economic development				150,199
Recreation and culture				29,010
Total governmental activities				<u>\$ 740,730</u>
Business-type activities:				
Sewage disposal				\$ 1,379,687
Water supply system				678,600
Automobile parking system				183,714
Ice arena				184,147
Total business-type activities				<u>\$ 2,426,148</u>

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Ice Arena	\$ 613,567
Sewage Disposal System	Water Supply System	708,549
General Fund	Automobile Parking System	176,238
	Total	<u>\$ 1,498,354</u>

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

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

Fund Transferred From	Fund Transferred To	Amount
General Fund	Nonmajor governmental funds	\$ 50,000

The transfers from the General Fund to the nonmajor governmental funds provided funding for operations.

Note 6 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the City) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

June 30, 2018

Note 6 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Installment purchase agreement - Copiers	\$ 20,010	\$ -	\$ (4,313)	\$ 15,697	\$ 4,547
Installment purchase agreement - Vactor jet	49,953	-	(49,953)	-	-
Installment purchase agreement - Copiers - IS	2,915	-	(56)	2,859	616
General obligation bonds - Series 2015 41B District Court Building Refunding Bonds (Note 14)	1,805,400	-	(93,500)	1,711,900	92,820
Total	1,878,278	-	(147,822)	1,730,456	97,983
Accrued sick and vacation liability	605,555	360,529	(300,000)	666,084	300,000
Total governmental activities	<u>\$ 2,483,833</u>	<u>\$ 360,529</u>	<u>\$ (447,822)</u>	<u>\$ 2,396,540</u>	<u>\$ 397,983</u>

June 30, 2018

Note 6 - Long-term Debt (Continued)

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
General obligation bonds:					
State Combined Sewer Overflow					
Revolving Fund Debt:					
1998A Sewage Disposal System Bonds	\$ 955,000	\$ -	\$ (310,000)	\$ 645,000	\$ 320,000
1998A-2 Sewage Disposal System Bonds	760,350	-	(262,663)	497,687	267,527
1999A Sewage Disposal System Bonds	1,505,000	-	(490,000)	1,015,000	500,000
1998B Sewage Disposal System Bonds	175,000	-	(175,000)	-	-
1999B Sewage Disposal System Bonds	225,000	-	(75,000)	150,000	75,000
2010 Clean Water Program Proj. 5477-01	895,942	-	(55,000)	840,942	55,000
Installment purchase agreement - Copiers	5,718	-	-	5,718	1,266
2016 Parking Improvement Refunding Bonds	2,363,000	-	(378,000)	1,985,000	366,000
1998B Water Supply System Revenue Bonds	150,000	-	(75,000)	75,000	75,000
1998A Water Supply System Revenue Bonds	155,000	-	(50,000)	105,000	50,000
1998A-2 Water Supply System Revenue Bonds	346,500	-	(122,000)	224,500	124,500
1999A Water Supply System Revenue Bonds	890,000	-	(290,000)	600,000	295,000
2000A Water Supply System Revenue Bonds	470,000	-	(115,000)	355,000	115,000
2000A-2 Water Supply System Revenue Bonds	625,000	-	(120,000)	505,000	120,000
2007A Water Supply System Revenue Bonds	2,094,911	-	(190,000)	1,904,911	195,000
2007B Water Supply System Revenue Bonds	154,632	-	(10,000)	144,632	10,000
Total bonds payable	11,771,053	-	(2,717,663)	9,053,390	2,569,293
Long-term portion of accrued sick and vacation liability	90,552	81,588	(59,797)	112,343	74,933
Total business-type activities	\$ 11,861,605	\$ 81,588	\$ (2,777,460)	\$ 9,165,733	\$ 2,644,226

Note 6 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 97,983	\$ 54,747	\$ 152,730	\$ 2,569,293	\$ 200,268	\$ 2,769,561
2020	114,617	51,543	166,160	2,503,527	137,648	2,641,175
2021	113,894	47,809	161,703	924,444	84,701	1,009,145
2022	108,592	44,171	152,763	823,372	64,404	887,776
2023	122,740	40,784	163,524	711,000	48,380	759,380
2024-2028	691,730	143,112	834,842	1,319,343	101,074	1,420,417
2029-2031	480,900	30,090	510,990	202,411	8,433	210,844
Total	<u>\$ 1,730,456</u>	<u>\$ 412,256</u>	<u>\$ 2,142,712</u>	<u>\$ 9,053,390</u>	<u>\$ 644,908</u>	<u>\$ 9,698,298</u>

Bond Refunding

In 2016, the City defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2018, \$2,350,000 of bonds outstanding are considered defeased.

Revenue Bonds

The City has pledged substantially all revenue of the Water Supply System Fund, net of operating expenses, to repay the above water revenue bonds. Proceeds from the bonds provided financing for the repair of water infrastructure. The bonds are payable solely from the net revenue of the water system. The remaining principal and interest to be paid on the bonds total \$4,215,446. During the current year, net revenue of the system totaled \$865,194 compared to the annual debt requirements of \$1,084,955.

Restricted assets within the Water Supply System Fund totaled \$536,321. Assets are restricted in accordance with provisions of the fund's revenue obligation debt agreement.

Current year liabilities payable from restricted assets in the water supply system include \$435,875 of principal and \$23,196 of interest.

Note 7 - Environmental Remediation Liability

In a previous year, the City began remediation activities on a former municipal landfill, including the installation of an interception system and periodic monitoring of methane emissions. The current estimate of the ultimate liability, based on the probabilities of various cash flows, is \$810,000. A liability is included in the government-wide statements for the estimated probable cash flow related to the ongoing activities.

Note 8 - Risk Management

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

Note 9 - Pension Plan

Plan Description

The retirement system board of trustees manages and administers the City of Mount Clemens, Michigan Employees' Retirement System (the "Plan") - a cost-sharing defined benefit pension plan that provides pensions for substantially all permanent full-time employees of the City. Benefit terms have been established by contractual agreements between the City and the Housing Commission and the various employee union representation; amendments are subject to the same process.

The retirement system board of trustees consists of seven members nominated by the mayor and approved by the City Commission.

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

Benefits Provided

The Employees' Retirement System provides retirement, disability, and death benefits to eligible employees.

Retirement benefits for general plan members age 50 with 25 or more years of service or age 55 with 10 or more years of service are calculated as 2.25 percent of the member's final average compensation times the member's years of service up to 25 years plus 1 percent of the member's final average compensation times the member's years of service in excess of 25 years (2 percent for individuals hired prior to July 1, 1998). Final average compensation is based on the highest consecutive three years of compensation out of the last 10 years worked. For union members hired after June 30, 1998 and nonunion members hired after June 30, 1987, only base wages are included in final average compensation.

Benefits for firefighter plan members age 50 with 10 or more years of service are calculated as 2.5 percent of the member's final average compensation times the member's years of service up to 25 years plus 1 percent of the member's final average compensation times the member's years of service in excess of 25 years. Final average compensation is based on the highest three years of compensation out of the last 10 years worked.

All retirement benefits are based on the benefit formula in effect at the time of the member's termination. Benefits are forfeited upon withdrawal of all or part of a member's accumulated contributions.

All plan members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Nonduty disability retirement benefits are determined in the same manner as retirement benefits, with a minimum benefit prior to voluntary retirement age of 15 percent of final average compensation for general members and 50 percent of final average compensation for firefighter members. Duty-related disability retirement benefits are determined in the same manner as retirement benefits; however, upon the earlier of the termination of the member's workers' compensation or age 60, additional service credit is granted for the period in which the member was in receipt of workers' compensation and the benefit is recomputed. The sum of the duty-related benefits and the workers' compensation benefit may not exceed 100 percent of a final average compensation for general members and 85 percent of final average compensation for firefighters.

All plan members are eligible for nonduty death benefits after 25 years of service or eligibility for regular retirement. All plan members are eligible for duty death benefits upon hire. Nonduty death benefits are determined in the same manner as retirement benefits; however, the benefits are actuarially reduced in accordance with a 100 percent joint and survivor election. Duty death benefits for general members equal benefits paid under workers' compensation and are paid to the member's widower, unmarried children under the age of 18, and/or dependent parents. Duty death benefits for firefighters are determined in the same manner as disability benefits.

Note 9 - Pension Plan (Continued)

Members who have 10 or more years of service and are not eligible for duty or nonduty death benefits are eligible for a survivor retirement allowance. Under this provision, 75 percent of the regular member's retirement allowance will be paid to a member's surviving spouse, with additional service credit granted for the period between the member's date of death and the date that the member would have attained the age of 60. The benefit terminates upon death. The member's unmarried children under the age of 18 will be paid 15 percent of the member's regular retirement allowance computed in the same manner as for a surviving spouse. If a surviving spousal benefit is not being paid, the percentage of the regular retirement allowance paid will increase to 60. The benefit terminates upon marriage, death, or attainment of age 18.

Firefighter members retiring on or after February 13, 2003 with 15 or more years of service and firefighter members receiving death or disability benefits will receive an annual cost of living adjustment of 2 percent (noncompounding) per year for 10 years, calculated based on the initial annual pension benefit amount.

General members are not eligible for cost of living adjustments.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	Employees' Retirement System
Date of member count	June 30, 2017
Inactive plan members or beneficiaries currently receiving benefits	190
Inactive plan members entitled to but not yet receiving benefits	16
Active plan members	62
	<hr/>
Total employees covered by the plan	268
	<hr/> <hr/>

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 City 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 retirement system board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2018, the active general member contribution rate was 5.30 percent of annual compensation, and the active firefighter member contribution rate was 6.55 percent of annual compensation. The City's average contribution rate was 8.30 percent of annual covered payroll.

Net Pension Asset

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

Note 9 - Pension Plan (Continued)

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

Changes in Net Pension Asset	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Asset
Balance at July 1, 2017	\$ 59,884,124	\$ 61,950,099	\$ (2,065,975)
Changes for the year:			
Service cost	613,780	-	613,780
Interest	4,337,461	-	4,337,461
Differences between expected and actual experience	337,094	-	337,094
Contributions - Employer	-	363,621	(363,621)
Contributions - Employee	-	215,289	(215,289)
Net investment income	-	3,106,857	(3,106,857)
Benefit payments, including refunds	(4,716,388)	(4,716,388)	-
Administrative expenses	-	(5,021)	5,021
Net changes	571,947	(1,035,642)	1,607,589
Balance at June 30, 2018	<u>\$ 60,456,071</u>	<u>\$ 60,914,457</u>	<u>\$ (458,386)</u>

The plan's fiduciary net position represents 100.8 percent of the total pension liability.

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

For the year ended June 30, 2018, the City recognized pension expense of \$1,058,110.

At June 30, 2018, 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	\$ 202,078	\$ (47,992)
Net difference between projected and actual earnings on pension plan investments	1,076,987	-
Total	<u>\$ 1,279,065</u>	<u>\$ (47,992)</u>

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

Years Ending June 30	Amount
2019	\$ 925,230
2020	373,491
2021	(344,459)
2022	276,811
Total	<u>\$ 1,231,073</u>

Note 9 - Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using an inflation assumption of 2.75 percent; assumed salary increases (including inflation) of between 4.25 percent and 27.90 percent; an investment rate of return (net of investment expenses) of 7.50 percent; and using the RP-2000 Male (unadjusted) and Female (unadjusted) Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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

Investment Rate of Return

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap equity	30.00 %	5.00 %
Small cap equity	15.00	6.00
U.S. high-yield bond	5.00	4.00
U.S. investment grade bond	40.00	2.00
International equity	10.00	4.50

Note 9 - Pension Plan (Continued)

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

The following presents the net pension asset of the City, calculated using the discount rate of 7.50 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net pension liability (asset) of the Employees' Retirement System	\$ 5,496,779	\$ (458,386)	\$ (5,561,212)

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 asset, deferred outflows of resources and deferred inflows of resources related to pensions and pension, expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the 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.

Investment Policy

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

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.31 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Reserves

In accordance with the City's Code of Ordinances, the following reserves are required to be set aside within the pension plan:

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

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee and credits interest annually at a rate of 3.0 percent. For any employee who terminates before vesting in the pension plan, his or her balance is returned to him or her; for those who stay until retirement, the balance is transferred into the retiree reserve.

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

June 30, 2018

Note 9 - Pension Plan (Continued)

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

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 45,100,836	\$ 45,100,836
Employee reserve	6,588,300	6,588,300
Employer reserve	-	9,225,321
	<u> </u>	<u> </u>
Total	<u>\$ 51,689,136</u>	<u>\$ 60,914,457</u>

Note 10 - Other Postemployment Benefit Plan

Plan Description

The City provides retiree healthcare benefits to all full-time employees upon retirement, in accordance with labor contracts.

This is a single-employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. 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). Administrative costs are paid by the plan through employer contributions.

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

Benefits Provided

The Retiree Health Program provides healthcare benefits for eligible retirees and their spouses. Members are subject to age and service requirements in order to receive benefits. Member coverage is dependent upon the hire date and employee group of the member. Benefits are provided through the City's self-insurance program and the full cost of benefits is covered by the plan.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	June 30, 2017
Inactive plan members or beneficiaries currently receiving benefits	142
Inactive plan members entitled to but not yet receiving benefits	9
Active plan members	<u>62</u>
Total plan members	<u><u>213</u></u>

Contributions

Retiree healthcare costs are paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment; however, the City does make discretionary contributions to the trust. In the current year, the City paid postemployment healthcare premiums of \$1,704,430, plus it contributed \$150,012 into a prefunded retiree healthcare fund, which is reported in this financial statement as a retiree healthcare fund.

Note 10 - Other Postemployment Benefit Plan (Continued)

Net OPEB Liability

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

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at June 30, 2017	\$ 50,956,649	\$ -	\$ 50,956,649
Changes for the year:			
Service cost	899,277	-	899,277
Interest	1,830,057	-	1,830,057
Differences between expected and actual experience	(92,558)	-	(92,558)
Contributions - Employer	-	1,854,442	(1,854,442)
Net investment income	-	254	(254)
Benefit payments, including refunds	(1,704,430)	(1,704,430)	-
Administrative expenses	-	(1,008)	1,008
Net changes	932,346	149,258	783,088
Balance at June 30, 2018	<u>\$ 51,888,995</u>	<u>\$ 149,258</u>	<u>\$ 51,739,737</u>

The plan's fiduciary net position represents 0.29 percent of the total OPEB liability.

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$2,697,364.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 61,786
Net difference between projected and actual earnings on OPEB plan investments	1,954	-
Total	<u>\$ 1,954</u>	<u>\$ 61,786</u>

Note 10 - Other Postemployment Benefit Plan (Continued)

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

Years Ending June 30	Amount
2019	\$ (30,282)
2020	(30,282)
2021	242
2022	490

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using an inflation assumption of 3.50 percent; assumed salary increases (including inflation) of between 3.50 percent and 27.10 percent; an investment rate of return (net of investment expenses) of 3.62 percent; a healthcare cost trend rate of 9.00 percent for 2018, decreasing 0.50 percent per year to an ultimate rate of 3.50 percent for 2029 and later years; and using the RP-2000 Male and Female Healthy Life Mortality Tables, adjusted for mortality improvements to 2020 using projection scale AA. These assumptions were applied to all periods included in the measurement.

Discount Rate

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 not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate was determined by blending the long-term expected rate of return on OPEB plan investments 3.62 percent with the current yield for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, which currently stands at 3.62 percent (as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 29, 2018).

Investment Rate of Return

Given the low level of trust assets relative to plan liabilities, the investment rate of return used in this valuation of the Plan was 3.62 percent. This is the tax exempt municipal bond rate based on a 20-year index of general obligation bonds with an average AA credit rating as of the measurement date.

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 3.62 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 (2.62%)	Current Discount Rate (3.62%)	1 Percent Increase (4.62%)
Net OPEB liability of the Retiree Health Program	\$ 59,597,418	\$ 51,739,737	\$ 45,639,368

Note 10 - Other Postemployment Benefit Plan (Continued)

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

The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 9.00 percent, decreasing 0.5 percent per year to an ultimate rate of 3.5 percent for 2029 and later, 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	Current Healthcare Cost Trend Rate	1 Percent Increase
Net OPEB liability of the Retiree Health Program	\$ 45,699,103	\$ 51,739,737	\$ 59,141,083

OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is not available in the separately issued financial report. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on plan investments, net of investment expense, was (1.51) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 11 - Pension and Other Employee Benefit Trust Funds

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

	Pension and Other Employee Benefits Trust Fund	Retiree Health Care Trust	Total Pension and OPEB Funds
Statement of Net Position			
Cash and investments	\$ 60,841,081	\$ 150,266	\$ 60,991,347
Other assets	82,569	-	82,569
Liabilities	9,193	1,008	10,201
Net position	<u>\$ 60,914,457</u>	<u>\$ 149,258</u>	<u>\$ 61,063,715</u>
Statement of Changes in Net Position			
Investment income	\$ 3,307,157	\$ 254	\$ 3,307,411
Investment-related expenses	205,321	1,008	206,329
Contributions	530,300	1,854,442	2,384,742
Benefit payments	4,667,778	1,704,430	6,372,208
Net change in net position	<u>\$ (1,035,642)</u>	<u>\$ 149,258</u>	<u>\$ (886,384)</u>

Note 12 - Joint Ventures

The City is a member of the Grosse Pointe-Clinton Refuse Disposal Authority (the “Authority”) joint venture, which provides refuse disposal services to participating municipalities in the counties of Wayne and Macomb, Michigan. Other members include the cities of Grosse Pointe Park, Michigan; Grosse Pointe Farms, Michigan; Grosse Pointe, Michigan; Grosse Pointe Woods, Michigan; and Harper Woods, Michigan; the Village of Grosse Pointe Shores, Michigan; and the Township of Clinton. During the 2014-2015 fiscal year, the City declined to renew its participation in the refuse contract, but will still maintain a membership interest in the Authority until the City's interest in the Authority is fully refunded to the City.

The City's interest in the net position of the Authority totaled \$30,706 at June 30, 2018 and is reported as part of the governmental activities in the statement of net position. The City is unaware of any circumstances, including potential environmental remediation, that would cause an additional burden to the participating municipalities in the near future. Complete financial statements for the Authority can be obtained from its administrative offices at 27941 Harper Avenue, Suite 106, St. Clair Shores, MI 48081.

The City is also a member of the 41B District Court Common Fund (the “Court”), a joint venture that provides judiciary services to the City of Mount Clemens, Michigan and the Charter Townships of Clinton and Harrison. The City Commission appoints one member to the Court's management council, which has the responsibility of reviewing financial matters of the Court, including annual budget requests. The expenses of the Court are divided among three communities in proportion to the volume of cases attributable to each community. Fines and fees collected from within the communities are distributable to the communities, net of their allocation of the Court's expenditures. The City has also recorded its interest in the capital assets, the related bonded debt obligations, and the net position of the Court in the governmental activities statements in the amount of \$141,353, based on the same allocation percentages as used to allocate revenue and expenses among participating communities.

Note 13 - Tax Abatements

The City currently has several businesses that are receiving the Industrial Facilities Tax exemption (PA 198 of 1974), which encourages local businesses to construct new industrial facilities or rehabilitate historical facilities. This exemption applies to both real and personal property taxes. IFT abatements use a reduced (specific tax) millage rate of 50 percent of the normal millage rate that is applied to a taxable value that is calculated in the same manner as all of the properties that are contained on the regular (ad valorem) assessment roll. The amount of tax foregone as a result of this abatement for the year ended June 30, 2018 was \$16,509.

The City also has businesses that are receiving the Personal Property Tax exemption (PA 328 of 1998), which provides a 100 percent property tax exemption for specific businesses located within eligible distressed communities. This exemption is for all new personal property placed in a district that has been established by the local unit of government. The amount of tax foregone as a result of this abatement for the year ended June 30, 2018 was \$132,826.

Certain housing developments within the City are receiving the Obsolete Property Rehabilitation tax exemption (PA 146 of 2000), which provides property tax exemptions for commercial and commercial housing properties that are rehabilitated and meet the requirements of the act. Properties must meet eligibility requirements, including a statement of obsolescence by the local assessor. The property must be located in an established Obsolete Property Rehabilitation District. The amount of tax foregone as a result of this abatement for the year ended June 30, 2018 was \$7,004.

Certain housing developments and individuals within the City are receiving the Neighborhood Enterprise Zone tax exemption (PA 147 of 1992), which provides for the development and rehabilitation of residential housing located within eligible distressed communities. The amount of tax foregone as a result of this abatement for the year ended June 30, 2018 was \$7,389.

Note 13 - Tax Abatements (Continued)

The City also has certain housing developments within the City that are making payments in lieu of taxes due to tax-exempt ownership or the use of a particular piece of property. The amount of tax foregone as a result of this abatement for the year ended June 30, 2018 was \$285,097.

In total, the amount forgone as a result of all tax abatements for the year ended June 30, 2018 was \$448,825.

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

Note 14 - Change in Accounting Principle

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

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

	Net Position		
	As Previously Reported	As Restated	Effect of Change
Governmental activities	\$ 9,741,286	\$(20,890,552)	\$(30,631,838)
Business-type activities:			
Sewage Disposal System	26,235,716	20,140,069	(6,095,647)
Water Supply System	7,520,567	2,944,756	(4,575,811)
Sanitary Department	782,837	782,837	-
Automobile Parking System	2,425,018	2,425,018	-
Ice Arena	2,124,368	2,124,368	-

Required Supplemental Information

City of Mount Clemens, Michigan

**Required Supplemental Information
Budgetary Comparison Schedule - General Fund**

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 6,155,480	\$ 6,060,000	\$ 6,022,435	\$ (37,565)
Intergovernmental:				
Federal entitlement and grant revenue	63,343	63,343	41,817	(21,526)
State-shared grants and other revenue:				
State-shared revenue	1,790,978	1,868,000	1,868,658	658
Shared revenue and grants	716,000	811,200	820,361	9,161
Charges for services	1,078,500	1,197,550	1,280,337	82,787
Fines and fees	40,000	14,600	33,351	18,751
Licenses and permits	235,600	276,830	284,071	7,241
Investment income	8,000	11,100	12,050	950
Other revenue - Miscellaneous revenue	373,200	517,250	513,442	(3,808)
Total revenue	10,461,101	10,819,873	10,876,522	56,649
Expenditures				
Current services:				
General government	2,036,051	2,416,294	2,224,144	192,150
Public safety	4,832,714	4,808,500	4,810,435	(1,935)
Public works	515,343	524,972	470,791	54,181
Other functions	2,479,000	2,265,600	1,978,324	287,276
Recreation	259,943	271,154	254,228	16,926
Total expenditures	10,123,051	10,286,520	9,737,922	548,598
Excess of Revenue Over Expenditures	338,050	533,353	1,138,600	605,247
Other Financing Uses - Transfers out	(50,000)	(50,000)	(50,000)	-
Net Change in Fund Balance	288,050	483,353	1,088,600	605,247
Fund Balance - Beginning of year	4,087,302	4,087,302	4,087,302	-
Fund Balance - End of year	\$ 4,375,352	\$ 4,570,655	\$ 5,175,902	\$ 605,247

City of Mount Clemens, Michigan

Required Supplemental Information
Budgetary Comparison Schedule - Major Streets and Trunklines

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Intergovernmental	\$ 1,039,000	\$ 1,143,400	\$ 1,079,431	\$ (63,969)
Charges for services	15,000	18,485	18,487	2
Investment income	1,500	5,900	5,982	82
Other revenue - Miscellaneous revenue	1,000	4,100	4,494	394
Total revenue	1,056,500	1,171,885	1,108,394	(63,491)
Expenditures - Current services - Public works	1,081,548	816,880	706,824	110,056
Net Change in Fund Balance	(25,048)	355,005	401,570	46,565
Fund Balance - Beginning of year	958,923	958,923	958,923	-
Fund Balance - End of year	<u>\$ 933,875</u>	<u>\$ 1,313,928</u>	<u>\$ 1,360,493</u>	<u>\$ 46,565</u>

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

	Last Five Fiscal Years				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 613,780	\$ 602,960	\$ 622,625	\$ 619,923	\$ 656,926
Interest	4,337,461	4,345,809	4,330,064	4,342,947	4,309,835
Changes in benefit terms	-	316,481	-	-	27,047
Differences between expected and actual experience	337,094	(258,624)	(291,396)	(493,504)	-
Benefit payments, including refunds	(4,716,388)	(4,897,332)	(4,618,663)	(4,666,338)	(4,401,292)
Net Change in Total Pension Liability	571,947	109,294	42,630	(196,972)	592,516
Total Pension Liability - Beginning of year	59,884,124	59,774,830	59,732,200	59,929,172	59,336,656
Total Pension Liability - End of year	\$ 60,456,071	\$ 59,884,124	\$ 59,774,830	\$ 59,732,200	\$ 59,929,172
Plan Fiduciary Net Position					
Contributions - Employer	\$ 363,621	\$ 416,548	\$ 700,332	\$ 761,168	\$ 505,402
Contributions - Member	215,289	214,293	222,008	218,247	268,110
Net investment income	3,106,857	7,360,738	1,208,552	1,936,719	9,217,006
Administrative expenses	(5,021)	(5,092)	(11,979)	(14,906)	(12,919)
Benefit payments, including refunds	(4,716,388)	(4,897,332)	(4,618,663)	(4,666,338)	(4,401,292)
Other	-	-	141	-	150
Net Change in Plan Fiduciary Net Position	(1,035,642)	3,089,155	(2,499,609)	(1,765,110)	5,576,457
Plan Fiduciary Net Position - Beginning of year	61,950,099	58,860,944	61,360,553	63,125,663	57,549,206
Plan Fiduciary Net Position - End of year	\$ 60,914,457	\$ 61,950,099	\$ 58,860,944	\$ 61,360,553	\$ 63,125,663
City's Net Pension (Asset) Liability - Ending	\$ (458,386)	\$ (2,065,975)	\$ 913,886	\$ (1,628,353)	\$ (3,196,491)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	100.76 %	103.45 %	98.47 %	102.73 %	105.33 %
Covered Payroll	\$ 3,794,286	\$ 3,712,055	\$ 3,842,979	\$ 3,795,991	\$ 3,977,668
City's Net Pension (Asset) Liability as a Percentage of Covered Payroll	(12.08)%	(55.66)%	23.78 %	(42.90)%	(80.36)%

Required Supplemental Information
 Schedule of City Contributions
 Employees' Retirement System

Last Ten Fiscal Years
 Years Ended June 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	\$ 314,785	\$ 386,887	\$ 443,782	\$ 582,932	\$ 720,624	\$ 734,519	\$ 770,584	\$ 940,264	\$ 704,000	\$ 522,454
Contributions in relation to the statutorily required contribution	363,621	416,548	700,332	761,169	505,402	520,114	558,412	566,821	678,251	620,431
Contribution (Excess) Deficiency	\$ (48,836)	\$ (29,661)	\$ (256,550)	\$ (178,237)	\$ 215,222	\$ 214,405	\$ 212,172	\$ 373,443	\$ 25,749	\$ (97,977)
City's Covered Payroll	\$ 3,794,286	\$ 3,712,055	\$ 3,842,979	\$ 3,795,991	\$ 3,977,668	\$ 3,815,508	\$ 3,822,187	\$ 4,086,498	\$ 4,593,744	\$ 4,644,573
Contributions as a Percentage of Covered Payroll	9.58 %	11.22 %	18.22 %	20.05 %	12.71 %	13.63 %	14.61 %	13.87 %	14.76 %	13.36 %

Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	23 years
Asset valuation method	Five-year smoothed market
Inflation	2.75 percent
Salary increase	4.25 percent to 27.90 percent
Investment rate of return	7.50 percent (net of expenses)
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Male (unadjusted) and Female (unadjusted) Health Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA.

City of Mount Clemens, Michigan

**Required Supplemental Information
Schedule of Investment Returns**

	Last Ten Fiscal Years Years Ended June 30									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual money-weighted rate of return, net of investment expense	5.31 %	13.10 %	2.20 %	3.50 %	16.60 %	13.60 %	3.50 %	20.60 %	14.20 %	(13.40)%

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

	Last Fiscal Year
	2018
Total OPEB Liability	
Service cost	\$ 899,277
Interest	1,830,057
Differences between expected and actual experience	(92,558)
Benefit payments, including refunds	(1,704,430)
Net Change in Total OPEB Liability	932,346
Total OPEB Liability - Beginning of year	50,956,649
Total OPEB Liability - End of year	\$ 51,888,995
Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,854,442
Net investment income	254
Administrative expenses	(1,008)
Benefit payments, including refunds	(1,704,430)
Net Change in Plan Fiduciary Net Position	149,258
Plan Fiduciary Net Position - Beginning of year	-
Plan Fiduciary Net Position - End of year	\$ 149,258
Net OPEB Liability - Ending	\$ 51,739,737
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.29 %
Covered Employee Payroll	\$ 3,681,726
Net OPEB Liability as a Percentage of Covered Employee Payroll	1,405.31 %

City of Mount Clemens, Michigan

Required Supplemental Information
Schedule of OPEB Investment Returns

**Last Fiscal Year
Year Ended June 30**

2018

Annual money-weighted rate of return, net of investment expense

(1.51)%

Other Supplemental Information

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Local Streets	Dial-A-Ride	Public Improvement	Sidewalk Safety Fund	
Assets					
Cash and cash equivalents	\$ 1,075,528	\$ 389,224	\$ 35,737	\$ 81,342	\$ 1,581,831
Receivables:					
Other receivables	-	18,887	8,211	25,054	52,152
Other governmental units	64,789	-	-	-	64,789
Prepaid expenses	-	2,370	-	-	2,370
Total assets	\$ 1,140,317	\$ 410,481	\$ 43,948	\$ 106,396	\$ 1,701,142
Liabilities					
Accounts payable	\$ 2,701	\$ 277	\$ 3,352	\$ -	\$ 6,330
Due to other governmental units	-	8,558	-	-	8,558
Accrued liabilities and other	-	6,713	-	-	6,713
Total liabilities	2,701	15,548	3,352	-	21,601
Fund Balances					
Nonspendable - Prepays	-	2,370	-	-	2,370
Restricted:					
Right-of-way maintenance	287,119	-	-	-	287,119
Street construction	750,497	-	-	-	750,497
Transportation	-	302,563	-	-	302,563
Public improvement	-	-	40,596	-	40,596
Assigned:					
Local street construction	100,000	-	-	-	100,000
Sidewalks	-	-	-	106,396	106,396
Transportation	-	90,000	-	-	90,000
Total fund balances	1,137,616	394,933	40,596	106,396	1,679,541
Total liabilities and fund balances	\$ 1,140,317	\$ 410,481	\$ 43,948	\$ 106,396	\$ 1,701,142

City of Mount Clemens, Michigan

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

Year Ended June 30, 2018

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Local Streets	Dial-A-Ride	Public Improvement	Sidewalk Safety Fund	
Revenue					
Property taxes	\$ -	\$ 278,676	\$ 66	\$ -	\$ 278,742
Special assessments	-	-	55,753	-	55,753
Intergovernmental - State-shared grants and other revenue	481,429	200,708	-	-	682,137
Charges for services	31,477	57,393	-	-	88,870
Investment income	2,089	1,476	-	-	3,565
Other revenue - Miscellaneous revenue	-	1,391	-	101,506	102,897
Total revenue	514,995	539,644	55,819	101,506	1,211,964
Expenditures - Current - Public works	289,187	459,710	52,108	127,470	928,475
Excess of Revenue Over (Under) Expenditures	225,808	79,934	3,711	(25,964)	283,489
Other Financing Sources - Transfers in	-	-	-	50,000	50,000
Net Change in Fund Balances	225,808	79,934	3,711	24,036	333,489
Fund Balances - Beginning of year	911,808	314,999	36,885	82,360	1,346,052
Fund Balances - End of year	\$1,137,616	\$ 394,933	\$ 40,596	\$ 106,396	\$ 1,679,541

City of Mount Clemens, Michigan

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

June 30, 2018

	Pension and Other Employee Benefits Trust Fund	Retiree Health Care Trust	Total Pension and OPEB Funds
Assets			
Cash and cash equivalents	\$ 717,750	\$ 15	\$ 717,765
Investments:			
U.S. government securities	2,102,731	-	2,102,731
Mutual funds	31,034,178	150,251	31,184,429
Private placement bonds	153,092	-	153,092
Closely held equities	3,874,563	-	3,874,563
Common stock	10,763,155	-	10,763,155
Corporate bonds	5,517,463	-	5,517,463
U.S. mortgage-backed securities	3,456,616	-	3,456,616
U.S. collateralized mortgage obligations	988,861	-	988,861
Corporate asset-backed securities	1,099,828	-	1,099,828
Corporate collateralized mortgage obligations	1,132,844	-	1,132,844
Accrued interest receivable	82,569	-	82,569
Total assets	60,923,650	150,266	61,073,916
Liabilities			
Accounts payable	9,007	750	9,757
Due to other governmental units	-	258	258
Accrued liabilities and other	186	-	186
Total liabilities	9,193	1,008	10,201
Net Position Restricted for Pension and OPEB	\$ 60,914,457	\$ 149,258	\$ 61,063,715

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

Year Ended June 30, 2018

	Pension and Other Employee Benefits Trust Fund	Retiree Health Care Trust	Total Pension and OPEB Funds
Additions			
Investment income (loss):			
Interest and dividends	\$ 2,711,702	\$ 1,287	\$ 2,712,989
Net increase in fair value of investments	595,455	(1,033)	594,422
Investment-related expenses	(205,321)	(1,008)	(206,329)
Net investment income (loss)	3,101,836	(754)	3,101,082
Contributions:			
Employer	315,011	1,854,442	2,169,453
Employee	215,289	-	215,289
Total contributions	530,300	1,854,442	2,384,742
Total additions	3,632,136	1,853,688	5,485,824
Deductions - Benefit payments	4,667,778	1,704,430	6,372,208
Net (Decrease) Increase in Net Position Held in Trust	(1,035,642)	149,258	(886,384)
Net Position Restricted for Pension and OPEB -			
Beginning of year	61,950,099	-	61,950,099
Net Position Restricted for Pension and OPEB - End of year	\$ 60,914,457	\$ 149,258	\$ 61,063,715

**Other Supplemental Information
Statement of Assets and Liabilities
Agency Funds**

June 30, 2018

	Tax Collections	Fire Insurance Escrow Fund	Total Agency Funds
Assets			
Cash and cash equivalents	\$ 1,246	\$ 206,229	\$ 207,475
Receivables from sales to customers on account	2,484	-	2,484
Total assets	\$ 3,730	\$ 206,229	\$ 209,959
Liabilities			
Due to other governmental units	\$ 3,730	\$ -	\$ 3,730
Refundable deposits, bonds, etc.	-	206,229	206,229
Total liabilities	\$ 3,730	\$ 206,229	\$ 209,959