

CITY OF WAYNE, MICHIGAN

**FINANCIAL REPORT
WITH
SUPPLEMENTAL INFORMATION**

JUNE 30, 2019

CITY OF WAYNE, MICHIGAN

Contents

	<u>Page No.</u>
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities.....	9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances.....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	13
Proprietary Funds:	
Statement of Net Position	14
Statement of Revenue, Expenses, and Changes in Net Position	15
Statement of Cash Flows.....	16
Fiduciary Funds:	
Statement of Net Position	17
Component Units:	
Statement of Net Position	18
Statement of Activities.....	19
Notes to Financial Statements	20
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund.....	51
Budgetary Comparison Schedule – Local Streets Fund	52
Notes to Budgetary Comparison Schedules	53
Schedule of Changes in the Total OPEB Liability And Related Ratios	55
Schedule of OPEB Contribution Last Five Fiscal Years.....	56
Schedule of Changes in the City Net Pension Liability and Related Ratios	57
Schedule of City Contributions - Last Ten Fiscal Years.	58
Other Supplemental Information	
Non-Major Governmental Funds:	
Combining Balance Sheet	60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	61
Agency Funds	
Combining Statement of Assets and Liabilities.....	62



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alancyoung.com

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Wayne, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wayne, Michigan (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City'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 and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

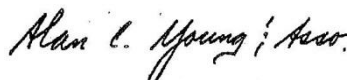
Accounting principles generally accepted in the United States of America require that the Required Supplementary Information, as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements are the responsibility of management and were derived from and relate 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, based on our audit, the procedures performed as described above, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standard* in considering the City's internal control over financial reporting and compliance.



Detroit, Michigan
December 19, 2019

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

FINANCIAL HIGHLIGHTS

The City has experienced financial difficulties for several years as a result of declining revenue sources, primarily property taxes and state shared revenue, and increasing costs, most notably pension contributions and retiree healthcare. As a result, the City's financial position has been eroding for several years. Fiscal year 2018 saw several significant positive improvements ; however the year ended June 30, 2019, had mixed results. Significant financial events this year include:

- After achieving compliance with Michigan's Public act 202 of 2017 in fiscal year 2018, the City's MERS defined benefit pension system's funding status fell to 55 percent in fiscal year 2019. The decline in value was due to poor investment performance in the 4th quarter of calendar year 2018. The City continues to make 100 percent of its required contribution to the plan.
- In 2017, the City Council voted to reduce the healthcare benefits offered to retirees to a fixed stipend instead of the City providing health insurance. This action was initially blocked in court, but subsequently that decision was reversed. The City implemented the stipend effective January 1, 2019 and immediately experienced financial savings. The new actuarial valuation calculates the City's Other Postemployment Benefits (OPEB) liability as just over \$5 million, a reduction of over \$80 million from just two years ago.
- Under full accrual accounting, the Governmental activities of the City of Wayne's net position improved by approximately \$2.0 million, primarily due to paying down bonded debt and the decreases to the OPEB liability.
- General Fund performed better than budgeted; however, it still incurred a loss of approximately \$675,000. Even after the change in OPEB noted above and many other difficult but necessary financial decisions, the City still struggles on a year to year basis to balance the budget. The City is still feeling the lingering effects of the Great Recession, i.e. home values have improved, but taxable value increases have been capped by Headlee and Proposal A which has prevented the City's taxable value, and therefore property tax revenues, from a similar improvement.
- The Water and Sewer Fund continues to improve its financial position. Net position improved by approximately \$448,000 during the year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

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

CITY OF WAYNE, MICHIGAN

Management's Discussion and Analysis (Continued) June 30, 2019

REPORTING THE CITY AS A WHOLE

The following table shows the net position of the City as of June 30, 2019 and 2018:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current Assets	\$ 9,235,579	\$ 8,647,199	\$ 10,396,452	\$ 9,844,086	\$ 19,632,031	\$ 18,491,285
Capital and other Assets	36,373,679	36,766,685	26,853,101	26,588,503	63,226,780	63,355,188
Total Assets	45,609,258	45,413,884	37,249,553	36,432,589	82,858,811	81,846,473
Deferred Outflows	6,579,210	1,624,605	564,513	284,078	7,143,723	1,908,683
Liabilities						
Current Liabilities	3,433,089	3,343,671	2,703,184	1,663,742	6,136,273	5,007,411
Debt and Long-term Liabilities	61,060,618	56,505,498	14,166,320	14,288,461	75,226,938	70,793,961
Total Liabilities	64,493,707	59,849,169	16,869,504	15,952,203	81,363,211	75,801,372
Deferred Inflows	15,428	1,471,695	1,342	269,426	16,770	1,741,121
Net Position						
Net Investment in Capital Assets	26,754,797	25,652,819	16,228,101	15,343,502	42,982,898	40,996,321
Restricted	5,479,109	4,171,640	-	-	5,479,109	4,171,640
Unrestricted	(44,554,573)	(44,106,834)	4,715,119	5,151,536	(39,839,454)	(38,955,298)
Total Net Position	\$ (12,320,667)	\$ (14,282,375)	\$ 20,943,220	\$ 20,495,038	\$ 8,622,553	\$ 6,212,663

The following table shows the changes in net position for the years ended June 30, 2019 and 2018:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue						
General Revenue	\$11,240,862	\$10,637,795	\$ 45,297	\$ 32,363	\$ 11,286,159	\$ 10,670,158
Charge for Service	5,912,224	6,760,288	10,553,333	11,476,970	16,465,557	18,237,258
Grants and Contributions	4,112,959	3,998,153	-	-	4,112,959	3,998,153
Total Revenue	21,266,045	21,396,236	10,598,630	11,509,333	31,864,675	32,905,569
Program Expenses						
General Government	3,168,695	2,960,448	-	-	3,168,695	2,960,448
District Court	1,064,398	798,314	-	-	1,064,398	798,314
Public Safety	6,742,819	6,312,505	-	-	6,742,819	6,312,505
Public Services	4,662,494	4,253,171	-	-	4,662,494	4,253,171
Health and Welfare	-	406,076	-	-	-	406,076
Recreation and Cultural	2,355,908	2,327,016	-	-	2,355,908	2,327,016
Interest on Long-term Debt	689,698	669,677	-	-	689,698	669,677
Community and Economic Development	620,325	231,627	-	-	620,325	231,627
Water and Sewer	-	-	10,150,448	9,483,714	10,150,448	9,483,714
Total Expenses	19,304,337	17,958,834	10,150,448	9,483,714	29,454,785	27,442,548
Change in Net Position	\$ 1,961,708	\$ 3,437,402	\$ 448,182	\$ 2,025,619	\$ 2,409,890	\$ 5,463,021

GOVERNMENTAL ACTIVITIES

Net Position of the City's governmental activities improved by approximately \$2.0 million, reducing the deficit of Net Position from (\$14.3) million to (\$12.3) million. Of that change, \$0.6 million comes from the activities of the City's governmental funds. Approximately \$1.4 million comes from the net change in the City's long term liabilities for bonds, pension, and retiree healthcare.

The City paid down \$1.5 million of structured long-term liabilities (i.e, bonds).

In addition, the City spent \$1.1M on infrastructure improvements and various equipment.

CITY OF WAYNE, MICHIGAN

Management's Discussion and Analysis (Continued)

June 30, 2019

GOVERNMENTAL ACTIVITIES (CONTINUED)

The City's primary revenue sources, property taxes and state-shared revenues, continue to grow at approximately the rate of inflation, 1.5% to 3% annually. Unfortunately, this is not sufficient to eliminate the structural deficit the City has in place. The massive taxable value losses the City incurred during the Great Recession cut taxable values in the City by approximately 45 percent. The City continues to cut costs or freeze spending where it can, but remaining expenses such as pension contributions continually increase. Even with the changes to retiree healthcare benefits noted earlier, the City's revenue streams are not adequate. The City of Wayne has a revenue problem, not an expenditure problem.

BUSINESS-TYPE ACTIVITIES

The City has one business-type activity - the Water and Sewer System Fund, whose sole purpose is to provide water and sewer services to the City. The City purchased water from the City of Detroit, and then from the Great Lakes Water Authority beginning in January 2016. Sewer services are purchased from Wayne County.

Total net position of the business-type activities increased for the year by approximately \$448,000. The net investment in capital assets increased by \$0.9 million, mostly due to new capital purchases and payments of bonded debt exceeding the depreciation expense. The unrestricted net position decreased by \$0.4 million due to the increase in pension liability.

THE CITY'S FUNDS

As of June 30, 2019, the governmental funds of the City, as presented in the balance sheet on page 10, reported a combined fund balance of \$7.9 million. This is an increase of approximately \$0.6 million from prior year. This is primarily due to the City's efforts to contain spending across all funds. Most significantly, the major and local street funds generated a combined surplus of approximately \$1.1M. The General Fund incurred a loss of \$675,000, which was \$571,000 better than the final amended budget and \$1.1M better than the originally adopted budget.

The cost containment efforts that have helped to generate a surplus in fiscal years 2017 and 2018 and have mitigated the loss in fiscal year 2019 include not filling open positions, which does have an effect on the service levels provided to Wayne residents, and the delaying of reinvestment in the City's capital assets such as roads, buildings, equipment, and technology. In order to maintain our existing quality of service, the City will have to redirect some of its efforts toward reinvesting back into the City operations and infrastructure. The City took steps in this direction during fiscal year 2019 by beginning the process of updating the City's master plan and conducting an Information Technology assessment.

Other non-major funds that account for such activity as refuse collections and the library posted modest surpluses this year. The Library reaped the benefit of a new millage approved by Wayne voters last year.

CITY OF WAYNE, MICHIGAN

Management's Discussion and Analysis (Continued) June 30, 2019

GENERAL FUND BUDGETARY HIGHLIGHTS

Several things went very well for the City's General Fund during fiscal 2019. Modest increases to property tax and State Shared Revenue exceeded the budget. Many planned expenditures that were included in the budget did not occur. Altogether, the General Fund performed better than the original budget by \$1.2 million and better than the final amended budget by \$571,000. Even though the General Fund incurred a loss, the financial results can be seen as a positive and demonstrates that the City and its leadership is taking the financial difficulties the City has experienced very seriously.

Altogether, the General Fund spent 1.6 percent less than planned. All departments of the General Fund spent less than their budget, except the District Court (\$69k), Recreation (\$26k), and Other, which includes retiree healthcare (\$149k). Despite switching retirees to a stipend instead of paying their healthcare premiums, there were older healthcare claims that trickled in for several months after the conversion.

CAPITAL ASSETS

At the end of June 30, 2019, after depreciation expense, the City (excluding Component Units) had \$63.0 million invested in capital assets including land and land improvements, buildings, improvements, equipment (including police and fire equipment), park facilities, roads, bridges and water and sewer lines. This represents a decrease of \$0.3 million from the previous year as the City's depreciation expense exceeds the new investment in infrastructure like roads and the water and sewer systems. Last year, the capital asset balance declined \$2.8 million.

New additions and improvements included resurfacing of Wayne Road, two new ambulances, police vehicles, trucks for public works, a building security system for City Hall, a vacuum sewer cleaner, and sewer slip lining. In total, the City added \$3.0 million of new capital assets, less depreciation expense of \$3.1 million.

DEBT ADMINISTRATION

At year end, the City has \$20.1 million in outstanding general obligation bonds, notes payable, and capital leases payable. Principal payments on this debt were approximately \$2.1 million, with another \$1.1 million paid in interest.

There was no new structured debt incurred during fiscal year 2019.

In addition, the City has \$2.0 million of accrued sick and vacation benefits which will be extinguished almost entirely out of the General Fund as the liability matures.

CITY OF WAYNE, MICHIGAN

Management's Discussion and Analysis (Continued) June 30, 2019

Approved appropriations by the City Council in the General Fund budget (through Budget Amendment #2 in November 2019) are \$16.7 million for the 2019-20 fiscal year, down from the actual results from the 2018-19 fiscal year (\$17.5 million). The decrease in budgeted revenue is even greater, going down from \$16.8 million in 2018-19 to \$15.2 million in 2019-20. The City typically is very conservative with estimating revenue. Altogether, this results in a planned deficit of \$1.5 million for the year. Historically, by the end of a fiscal year, the City has performed better than early budgeted figures would suggest; however, this is still reason to be cautious.

The City continues to look for ways to reduce costs internally, share services with surrounding communities, and other cost saving initiatives; however, these opportunities are very limited. At this point, any significant cost savings would result from a further reduced level of service for Wayne residents and/or reduced benefits for Wayne employees and retirees. Opportunities to raise new permanent revenues are even more limited. State shared revenue and tax revenue from existing millages will only go up by inflation. The City is currently levying the maximum property taxes it can under existing state law without a vote of the people; however, previous efforts to increase revenue via a Public Act 345 millage has been voted down several times already by Wayne voters. In August 2016, the voters also rejected a ballot initiative to join the South Macomb Oakland Regional Services Authority (SMORSA) that would have allowed the City to levy an additional millage to support public safety.

As of this writing, the City is considering placing a new Public Act 345 millage before the voters at the upcoming election in March 2020. If passed, that millage would be on tax bills in July 2020 for the 2021 fiscal year.

The City of Wayne has been dealing with significant financial hardships dating back to the beginning of the Great Recession in 2008. Through hard work, discipline, and shared sacrifice, the City – its residents, its business partners, and its employees - has weathered the storm so far. Challenges remain, but with continued cooperation, hard work, shared sacrifice, and a little bit of luck, the City is optimistic that it is properly prepared to overcome them.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, contact the City's finance office at 3355 South Wayne Road, Wayne, Michigan 48184.

CITY OF WAYNE, MICHIGAN

Statement of Net Position June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 6,854,995	\$ 7,829,234	\$ 14,684,229	\$ 413,003
Receivables, Net	2,187,724	2,492,288	4,680,012	-
Inventory	184,226	73,148	257,374	-
Prepaid Expenses	8,634	1,782	10,416	-
Total Current Assets	9,235,579	10,396,452	19,632,031	413,003
Noncurrent Assets:				
Restricted Assets				
Cash and Cash Equivalents	204,070	-	204,070	-
Capital Assets, Net				
Assets not subject to Depreciation	4,495,549	-	4,495,549	1,841,176
Assets subject to Depreciation	31,674,060	26,853,101	58,527,161	2,640,462
Total Capital Assets	36,169,609	26,853,101	63,022,710	4,481,638
Total Assets	45,609,258	37,249,553	82,858,811	4,894,641
Deferred Outflows of Resources - Pension	6,408,949	560,339	6,969,288	-
Deferred Outflows of Resources - OPEB	170,261	4,174	174,435	-
Total Deferred Outflows of Resources	6,579,210	564,513	7,143,723	-
LIABILITIES AND NET POSITION				
Liabilities				
Current Liabilities				
Accounts Payable and Accrued Expenses	1,022,595	1,845,185	2,867,780	50,415
Due to Other Governmental Units	170,782	-	170,782	-
Unsettled Claims	146,624	100,000	246,624	-
Current Portion of Long-term Debt	1,430,235	645,000	2,075,235	127,768
Accumulated Compensated Absences	600,000	730	600,730	-
Accrued Interest Payable	62,853	112,269	175,122	14,688
Total Current Liabilities	3,433,089	2,703,184	6,136,273	192,871
Long-term Liabilities				
Long-term Debt, Net of Current Portion	8,034,812	9,980,000	18,014,812	191,652
Other Post Employment Benefits	5,155,192	126,353	5,281,545	-
Net Pension Liability	46,435,848	4,059,967	50,495,815	-
Accumulated Compensated Absences	1,434,766	-	1,434,766	-
Total Noncurrent Liabilities	61,060,618	14,166,320	75,226,938	191,652
Total Liabilities	64,493,707	16,869,504	81,363,211	384,523
Deferred Inflows of Resources - Pension	15,428	1,342	16,770	-
Net Position				
Net Investment in Capital Assets	26,754,797	16,228,101	42,982,898	4,481,638
Restricted for:				
Cemetery Perpetual Care (Nonspendable)	365,344	-	365,344	-
Refuse Collection	522,362	-	522,362	-
Road	3,873,860	-	3,873,860	-
Law Enforcement	132	-	132	-
Youth Grants Program	362,515	-	362,515	-
Veteran's Memorial	24,474	-	24,474	-
Public Improvements	55,231	-	55,231	-
Library Operations	275,191	-	275,191	-
Unrestricted (Deficit)	(44,554,573)	4,715,119	(39,839,454)	28,480
Total Net Position	\$ (12,320,667)	\$ 20,943,220	\$ 8,622,553	\$ 4,510,118

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Statement of Activities For The Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Charges in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
General Government	\$ 3,168,695	\$ 2,147,821	\$ 1,327,089	\$ -	306,215	\$ -	\$ 306,215	\$ -
District Court	1,064,398	519,464	-	-	(544,934)	-	(544,934)	-
Public Safety	6,742,819	1,909,469	505,490	295,577	(4,032,283)	-	(4,032,283)	-
Public Services	4,662,494	1,302,336	1,728,455	-	(1,631,703)	-	(1,631,703)	-
Community and Economic Development	620,325	-	95,469	-	(524,856)	-	(524,856)	-
Recreation and Culture	2,355,908	33,134	160,879	-	(2,161,895)	-	(2,161,895)	-
Interest and Other Long-Term Debt	689,698	-	-	-	(689,698)	-	(689,698)	-
Total Governmental Activities	19,304,337	5,912,224	3,817,382	295,577	(9,279,154)	-	(9,279,154)	-
Business-type Activities:								
Water and Sewer	10,150,448	10,553,333	-	-	-	402,885	402,885	-
Total Primary Government	\$ 29,454,785	\$ 16,465,557	\$ 3,817,382	\$ 295,577	(9,279,154)	402,885	(8,876,269)	-
Component Units:								
Parks and Recreation Foundation	29,665	-	23	-	-	-	-	(29,642)
Downtown Development Authority	1,359,129	-	-	-	-	-	-	(1,359,129)
Total Component Units	\$ 1,388,794	\$ -	\$ 23	\$ -	-	-	-	(1,388,771)
			General Revenues:					
			Property Taxes, Levied for General Purposes		6,819,202	-	6,819,202	1,223,773
			Property Taxes, Levied for Refuse		1,032,137	-	1,032,137	-
			Property Taxes, Levied for Library		681,497	-	681,497	-
			Property Taxes, Levied for Road Program		353,506	-	353,506	-
			Franchise Taxes		291,087	-	291,087	-
			Investment Earnings		14,362	45,297	59,659	804
			State Shared Revenues		2,049,071	-	2,049,071	-
			Total General Revenue		11,240,862	45,297	11,286,159	1,224,577
			Change in Net Position		1,961,708	448,182	2,409,890	(164,194)
			Net Position (Deficit) - July 1, 2018		(14,282,375)	20,495,038	6,212,663	4,674,312
			Net Position (Deficit) - June 30, 2019		\$ (12,320,667)	\$ 20,943,220	\$ 8,622,553	\$ 4,510,118

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Governmental Fund Balance Sheet June 30, 2019

	General Fund	Local Streets Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 1,476,537	\$ 2,837,366	\$ 2,541,092	\$ 6,854,995
Restricted Cash and Cash Equivalents	204,070	-	-	204,070
Receivables:				
Accounts Receivable, Net	611,373	-	-	611,373
Special Assessments	69,582	10,449	-	80,031
Due from Other Governmental Units	888,114	93,309	406,193	1,387,616
Other	19	-	108,685	108,704
Due from Other Funds	107,062	-	-	107,062
Inventory	86,140	49,043	49,043	184,226
Prepaid Items	8,634	-	-	8,634
Total Assets	\$ 3,451,531	\$ 2,990,167	\$ 3,105,013	\$ 9,546,711
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 311,357	\$ 18,470	\$ 206,841	\$ 536,668
Due to Other Governmental Units	149,645	4,307	16,830	170,782
Due to Other Funds	-	-	107,062	107,062
Accrued Salaries and Wages	164,408	-	6,489	170,897
Deposits	34,484	-	-	34,484
Unearned Revenue	-	-	280,546	280,546
Unsettled Claims	146,624	-	-	146,624
Total Liabilities	806,518	22,777	617,768	1,447,063
Deferred Inflows of Resources				
Unavailable Revenue	72,446	10,449	79,687	162,582
Fund Balances:				
Nonspendable:				
Prepaid Items	8,634	-	-	8,634
Inventory	86,140	49,043	49,043	184,226
Permanent Fund Principal	-	-	365,344	365,344
Restricted:				
Road	-	2,907,898	857,427	3,765,325
Refuse Collection	-	-	522,362	522,362
Law Enforcement	-	-	132	132
Library Operations	-	-	249,771	249,771
Public Improvements	-	-	55,231	55,231
Veteran's Memorial	24,474	-	-	24,474
Youth Programs	-	-	358,440	358,440
Assigned:				
2020 Budget	1,518,089	-	-	1,518,089
Unassigned Balance	935,230	-	(50,192)	885,038
Total Fund Balances	2,572,567	2,956,940	2,407,558	7,937,066
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,451,531	\$ 2,990,167	\$ 3,105,013	\$ 9,546,711

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Reconciliation of the Balance Sheet To the Statement of Net Position June 30, 2019

Fund Balance - Total Governmental Funds \$ 7,937,066

Amounts Reported for Government Activities in the Statement of Net Position are Different Because:

Capital Assets used in Governmental Activities are not Financial Resources and are not Reported in the Funds.

The Cost of Capital Assets is:	88,894,755	
Accumulated Depreciation is:	<u>(52,725,146)</u>	36,169,609

Deferred Outflows are not Current Financial Resources and are not Reported in the Funds.	6,579,210
--	-----------

Deferred Inflows are not Current Obligations and are not Reported in the Funds	(15,428)
--	----------

Revenues not meeting the availability Criteria are Recorded as Deferred Inflows at the Fund Level, but Recorded as Revenue in the Full Accrual Statements.	162,582
--	---------

Long-term Obligations are not Due and Payable in the Current Period and are not Reported in the Funds.

Compensated Absences	(2,034,766)	
Bonds and Note Payable (Net of Discount)	(9,465,047)	
OPEB Payable	(5,155,192)	
Net Pension Liability	<u>(46,435,848)</u>	(63,090,853)

Accrued Interest is not Due and Payable in the Current Period and is Not Reported in the Funds.	<u>(62,853)</u>
---	-----------------

Net Position of Governmental Activities \$ (12,320,667)

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances Year Ended June 30, 2019

	General Fund	Local Streets Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 6,819,202	\$ 353,506	\$ 1,713,634	\$ 8,886,342
Licenses and Permits	734,982	-	-	734,982
Intergovernmental	3,868,768	660,570	1,817,025	6,346,363
Charges for Services	1,239,468	-	35,527	1,274,995
Fines and Forfeitures	544,352	-	-	544,352
Interest and Rents	436,545	6,376	4,194	447,115
Other Revenue	3,163,496	9,858	42,880	3,216,234
Total Revenue	16,806,813	1,030,310	3,613,260	21,450,383
Expenditures:				
General Government	5,501,501	-	49,985	5,551,486
District Court	1,056,598	-	-	1,056,598
Public Safety	7,040,803	-	32,218	7,073,021
Public Service	1,819,623	506,288	1,671,135	3,997,047
Community and Economic Development	162,278	-	453,922	616,200
Recreation and Culture	1,261,298	-	603,538	1,864,835
Debt Service				
Principal	476,596	-	25,000	501,596
Interest and Paying Agent Fees	162,789	-	25,313	188,102
Total Expenditures	17,481,486	506,288	2,861,111	20,848,885
Excess of Revenue Over Expenditures	(674,673)	524,022	752,150	601,498
Other Financing Sources (Uses):				
Transfers In	-	277,317	-	277,317
Transfers Out	-	-	(277,317)	(277,317)
Total Other Financing Sources (Uses)	-	277,317	(277,317)	-
Net Change in Fund Balances	(674,673)	801,339	474,833	601,498
Fund Balances - July 1, 2018	3,247,240	2,155,602	1,932,726	7,335,568
Fund Balances - June 30, 2019	\$ 2,572,567	\$ 2,956,941	\$ 2,407,559	\$ 7,937,066

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ 601,498
Amounts Reported for Governmental Activities in The Statement of Activities Are Different Because:	
Governmental Funds Report Capital Outlays As Expenditures; In The Statement of Activities These Costs Are Allocated Over Their Estimated Useful Lives As Depreciation:	
Depreciation Expense	(2,121,808)
Capital Outlay	1,733,870
Less: Paid by Capital Grant	<u>(652,393)</u>
Net paid by the City	1,081,477
Capital grant not recorded in the Governmental Funds	652,393
Revenue is recorded in the statement of activities when earned. It is not reported in the Funds until Collected or Collectible within 60 days of years.	(184,333)
Repayment of Bond Principal is an Expenditure in the Governmental Funds; But Not in the Statement of Activities (Where it Reduces Long-Term Debt)	
Principal Payments on Bonds and Note Payable	1,499,306
Change in Accrued Interest Payable and Other	7,658
Increases in Accumulated Employee Sick and Vacation Pay Reported in the Statement of Activities do not require the use of current resources and therefore are not reported in the Fund Statements until they come due for payment.	(287,895)
Changes in Net OPEB Obligations Reported in the Statement of Activities do not require the use of current resources and therefore are not reported in the fund statements until they come due for payment.	568,389
Increase in Net Pension Liability does not require the use of current resources and is not reported in the governmental	(6,265,849)
Decrease in Deferred Inflows-Pension	1,435,888
Decrease in Deferred Inflows-OPEB	20,379
Increase in Deferred Outflows-OPEB	170,261
Increase in Deferred Outflows-Pension	<u>4,784,344</u>
Change in Net Position of Governmental Activities	<u>\$ 1,961,708</u>

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Proprietary Funds Statement of Net Position June 30, 2019

	<u>Enterprise Fund Water and Sewer Fund</u>
Assets:	
Current Assets:	
Cash and Cash Equivalents	\$ 7,829,234
Account Receivable	2,460,451
Due from Intergovernmental	31,837
Prepaid Expenses	1,782
Inventory	73,148
	<u>10,396,452</u>
Total Current Assets	10,396,452
Non-Current Assets:	
Capital Assets:	
Assets Subject to Depreciation	26,853,101
	<u>26,853,101</u>
Total Noncurrent Assets	26,853,101
Total Assets	37,249,553
Deferred Outflow of Resources - Pension	560,339
Deferred Outflow of Resources-OPEB	4,174
Total Deferred Outflow of Resources	<u>564,513</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	\$ 1,844,569
Unsettled Claims	100,000
Accrued Salaries and Wages	616
Payables from Restricted Assets	
Accrued Interest Payable	112,269
Current Portion of Long-term Debt	645,000
	<u>2,702,454</u>
Total Current Liabilities	2,702,454
Noncurrent Liabilities	
Accrued Compensated Absences	730
Retiree Health Care Benefits Obligation	126,353
Net Pension Liability	4,059,967
Bonds and Contracts Payable	9,980,000
	<u>14,167,050</u>
Total Noncurrent Liabilities	14,167,050
Total Liabilities	16,869,504
Deferred Inflows of Resources	
Pension	1,342
Total Deferred Inflows of Resources	<u>1,342</u>
Net Position:	
Net Investment in Capital Assets	16,228,101
Unrestricted	4,715,119
	<u>20,943,220</u>
Total Net Position	\$ 20,943,220

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Proprietary Funds Statement of Revenue, Expenses and Changes in Net Position Year Ended June 30, 2019

	<u>Enterprise Fund Water and Sewer Fund</u>
Operating Revenues	
Water Sales	\$ 5,357,162
Sewage Dispos	4,773,373
Penalties	199,042
Other	223,756
Total Operating Revenues	<u>10,553,333</u>
Operating Expenses	
Water Purchased	3,026,289
Sewage Disposal	3,133,029
Service and Maintenance	2,512,462
Depreciation	1,014,752
Other	6,952
Total Operating Expenses	<u>9,693,484</u>
Operating Income	<u>859,849</u>
Non-Operating Revenue (Expense)	
Interest Income	45,297
Interest and Paying Agent Fees Expense	(456,964)
Total Non-Operating Revenue (Expense)	<u>(411,667)</u>
Change in Net Position	448,182
Net Position - July 1, 2018	<u>20,495,038</u>
Net Position - June 30, 2019	<u>\$ 20,943,220</u>

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2019

	Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 10,725,744
Cash Payment to Supplier for Goods and Services	(5,101,588)
Cash Payment to Employees for Services	(2,538,078)
Net Cash Provided by Operating Activities	<u>3,086,078</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(1,279,350)
Principal Paid on Revenue Bonds and Contracts	(620,000)
Interest Paid on Revenue Bonds and Contracts	(463,314)
Net Cash Used in Capital and Related Financing Activities	<u>(2,362,664)</u>
Cash Flows from Investing Activities	
Interest on Investment	
Net Cash Provided from Investing Activities	<u>45,297</u>
Net Increase in Cash and Cash Equivalents	768,711
Cash and Cash Equivalents, Beginning of year	<u>7,060,523</u>
Cash and Cash Equivalents, End of year	<u>\$ 7,829,234</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income	859,849
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Depreciation and Amortization	1,014,752
Change in Assets and Liabilities	
Accounts Receivables	172,411
Inventory	15,031
Accounts Payable	1,020,748
Accrued and Other Liabilities	(11,000)
Prepaid Expenses	28,903
OPEB Payable	(13,931)
OPEB Deferred Inflow	(499)
Pension Payable	547,834
Deferred Inflows	(136,963)
Deferred Outflows	(411,057)
Net Cash Provided by Operating Activities	<u>\$ 3,086,078</u>

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Fiduciary Funds Statement of Net Position June 30, 2019

	Agency Funds
	<hr/>
ASSETS	
Cash and Cash Equivalents	\$ 167,111
Tax Receivable - Delinquent	<hr/> 150,769
Total Assets	<hr/> \$ 317,880 <hr/>
LIABILITIES	
Due to Other Government	\$ 259,082
Held for Others	<hr/> 58,798
Total Liabilities	<hr/> \$ 317,880 <hr/>

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Component Units Statement of Net Position June 30, 2019

	Component Units			Total
	Downtown Development Authority	Parks and Recreation Foundation	Brownfield Redevelopment Authority	
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 410,503	\$ -	\$ 2,500	\$ 413,003
Non-Current Assets:				
Capital Assets				
Land, Improvement	1,841,176	-	-	1,841,176
Other Capital Assets - Net	2,640,462	-	-	2,640,462
Total Non-current Assets	4,481,638	-	-	4,481,638
Total Assets	4,892,141	-	2,500	4,894,641
Liabilities:				
Current Liabilities:				
Accounts Payable	50,415	-	-	50,415
Long Term Liability-Payable within one year	127,768	-	-	127,768
Accrued Interest Payable	14,688	-	-	14,688
Total Current Liabilities	192,871	-	-	192,871
Long Term Liabilities:				
Due in More than One Year	191,652	-	-	191,652
Total Liabilities	384,523	-	-	384,523
Net Position:				
Net Investment in Capital Assets	4,481,638	-	-	4,481,638
Unrestricted	25,980	-	2,500	28,480
Total Net Position	\$ 4,507,618	\$ -	\$ 2,500	\$ 4,510,118

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Component Units Statement of Activities June 30, 2019

Functions/Programs	Expenses	Program Revenue		Net Revenue (Expense) and Changes in Net Position			Total
		Charges for Services	Operating Grant and Contribution	Downtown Development Authority	Parks and Recreation Foundation	Brownfield Redevelopment Authority	
Downtown Development Authority	\$ 1,359,129	\$ -	-	\$ (1,359,129)	\$ -	\$ -	\$ (1,359,129)
Brownfield Redevelopment Authority	-	-	-	-	-	-	-
Parks and Recreation Foundation	29,665	-	23	-	(29,642)	-	(29,642)
Total Component Units	<u>1,388,794</u>	<u>-</u>	<u>23</u>	<u>(1,359,129)</u>	<u>(29,642)</u>	<u>-</u>	<u>(1,388,771)</u>
General Revenues:							
Property Taxes				1,223,773	-	-	1,223,773
Investment Earnings				793	11	-	804
Total General Revenue				<u>1,224,566</u>	<u>11</u>	<u>-</u>	<u>1,224,577</u>
Change in Net Position				(134,563)	(29,631)	-	(164,194)
Net Position, Beginning of Year				<u>4,642,181</u>	<u>29,631</u>	<u>2,500</u>	<u>4,674,312</u>
Net Position, Ending of Year				<u>\$ 4,507,618</u>	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 4,510,118</u>

The notes to financial statements are an integral part of this statement.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The City of Wayne was incorporated as a village on April 12, 1869. It was incorporated as a City on August 5, 1958 under the provisions of Public Act 29, P.A. 1909 as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police, fire and district court), highways and streets, culture-recreation, community development, water and sewage system and general and administrative services.

Blended Component Units

City of Wayne Building Authority - The City of Wayne Building Authority's (the Authority) Governing Body is appointed by the City Council which has the ability to significantly influence operations. The City approves the Authority's budget, has responsibility to fund deficits, and surplus funds existing at the termination of the Authority vest to the City. The City has significant fiscal management responsibility and legal liability for the Authority's debt. The Authority is presented as a governmental type within the General Fund. Although the Building Authority Board still exists, the Building Authority Fund has been closed and there was no budget or activity for the year ended June 30, 2019.

Discretely Presented Component Units

City of Wayne Downtown Development Authority - The City of Wayne Downtown Development Authority's (DDA) Governing Board is appointed by the City Council which has the ability to significantly influence its operations. The City approves the DDA budget, has responsibility to fund deficits, and has significant management responsibility. The City has significant transactions with the DDA, in that the DDA contributed \$535,000 to the City's governmental funds to help cover the DDA district's share of operating expenditure for the fiscal year.

City of Wayne Parks and Recreation Foundation - The City of Wayne Parks and Recreation Foundation was dissolved during the year and the fund balance was donated partly to City's General Fund and the balance to outsiders.

The Economic Development Corporation of the City of Wayne - The Economic Development Corporation of the City of Wayne operates within the geographic boundaries of the City for the benefit of City's residents. The members of the Board of Directors of the Corporation are appointed by the Mayor subject to the City Council approval. However, this component unit has been inactive for several years. Therefore, no financial information is presented.

Brownfield Redevelopment Authority of the City of Wayne - The Brownfield Redevelopment Authority is controlled by the City of Wayne Downtown Development Authority.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general government, district court, public safety, public services, community and economic development, and recreation and culture are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column and (b) are reported on a full accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (General Government, Public Safety, etc.) and business-type activities. The functions are also supported by general government revenue (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (General Government, Public Safety, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, intergovernmental revenues, and interest income.).

The City does not allocate indirect costs. An administrative service fee is charged by the General Fund to the other operating funds to recover the direct costs of General Fund services provided (finance, personnel, legal, and technology management.). This is eliminated like a reimbursement (reducing the revenue and expense in the General Fund).

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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. The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements as follows:

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

(1) Governmental Funds:

The focus of governmental fund measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. **General Fund** is the general operating fund of the City. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.
- b. **Special Revenue Funds** are used to account for the proceeds of specific revenue resources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.
- c. **Permanent Fund** (Cemetery Perpetual Care) is used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used to achieve the objective of the fund.

(2) Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The following is a description of the proprietary funds of the City:

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues or (b) establishes fees and charges based on a pricing policy designed to recover similar costs. The City reports the Water and Sewer Fund as a major enterprise fund. This fund is used to account for operation of the City's water supply and sewage disposal system.

(3) Fiduciary Funds (Not included in government-wide statements):

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore, are not available to support City programs. The reporting focus is on net position and changes in net position which is reported using accounting principles similar to proprietary funds. The fiduciary agency funds include current and delinquent tax collections, payroll, and miscellaneous funds held in an agency capacity.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth the minimum criteria (percentage of the assets, liabilities, revenues or expenditure/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City reports the General Fund and Local Streets Fund as major funds.

1) NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City's fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

(1) Measurement Focus

Within the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item (b) below:

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate.

- (a) All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.
- (b) All proprietary funds and other post-employment benefit trust funds are accounted for on a flow of economic resources measurement focus (full accrual). With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund equity is classified as net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

(2) Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

(a) Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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.

1) NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

(b) Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Assets, Liabilities and Net Position or Equity

Bank, Deposits, and Investments - For the purpose of the Statement of Net Position, cash and cash equivalents include amounts on deposit as well as short-term investments with an original maturity of three months or less from the date of acquisition.

For purposes of the Statement of Cash Flows, the proprietary funds consider all highly liquid investments (including restricted assets) with an original maturity of three months or less from the date of acquisition that can be readily converted to cash to be cash equivalents. Investment income revenues associated with the Permanent Fund are administratively assigned and transferred to the General Fund. Investments are reported at fair value which is determined using selected bases. 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. Cash deposits are reported at carrying amount which reasonably estimates fair value. Additional cash and investment information, and fair values are presented in Note 2.

The City maintains a pooled investment fund for all funds. As of June 30, 2019, the pooled investment fund totaled \$15,230,529.

Receivables and Payables - During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds". Short-term interfund loans are reported as "interfund receivables and payables". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any residual balances outstanding between the government activities and business-type activities are reported in the government-wide financial statements as "internal balances". See Note 4 for details of interfund transactions, including receivables and payables at year end.

1) NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Assets, Liabilities and Net Position or Equity (Continued)****Receivables and Payables (Continued)**

Also, certain activity occurs during the year involving transfer of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. In government-wide financial statements, it is the City's policy that direct expenses are not eliminated from the various categories. Internal payments such as the revenue in the General Fund for the charges to the Water and Sewer Fund and to the component unit DDA fund for services provided (finance, personnel, legal, technology management, etc.), are treated as a reduction of expense.

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, state shared revenues, and fire rescue services. Business-type activities report utilities earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as grants and other similar intergovernmental revenues since they are usually both measurable and available. Interest and investment earnings are recorded when earned if paid within 60 days since they would be considered both measurable and available.

Proprietary fund material receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowance for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories and Prepaid Items - Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when consumed rather than when purchased. Payments made to vendors for services that will benefit periods beyond June 30, 2019 are recorded as prepaid items.

Restricted Assets - Certain resources held at the Michigan Municipal Risk Management Authority are classified as restricted assets on the Statement of Net Position because their use is limited to servicing of member retention fund claims.

Capital Assets - The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. Capital assets are defined as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year.

Unearned Revenue – Unearned revenue is reported in connection with money received for services which have not yet performed and are therefore unearned. Revenue is recorded when the services have performed and are therefore earned.

1) NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Assets, Liabilities and Net Position or Equity (Continued)*****Government-Wide Statements***

Capital assets which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities' columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated cost if the actual is unavailable. Donated fixed assets are recorded at acquisition cost as per GASB 72.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements	20-25 years
Machinery and Equipment	10-25 years
Utility System	25-66 years
Infrastructure	25-40 years
Motor Vehicles	5-7 years

The costs of normal maintenance and repairs that do not add value to the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition, Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-term Debt - The accounting treatment of long-term debt, which consists primarily of bonds payable, notes payable, and accrued compensated absences, depends on whether the obligation is incurred in governmental fund operations or proprietary fund operations and whether it is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as a liability on the Statement of Net Position in the government -wide financial statements. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government -wide financial statements. The City's general fund is primarily used to liquidate governmental long-term debt and the water and sewer fund is used to liquidate long-term debt from business-type activities.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and/or Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government-Wide statements and proprietary funds report deferred outflows from the difference between projected and actual investment earnings of the pension plan as well as City contributions made after the measurement date of the net pension and OPEB liabilities.

1) NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Assets, Liabilities and Net Position or Equity (Continued)*****Deferred Outflows/Inflows of Resources (Continued)***

In addition to liabilities, the Statement of Net Position and/or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting. The governmental funds report grants and reimbursements as unavailable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. These amounts are shown as deferred inflows of resources on the governmental funds balance sheet. Those amounts will be recognized as revenue when received.

Compensated Absences - City employees are granted vacation and sick leave in varying amounts based on the length of service. An employee's account is credited for vacation time on January 1 based on time worked in the previous calendar year and must be used prior to the next January 1. Upon termination employees are paid for all unused/accrued vacation leave. Sick leave is accumulated at the rate of one day per month of employment for all employees, except for fire employees who receive 1.4 days per month. Unused sick leave accumulates year to year but may be limited to a number of days or hours based on collective bargaining agreements. Days or hours in excess of the maximum will be paid on an annual basis of 50 percent of hourly rate. Upon death, retirement or termination, five-eighths of unused accumulated sick leave is paid to full-time employees with 10 years of service. For all City employees, except fire and Police Officers Association of Michigan (POAM) employees, the accumulated sick leave payments are calculated based on the rate of pay in effect at the time of termination. Fire employees and POAM accumulated sick leave is based upon the average final pay (POAM minimum of 60 days).

The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is based on projected information. Accrued compensated absences is reported as a liability in governmental funds only if they have matured; i.e., only if the employee has terminated as of June 30, 2019. Vested vacation leave and vested accumulated sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. The City's general fund is generally used to liquidate the obligations and the water and sewer fund is used to liquidate obligations from business-type activities.

Pension - The City offers pension benefits to retirees. The City records a net position liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plan, and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The City's general fund is primarily used to liquidate the governmental obligations and the water and sewer fund is used to liquidate obligations from business-type activities.

1) NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Other Postemployment Benefit Costs - The City offers healthcare benefits to retirees. The city receives an actuarial valuation to compute the actuarially determined contribution (ADC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost based on the provisions of GASB 75. See note 7 for further information. The City's general fund is generally used to liquidate the governmental OPEB obligations and the water and sewer fund is used to liquidate OPEB obligations from business-type activities.

Fund Equity is classified as net position and displayed in three components:

- (a) **Net Investment in Capital Assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (b) **Restricted** - Consists of net position with constraints placed on the use by: (1) external groups such as creditors, grantors, contributors, or laws or regulations of other *governments*; or (2) law through constitutional provisions or enabling legislation.
- (c) **Unrestricted** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable: Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: Amounts that are restricted to specific purposes by constraints placed on the use of resources by either externally imposed creditors, grantors, contributors or laws or regulations of other governments or amounts that are imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority, the City Council. Commitments must be made by resolution of the City Council and can be rescinded only by resolution. Commitment resolutions must be made prior to year-end.

Assigned: Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent must be expressed by the City Council or the City's Finance Director who has been authorized by resolution to make assignments of fund balance.

Unassigned: Amounts that are the residual classification for the general fund. In other governmental funds, if expenditures are incurred for specific purposes that exceed the amounts restricted, committed or assigned, it will be necessary to report a negative unassigned fund balance in the fund.

1) NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Proprietary fund equity is classified the same as in the government-wide financial statements.

When an expense is incurred for which both restricted and unrestricted net position or fund balance are available, the City's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted balance classifications could be used, it is the City's policy to spend funds first from committed balances, second to assigned balances and lastly unassigned balances.

Revenues, Expenditures and Expenses

Property Taxes - Property taxes were levied July 1 (100% city taxes, 100% school taxes including Wayne County Regional Educational Service Agency (WCRESA), and 100% County operating) and December 1 (100% of other taxing authorities) and are payable on or before October 1 and February 14, respectively, without penalty. These taxes become liens against the property on December 31 of the previous year. After February 28, all unpaid taxes are declared delinquent with the City continuing to collect Act 198 taxes and ad valorem personal property taxes. Ad valorem real property taxes are turned over to the county treasurer who assumes responsibility for their collection and immediately, upon settlement, reimburses the City from the county revolving tax fund. The City collects its own property tax and also taxes for other entities including the county and school districts which are within the City. Collections and remittances of the taxes to those entities are accounted for in the current and delinquent tax collection funds. The City tax levy for the 2018 roll was as follows:

General Operating	15.0000 mills
Retirement System	0.9691 mills
Recreation	0.9999 mills
Public Safety Millage	1.0000 mills
Act 298 Refuse Collection	2.9073 mills
Library Fund (Act 164)	1.9999 mills
Roads	1.0000 mills
Police Millage	1.0000 mills
P.A.-359	<u>0.1421 mills</u>
Total	<u>25.0183 mills</u>

Program Revenues - Program revenues reported within the Statement of Activities include licenses and fees, ordinance fines and costs, bond forfeitures and other court costs, building, electrical and other permits, state shared revenue, state and federal grants, recreation rentals and fees, and 911 service fees.

Operating Revenues and Expenses - Operating revenues and expenses for the proprietary funds are those that result from providing services and producing and delivering goods and/or services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1) NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues, Expenditures and Expenses (Continued)

Expenditures/Expenses - In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities, in the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character: Current (further classified by function)
 Debt Service
 Capital Outlay

Proprietary Fund - By operating and nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources and proprietary funds report expenses relating to use of economic resources.

Interfund Transfers --Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

2) 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 City has designated six banks for the deposit of its funds. The investment policy adopted by Council in accordance with Public Act 196 of 1997 has authorized investment of funds as listed above. The City of Wayne's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Business Type Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and Cash Equivalents	\$ 6,854,995	\$ 167,111	\$ 7,829,234	\$ 14,851,340	\$ 413,003
Cash and Cash Equivalents-Restricted	204,070	-	-	204,070	-
Total	<u>\$ 7,059,065</u>	<u>\$ 167,111</u>	<u>\$ 7,829,234</u>	<u>\$ 15,055,410</u>	<u>\$ 413,003</u>

Custodial Credit Risk of Bank Deposits-- Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Neither State law nor the City's investment policy requires consideration of custodial credit risk.

As of June 30, 2019, the bank balance of the City deposits was \$16,220,899 of which \$500,000 was covered by federal depository insurance and the remainder was 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 City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

2) DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk of Bank Deposits (Continued) - The carrying amount of deposits and the bank balance for the City of Wayne Downtown Development Authority and Brownfield Redevelopment Authority, discretely presented component units, were \$410,503 and \$2,500 respectively. These being part of City's pooled cash balances; the FDIC coverage are not separately determinable.

Investment pools are under the custody of the City Treasurer. Investing is performed in accordance with investment policies complying with State Statutes, the City Charter, and the City's Investment Policy. The City 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 and investment pools composed of investment vehicles that are legal for direct investment by local units of government in Michigan, and investment pools of financial institutions.

Interest Rate Risk - Interest rate risk is the risk that the value on investments will decrease as a result of a rise in interest rates. In addition to restricting commercial paper to a maturity of 270 days or less, the City may not invest its funds in any security maturing more than five years from the date of purchase. No more than 40 percent of the City's total funds may be placed in securities maturing in more than three years. The fiduciary funds follow the City's investment policy.

<u>Fiduciary Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>	<u>Rating Organization</u>
Pooled Investment Fund				
Mutual Funds	\$ 991,053	63 days	AAAm	S&P
Others	26,285	N/A	Not Rated	

State laws limit the City's investments in commercial paper to the two top ratings issued by nationally recognized statistical rating organizations at the time of purchase. The City's investment policy limits investments to the safest types of securities. All financial institutions and broker/dealers must be pre-qualified to do business with the City.

2) DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurements: The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2: Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets

Inputs other than quoted prices that are observable for the assets or liabilities;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

All of the City's investments are considered to be Level 1 inputs.

CITY OF WAYNE, MICHIGAN

Notes to the Financial Statements (Continued) June 30, 2019

3) CAPITAL ASSETS

Capital asset activity for the City for the current year was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2018</u>	<u>Additions 2018-19</u>	<u>Disposals 2018-19</u>	<u>Balance June 30, 2019</u>
Capital Assets not being Depreciated:				
Land	\$ 4,495,549	\$ -	\$ -	\$ 4,495,549
Subtotal	<u>4,495,549</u>	<u>-</u>	<u>-</u>	<u>4,495,549</u>
Capital Assets being Depreciated:				
Buildings	38,651,398	254,411	-	38,905,809
Improvements	4,463,171	18,841	-	4,482,012
Machinery & Equipment	7,731,537	717,074	-	8,448,611
Infrastructure	31,819,230	743,544	-	32,562,774
Subtotal	<u>82,665,336</u>	<u>1,733,870</u>	<u>-</u>	<u>84,399,206</u>
Total	<u>87,160,885</u>	<u>1,733,870</u>	<u>-</u>	<u>88,894,755</u>
Less: Accumulated Depreciation for:				
Buildings	18,715,665	887,349	-	19,603,014
Improvements	3,295,775	151,561	-	3,447,336
Machinery & Equipment	6,896,344	370,990	-	7,267,334
Infrastructure	21,695,554	711,908	-	22,407,462
Subtotal	<u>50,603,338</u>	<u>2,121,808</u>	<u>-</u>	<u>52,725,146</u>
Net Capital Assets being Depreciated	<u>32,061,998</u>	<u>(387,938)</u>	<u>-</u>	<u>31,674,060</u>
Net Capital Assets	<u>\$ 36,557,547</u>	<u>\$ (387,938)</u>	<u>\$ -</u>	<u>\$ 36,169,609</u>

Depreciation was allocated to the following functional categories for the year ended June 30, 2019.

General Government	\$ 166,460
Public Safety	532,006
Public Services	775,774
Recreation and Culture	647,568
	<u>\$ 2,121,808</u>

<u>Water & Sewer Fund:</u>	<u>Balance June 30, 2018</u>	<u>Additions 2018-19</u>	<u>Disposals / Adjustments 2018-19</u>	<u>Balance June 30, 2019</u>
Capital Assets not being Depreciated:				
Construction in Progress	\$ 104,772	\$ -	\$ (104,772)	\$ -
Subtotal	<u>104,772</u>	<u>-</u>	<u>(104,772)</u>	<u>-</u>
Capital Assets being Depreciated:				
Water and Sewer Mains	40,498,049	640,991	104,772	41,243,812
Meters	2,374,756	27,500	-	2,402,256
Equipment	467,193	610,859	(241,692)	836,360
Motor Vehicles	457,330	-	-	457,330
Subtotal	<u>43,797,328</u>	<u>1,279,350</u>	<u>(136,920)</u>	<u>44,939,758</u>
Total Water & Sewer	<u>43,902,100</u>	<u>1,279,350</u>	<u>(241,692)</u>	<u>44,939,758</u>
Less: Accumulated Depreciation for:				
Water and Sewer Mains	16,213,497	771,157	-	16,984,654
Meters	178,196	120,113	-	298,309
Equipment	464,574	123,482	(241,692)	346,364
Motor Vehicles	457,330	-	-	457,330
Subtotal	<u>17,313,597</u>	<u>1,014,752</u>	<u>(241,692)</u>	<u>18,086,657</u>
Net Capital Assets being Depreciated	<u>26,483,731</u>	<u>264,598</u>	<u>104,772</u>	<u>26,853,101</u>
Net Capital Assets	<u>\$ 26,588,503</u>	<u>\$ 264,598</u>	<u>\$ -</u>	<u>\$ 26,853,101</u>

CITY OF WAYNE, MICHIGAN

Notes to the Financial Statements (Continued) June 30, 2019

3) CAPITAL ASSETS (Continued)

Capital Asset activity for the Downtown Development Authority was as follows:

<u>Downtown Development Authority:</u>	<u>Balance June 30, 2018</u>	<u>Additions 2018-19</u>	<u>Disposals 2018-19</u>	<u>Balance June 30, 2019</u>
Capital Assets not being Depreciated:				
Land	\$ 1,841,176	\$ -	\$ -	\$ 1,841,176
Subtotal	<u>1,841,176</u>	<u>-</u>	<u>-</u>	<u>1,841,176</u>
Capital Assets being Depreciated:				
Buildings	80,805	-	-	80,805
Improvements	3,226,420	18,670	-	3,245,090
Machinery and Equipment	433,448	-	-	433,448
Infrastructure	4,319,043	-	-	4,319,043
Subtotal	<u>8,059,716</u>	<u>18,670</u>	<u>-</u>	<u>8,078,386</u>
Total Downtown Development Auth.	<u>9,900,892</u>	<u>18,670</u>	<u>-</u>	<u>9,919,562</u>
Less: Accumulated Depreciation for:				
Buildings	41,154	2,598	-	43,752
Improvements	2,357,016	108,520	-	2,465,536
Machinery and Equipment	281,017	17,069	-	298,086
Infrastructure	2,472,200	158,350	-	2,630,550
Subtotal	<u>5,151,387</u>	<u>286,537</u>	<u>-</u>	<u>5,437,924</u>
Net Capital Assets being Depreciated	<u>2,908,329</u>	<u>(267,867)</u>	<u>-</u>	<u>2,640,462</u>
Net Capital Assets	<u>\$ 4,749,505</u>	<u>\$ (267,867)</u>	<u>\$ -</u>	<u>\$ 4,481,638</u>

4) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	Library Fund	\$ 2,710
General Fund	CDBG	104,352
		<u>\$ 107,062</u>

The composition of Interfund transfers is as follows:

<u>Fund Transferred In</u>	<u>Fund Transferred Out</u>	<u>Amount</u>
Local Streets Fund	Major Streets and Trunkline Fund	\$ 277,317
		<u>\$ 277,317</u>

Interfund balances are a result of a time lag between the date goods and services are provided, transactions are recorded and payments between funds are made.

The transfer from Major Streets and Trunkline Fund to Local Streets Fund was to finance local street projects and was in compliance with the requirements of Public Act 51.

5) LONG-TERM DEBT

General Obligation Bonds - The Government issued general obligation bonds to provide for the acquisition and construction of major capital facilities, General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

	Interest Rate	Principal Maturity Ranges	Beginning Balance July 1, 2018	Additions	Reductions	Ending Balance June 30, 2019	Due Within One Year
Governmental Activities							
Bonds Payable - Other Debt							
General Obligation Bonds:							
MI Transportation Bond Series 2008							
		Amount of issue - \$730,000					
	4.5% - 5.10%	\$25,000 - \$75,000	\$ 505,000	\$ -	\$ (25,000)	\$ 480,000	\$ 30,000
		Maturing through 2028					
Recreation Renovation Bond 2008							
		Amount of issue - \$1,800,000					
	4.0% - 5.25%	\$85,000 - \$140,000	1,125,000	-	(90,000)	1,035,000	95,000
		Maturing through 2028					
Refunding of Building Authority Bonds 2012A:							
		Amount of Issue - \$4,355,000					
	2.79%	\$450,000 - \$555,000	1,430,000	-	(545,000)	885,000	435,000
		Maturing through 2021					
Refunding of Building Authority Bonds 2012B:							
		Amount of Issue - \$2,845,000					
	2.70%	\$395,000 - \$420,000	815,000	-	(395,000)	420,000	420,000
		Maturing through 2020					
Refunding of Building Authority Bonds 2012C:							
		Amount of Issue - \$8,585,000					
	2.0% - 3.40%	\$405,000 - \$1,000,000	6,970,000	-	(405,000)	6,565,000	400,000
		Maturing through 2028					
		Total General Obligation Bonds	10,845,000	-	(1,460,000)	9,385,000	1,380,000
Notes from Direct Borrowings:							
Note Payable-Ambulance							
		Original Amount - \$144,536					
	3.4%	\$29368 - \$30,360	59,728	-	(29,368)	30,360	30,360
		Maturing in 2020					
Note Payable-Ford Tax Settlement, as Corrected							
		Original Amount - \$119,249					
	0.00%	\$19,875	59,625	-	(9,938)	49,687	19,875
		Maturing in 2022					
		Total Bonds and Notes from Direct Borrowings	10,964,353	-	(1,499,306)	9,465,047	1,430,235
Other Liabilities:							
		OPEB Unfunded Liability	5,723,581	-	(568,389)	5,155,192	-
		Accrued Compensated Absences	1,746,871	691,039	(403,144)	2,034,766	600,000
		Total Governmental Activities	\$ 18,434,805	\$ 691,039	\$ (2,470,839)	\$ 16,655,005	\$ 2,030,235
Business-type Activities							
Bonds Payable - Other Debt							
Water Bonds 2004							
		Amount of Issue - \$3,525,000					
	4.20% - 4.40%	\$300,000 - \$375,000	\$ 1,350,000	\$ -	\$ (300,000)	\$ 1,050,000	\$ 325,000
		Maturing through 2022					
Water Bonds 2006							
		Amount of Issue - \$7,500,000					
	4.00% - 4.50%	\$300,000 - \$500,000	5,700,000	-	(300,000)	5,400,000	300,000
		Maturing through 2032					
Water Bonds 2007							
		Amount of Issue - \$4,430,000					
	4.0% - 4.125%	\$20,000 - \$620,000	4,195,000	-	(20,000)	4,175,000	20,000
		Maturing through 2030					
		Net Bonds Payable	11,245,000	-	(620,000)	10,625,000	645,000
Other Liabilities:							
		OPEB Unfunded Liability	140,284	-	(13,931)	126,353	-
		Accrued Compensated Absences	11,044	-	(10,314)	730	730
		Total Business-type Activities	\$ 11,396,328	\$ -	\$ (644,245)	\$ 10,752,083	\$ 645,730
		Long-term Liabilities	\$ 11,396,328	\$ -	\$ (644,245)	\$ 10,752,083	\$ 645,730

CITY OF WAYNE, MICHIGAN

Notes to the Financial Statements (Continued) June 30, 2019

5) LONG-TERM DEBT (Continued)

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

Years Ending June 30,	Governmental Activities					
	General Obligation Bonds			Notes from Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 1,380,000	\$ 289,995	\$ 1,669,995	\$ 50,235	\$ 1,025	\$ 51,260
2021	1,040,000	255,919	1,295,919	19,875	-	19,875
2022	875,000	227,152	1,102,152	9,937	-	9,937
2023	925,000	198,452	1,123,452	-	-	-
2024	1,015,000	166,394	1,181,394	-	-	-
2025-2028	4,150,000	291,579	4,441,579	-	-	-
	<u>\$ 9,385,000</u>	<u>\$ 1,429,491</u>	<u>\$ 10,814,491</u>	<u>\$ 80,047</u>	<u>\$ 1,025</u>	<u>\$ 81,072</u>

Years Ending June 30,	Business-Type Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2020	\$ 645,000	\$ 434,937	\$ 1,079,937
2021	670,000	406,037	1,076,037
2022	695,000	375,875	1,070,875
2023	825,000	343,675	1,168,675
2024	845,000	309,575	1,154,575
2024-2028	3,725,000	873,862	4,598,862
2029-2033	3,220,000	226,676	3,446,676
	<u>\$ 10,625,000</u>	<u>\$ 2,970,637</u>	<u>\$ 13,595,637</u>

Notes from Direct Borrowings - Downtown Development Authority

The City's component unit, the Downtown Development Authority's portion of a note payable to the Ford Motor Company is to be paid in four payments beginning in FY 2016-2017. Ford Motor Company has allowed the City to postpone paying back the note, so the remaining payments will be made through 2022.

At June 30, 2019, the long-term debt payable from the major component unit consisted of the following:

	Current Portion	Long-term Portion
\$766,609 Note Payable dated February 11, 2011 For Property Tax Settlement, Noninterest bearing	\$ 127,768	\$ 191,652

5) LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity on the note payable (interest free) of the Downtown Development Authority are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2020	127,768
2021	127,768
2022	63,884
	<u>\$ 319,420</u>

6) JOINT VENTURES

(1) *Nankin Transit Commission* - The City participates in the Nankin Transit Commission with the cities of Garden City, Inkster, and Westland. The Commission was created as an intergovernmental organization for the purpose of providing for the operation, management, financing, and planning of local and specialized transit services in the participant's areas. Under the terms of a purchase of service contract entered into between the Nankin Transit Commission and the Suburban Mobility Authority for Regional Transportation (SMART), SMART has agreed to provide, among other things, certain equipment, vehicles and technical assistance necessary to provide public transportation services within a specified area. Two members of the Board of Directors for the joint venture are appointed by each of the four participating governments. The Board of Directors is responsible for approving the annual budget. The operating budget is funded by contributions from each participating government as well as contributions from SMART, the State of Michigan and the Federal Government. The City's contribution is based on a per capita basis and totaled \$21,000 for the year ended June 30, 2019. The City of Wayne represents approximately 12% of the per capita base of this organization. The City has no investment in the assets, liabilities, and fund equity of the Nankin Transit Commission. Complete financial statements of the Nankin Transit Commission can be obtained at the entity's administrative office: Nankin Transit Commission, 37151 Marquette, Westland, MI, 48185.

(2) *Central Wayne County Sanitation Authority* - The City is a member of the Central Wayne County Sanitation Authority along with the cities of Dearborn Heights, Garden City, Inkster, and Westland. The Authority was created as an inter-governmental organization for the purpose of establishing and operating sanitary waste disposal operations for the mutual advantage by each government. One member of the Board of Directors for the joint venture is appointed by each government. The Board of Directors is responsible for approving the annual budget. The operating and debt requirements are funded by contributions from each participating government. At June 30, 2007, all Authority debt was paid off in full. The City of Wayne has no investment in the Authority. Complete financial statements of the Central Wayne County Sanitation Authority can be obtained at the entity's administrative office: Central Wayne County Sanitation Authority, 35000 Sims, Wayne, MI, 48184.

7) OTHER POST EMPLOYMENT BENEFITS

Plan Description - The City provides retiree health care to eligible employees and their spouses. The Retirees Healthcare Plan is a single-employer defined benefit plan administered by the City. The City provides post-employment health care to all employees who retire from the City as per contractual agreement for union employees and Council resolution for non-union employees. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the employer.

Postemployment life insurance benefits are provided on a contractual basis in amounts of \$2,000, \$4,000 and \$8,000 with current contracts providing for retiree life insurance in the amount of \$10,000.

Funding Policy - The cost of retiree healthcare and life insurance benefits is paid by the City of Wayne Retiree Healthcare Plan. This Other Post-Employment Benefits (OPEB) is funded by the City on a pay-as-you-go basis. For the year ended June 30, 2019, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2017.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of Member Count	<u>June 30, 2017</u>
Retirees and Beneficiaries	\$ 191
Inactive, Nonretired Members	5
Active Plan Members	<u>46</u>
Total Plan Members	<u>\$ 242</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. For the fiscal year ended June 30, 2019, the City made payments for postemployment health benefit premiums of \$1,225,959.

Total OPEB Liability

The June 30, 2019 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, 2019.

CITY OF WAYNE, MICHIGAN

Notes to the Financial Statements (Continued) June 30, 2019

7) OTHER POST EMPLOYMENT BENEFITS (Continued)

Total OPEB Liability (Continued)

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

Changes in Total OPEB Liability	Total OPEB Liability
Balance at July 1, 2018	\$ 5,863,865
Changes for the year:	
Service Cost	44,089
Interest	190,880
Differences Between Expected and Actual Experience	118,943
Changes in Assumptions	289,727
Benefit Payments, Including Refunds	<u>(1,225,959)</u>
Net Changes	<u>(582,320)</u>
Balance at June 30, 2019	<u>\$ 5,281,545</u>

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

For the year ended June 30, 2019, the City recognized an OPEB expense of \$448,326.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 50,769	
Changes in Assumptions	<u>123,666</u>	-
Total	<u>\$ 174,435</u>	<u>\$ -</u>

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

Years Ending June 30	Amount
2020	<u>\$ 174,435</u>
Total	<u>\$ 174,435</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) ranging from 3.5 percent to 14.5 percent; and using the RP-2014 Mortality Tables. These assumptions were applied to all periods included in the measurement.

7) OTHER POST EMPLOYMENT BENEFITS (Continued)

Other Information

Effective January 1, 2019, the City terminated the current pre-65 and post-65 retiree medical plans. In place of these plans, eligible retirees will receive a monthly stipend for use toward the cost of individual health insurance premiums and/or qualified medical expenses. The new benefit structure was valued as part of the June 30, 2017 valuation.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13 percent. The discount rate was based on the Fidelity “20-Year Municipal GO AA Index.”

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.13 percent, as well as what the City’s total 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 <u>(2.13%)</u>	Current Discount Rate (3.13%)	1 Percent Increase <u>(4.13%)</u>
Total OPEB Liability of the Retiree Health Care Plan	\$ 5,971,775	\$ 5,281,545	\$ 4,718,525

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

Due to the flat dollar stipend style of the City’s plan, the net OPEB liability is not impacted by changes in the healthcare cost trend rates.

Assumption Changes

The discount rate used to measure the total OPEB liability as of June 30, 2019 was changed from 3.62 percent to 3.13 percent. The discount rate changed due to changes in the municipal bond rate.

8) DEFINED PENSION PLAN

Plan Description – the City participates in an agent multiple-employer defined benefit plan for all employees administered by the Municipal Employees’ Retirement System (MERS) of Michigan. Authority to establish and amend benefit provisions resides with the City of Wayne City Council through negotiations with the various bargaining units. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member Retirement Board. MERS issues a publicly available financial report as of December 31 each year that includes financial statements and required supplemental information of this defined benefit plan. This report may be obtained by writing to Municipal Employees’ Retirement System of Michigan, 1134 Municipal Way, Lansing, MI 48197.

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

The MERS plan covers all full-time employees of the City (except the District Court Judge) that are eligible for a defined benefit pension.

8) DEFINED PENSION PLAN (Continued)

The following is a summary of benefits by division:

General – Retirement benefits for employees hired after February 19, 2008 are calculated at 2.5 percent of the employee's highest three consecutive years' average salary times the employee's years of service with a retirement maximum of 80 percent of final average compensation. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 55 years with a 10 year vesting period or a reduced benefit at age 50 with 25 years of service. Retirement benefits for employees hired prior to February 19, 2008 are bridged and calculated at 2.8 percent if less than 25 service years, 2.5 percent for 25-30 service years, and 1 percent for more than 30 years of service of the employee's highest three consecutive years average salary times the years of service, and 2.25 percent for service years subsequent to the bridge date (9/30/16) with an 80% retirement maximum. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 55 years with a 10 year vesting period or a reduced benefit at age 50 with 25 years of service.

Dispatchers – Retirement benefits for employees hired after December 20, 2007 are calculated at 2.5 percent of the employee's highest three consecutive years' average salary times the employee's years of service with a retirement maximum of 80 percent of final average compensation. Members contribute 7 percent of their salaries to fund benefits. Normal retirement age is 55 years with a 10 year vesting period, early retirement with unreduced benefit after 30 years of service, or a reduced benefit at age 50 with 25 years of service. Retirement benefits for employees hired prior to December 20, 2007 are calculated at 2.8 percent if less than 25 service years, 2.5 percent for 25-30 service years, and 1 percent for more than 30 years of service of the employee's highest three consecutive years average salary times the years of service with no retirement maximum. Members contribute 7 percent of their salaries to fund benefits after 30 year of service, or a reduced benefit at age 50 with 25 years of service.

Fire – Retirement benefits for employees hired after November 1, 2011 are calculated at 2.5 percent of the employee's highest three consecutive years' average salary times the employee's years of service with a retirement maximum of 80 percent of final average compensation. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 60 years with a 10 year vesting period, early retirement with unreduced benefit at age 55 with 25 years of service, or a reduced benefit at age 50 with 25 years of service or age 55 with 15 years of service. Retirement benefit for employees hired after March 16, 2009 and before November 1, 2011 are the same except for the normal retirement age is 50 years with a 10 year vesting period or early retirement with unreduced benefit after 25 years of service. Retirement benefits for employees hired prior to March 16, 2009 are bridged and calculated at 2.7 percent if less than 25 service years, 2.5 percent for 25-30 service years, and 1 percent if greater than 25 service years, of the employee's highest three consecutive years average salary times the years of service, and 2.25 percent for years subsequent to the bridge date of 9-30-16, with an 80% retirement maximum. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 50 years with a 10 year vesting period, early retirement with unreduced benefits after 25 years of service.

8) DEFINED BENEFIT PENSION PLAN (Continued)

Department Heads – Retirement benefits for employees hired after January 1, 2016 are calculated at 1.5 percent of the employee's highest three consecutive years' average salary times the employee's years of service with no retirement maximum. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 60 years with 10 year vesting period, early retirement with unreduced benefit after 30 years of service, or a reduced benefit at age 50 with 25 years of service or age 55 with 15 years of service. Retirement benefits for employees hired prior to January 1, 2016 are bridged and calculated at 2.8 percent if less than 25 service years, 2.5 percent for 25-30 service years, and 1 percent for more than 30 years of service of the employee's highest five consecutive years average salary time the years of service and 2.25 percent for years subsequent to the bridge date of 9-30-16, with an 80% retirement maximum. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 55 years with a 10 year vesting period, early retirement with unreduced benefits after 30 years of service, or a reduced benefit at age 50 with 25 years of service.

Court - Retirement benefits for employees hired after December 18, 2007 are calculated at 2.5 percent of the employee's highest three consecutive years' average salary times the employee's years of service with a retirement maximum of 80 percent of final average compensation. Members contribute 7 percent of their salaries to fund benefits. Normal retirement age is 55 years with 10 year vesting period, early retirement with unreduced benefit after 30 years of service, or a reduced benefit at age 50 with 25 years of service. Retirement benefits for employees hired prior to December 18, 2007 are calculated at 2.8 percent if less than 25 service years, 2.5 percent for 25-30 service years, and 1 percent for more than 30 years of service of the employee's highest three consecutive years average salary time the years of service with no retirement maximum. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 55 years with a 10 year vesting period, early retirement with unreduced benefits after 30 years of service, or a reduced benefit at age 50 with 25 years of service.

TPOAM - Retirement benefits for employees hired after June 5, 2007 are calculated at 2.5 percent of the employee's highest three consecutive years' average salary times the employee's years of service with no retirement. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 55 years with 10 year vesting period or early retirement with unreduced benefit after 25 years of service. Retirement benefits for employees hired prior to June 5, 2007 are calculated at 2.8 percent if less than 25 service years, 2.5 percent for 25-30 service years, and 1 percent for more than 30 years of service of the employee's highest three consecutive years average salary times the years of service with no retirement maximum. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 55 years with a 10 year vesting period or early retirement with unreduced benefits after 25 years of service.

POAM/COAM - Retirement benefits for employees hired after May 5, 2008 are calculated at 2.5 percent of the employee's highest three consecutive years' average salary times the employee's years of service with a retirement maximum of 80 percent of final average compensation. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 50 years with 10 year vesting period or early retirement with an unreduced benefit after 25 years of service. Retirement benefits for employees hired prior to May 5, 2008 are calculated at 2.8 percent if less than 25 service years, 2.5 percent for 25-30 service years, and 1 percent for more than 30 years of service of the employee's highest three consecutive years average salary times the years of service with no retirement maximum. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 50 years with a 10 year vesting period or early retirement with unreduced benefits after 25 years of service.

8) DEFINED BENEFIT PENSION PLAN (Continued)

Supervisors - Retirement benefits are calculated at 2.8 percent if less than 25 service years, 2.5 percent for 25-30 service years, and 1 percent for more than 30 years of service of the employee's highest three consecutive years average salary times the years of service with no retirement maximum. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 55 years with a 10 year vesting period or early retirement with unreduced benefits after 30 years of service, or a reduced benefit at age 50 with 25 years of service.

An employee who leaves service may withdraw his or her contribution, plus accumulated interest.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police and fire employee benefits terms may be subject to binding arbitration in certain circumstances.

Employees Covered by Benefit Terms – At the December 31, 2018 measurement date, the following employees were covered by the benefit terms:

Active plan members	63
Inactive employees or beneficiaries currently receiving benefits	207
Inactive employees entitled to but not yet receiving benefits	47
Total employees covered by MERS	<u>317</u>

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

	<u>Actual Percentage of Payroll</u>
General	43.05%
Dispatch	0.00%
Fire	14.86%
Department Heads-after 1/1/16	0.00%
Supervisors	129.46%
Court	35.57%
TPOAM	22.65%
POAM	24.61%
COAM	103.82%

CITY OF WAYNE, MICHIGAN

Notes to the Financial Statements (Continued) June 30, 2019

8) DEFINED BENEFIT PENSION PLAN (Continued)

Dispatchers are now a closed division and the City pays a flat monthly rate of \$236. Department heads is also a closed division and the City pays a flat monthly rate of \$24,639.

Net Pension Liability – The net pension liability reported at June 30, 2019 was determined using a measure of the total pension liability and the pension net position as of December 31, 2018. The December 31, 2018 total pension liability was determined by an actuarial valuation performed as of that date.

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

Change in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 111,672,889	\$ 67,990,757	\$ 43,682,132
Service Cost	739,603	-	739,603
Interest	8,644,155	-	8,644,155
Changes to benefit terms	(431,640)	-	(431,640)
Experience Differences	(33,540)	-	(33,540)
Changes in Actuarial Assumptions	-	-	-
Miscellaneous Changes	-	-	-
Contributions - Employer	-	4,212,488	(4,212,488)
Contributions - Employee	-	577,025	(577,025)
Net Investment Income	-	(2,555,519)	2,555,519
Benefit Payments, Including Refunds	(7,981,455)	(7,981,455)	-
Administrative Expenses	-	(129,099)	129,099
Net Changes	937,123	(5,876,560)	6,813,683
Balance at December 31, 2018	\$ 112,610,012	\$ 62,114,197	\$ 50,495,815

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

For the year ended June 30, 2019, the City recognized pension expense of \$49,604. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience.	\$ -	\$ (16,770)
Net difference between projected and actual earnings on pension plan investments.	4,687,207	-
Employer contributions to the plan subsequent to the measurement date.	2,282,081	-
	\$ 6,969,288	\$ (16,770)

8) DEFINED BENEFIT PENSION PLAN (Continued)

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

<u>Years Ending June 30,</u>	<u>Amount</u>
2020	\$ 1,722,876
2021	484,520
2022	890,654
2023	<u>1,572,387</u>
	<u>\$ 4,670,437</u>

Actuarial Assumptions – the total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods including in the measurement:

Inflation	2.50%	
Salary Increases	3.75%	
Investment Rate of Return	8.00%	Gross of pension plan investment expenses, including inflation.

Mortality rates were based on the RP 2014 Healthy Annuitant Mortality Table. For disabled retirees, the regular mortality table is used with a 10 year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of the most recent actuarial experience study covering the period of December 31, 2008 through December 31, 2014.

Discount Rate – The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers.

Projected Cash Flows

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

8) DEFINED BENEFIT PLAN (Continued)

Projected Cash Flows

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2019 for each major asset class included in the pension plan’s target asset allocation, as disclosed in the investment note, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	55.5%	6.15%
Global Fixed Income	18.5%	1.26%
Real Assets	13.5%	7.22%
Diversifying Strategies	12.5%	5.00%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what City’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (9.00 percent) than the current rate:

	<u>1% Decrease 7.00%</u>	<u>Current Discount Rate 8.00%</u>	<u>1% Increase 9.00%</u>
Net Pension Liability of the City	\$ 63,403,175	\$ 50,495,915	\$ 39,726,136

Pension Plan Fiduciary Net Pension – Detailed information about the plan’s fiduciary net position is available in the separately issued financial report found at www.mersofmich.com. The plan’s fiduciary net pension has been determined on the same basis used 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’s contributions are recognized as expense when due and payable in accordance with the benefit terms.

9) RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers’ compensation). The City is self-insured for workers’ compensation and participates in the Michigan Municipal Risk Management Authority (the “Authority”) risk pool for claims relating to property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

CITY OF WAYNE, MICHIGAN

Notes to the Financial Statements (Continued) June 30, 2019

9) RISK MANAGEMENT (Continued)

The Michigan Municipal Risk Management Authority risk pool program operates as a claims serving pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City estimates the liability for general liability claims and workers' compensation claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported. The estimate for the general liability and workers' compensation claims are all included in the General Fund. Changes in the estimated liabilities for the years ended June 30, 2019 and 2018 were as follows:

Changes in the balance of claims liabilities for property casualty during the current and prior year are as follows:

	June 30,	
	2019	2018
Unpaid Claims, Beginning of Year	\$ 71,152	\$ 63,288
Incurred Claims, including Claims Incurred but not Reported	292,098	75,000
Claim Payments	(135,781)	(67,136)
Unpaid Claims, End of Year	\$ 227,469	\$ 71,152

Changes in the balance of claims liabilities for workers compensation during the current and prior year were as follows:

	June 30,	
	2019	2018
Unpaid Claims, Beginning of Year	\$ 5,208	\$ 22,376
Incurred Claims, including Claims Incurred but not Reported	42,494	41,899
Claim Payments	(28,547)	(59,067)
Unpaid Claims, End of Year	\$ 19,155	\$ 5,208

10) CONTINGENT LIABILITIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

11) SUBSEQUENT EVENTS

We examined subsequent events through December 19, 2019, the date the report was available to be issued. There was no event requiring recognition in the financial statements.

12) COMPLIANCE WITH BUDGETARY LAWS AND REGULATIONS

For the year ended June 30, 2019, expenditures exceeded appropriations for the following functional expenses within the general fund:

<u>Function</u>	<u>Final Amended Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
District Court	\$ 987,780	\$ 1,056,598	\$ 68,818
Recreation & Culture	1,235,385	1,261,298	25,913

Expenditures also exceeded appropriations in the City's other major fund, the Local Streets Fund:

<u>Function</u>	<u>Final Amended Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Road Projects - Streets	\$ 478,723	\$ 506,288	\$ 27,565

13) TAX ABATEMENTS

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

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

For the fiscal year ended June 30, 2019, the City abated \$303,801 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

13) UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. 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 previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2021.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF WAYNE, MICHIGAN

Required Supplemental Information Budgetary Comparison Schedule – General Fund June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 6,636,760	\$ 6,636,760	\$ 6,819,202	\$ 182,442
Licenses and Permits	556,210	651,210	734,982	83,772
Intergovernmental	3,442,920	3,832,704	3,868,768	36,064
Charges for Service and Sales	1,203,830	1,153,830	1,239,468	85,638
Fines and Forfeitures	550,060	500,060	544,352	44,292
Interest and Rents	487,200	431,700	436,545	4,845
Other Revenue	3,411,707	3,331,609	3,163,496	(168,113)
Total Revenue	16,288,687	16,537,873	16,806,813	268,940
Expenditures - Current				
General Government:				
City Council	41,550	44,550	31,218	(13,332)
City Manager	137,340	127,340	120,952	(6,388)
Finance	674,275	663,985	631,345	(32,640)
Law	195,000	298,000	277,127	(20,873)
City Clerk	344,170	345,880	280,243	(65,637)
Personnel	200,340	187,698	185,648	(2,050)
Information Technology	216,700	199,410	188,331	(11,079)
Other	4,223,065	3,637,659	3,786,637	148,978
Total General Government	6,032,440	5,504,522	5,501,501	(3,021)
District Court	956,054	987,780	1,056,598	68,818
Public Safety	6,791,300	7,197,440	7,040,803	(156,637)
Public Services	2,288,706	2,010,566	1,819,623	(190,943)
Health and Welfare	-	-	-	-
Community and Economic Development	176,515	208,225	162,278	(45,947)
Recreation and Culture	1,244,685	1,235,385	1,261,298	25,913
Debt Service	639,635	639,635	639,385	(250)
Total Expenditures	18,129,335	17,783,553	17,481,486	(302,067)
Excess (Deficiency) of Revenue Over Expenditures	(1,840,648)	(1,245,680)	(674,673)	571,007
Fund Balance, Beginning of Year	3,247,240	3,247,240	3,247,240	-
Fund Balance, End of Year	<u>\$ 1,406,592</u>	<u>\$ 2,001,560</u>	<u>\$ 2,572,567</u>	<u>\$ 571,007</u>

CITY OF WAYNE, MICHIGAN

Required Supplemental Information Budgetary Comparison Schedule – Local Streets June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 344,700	\$ 344,700	\$ 353,506	\$ 8,806
Intergovernmental	456,929	640,929	660,570	19,641
Other Revenue	8,000	8,000	16,234	8,234
Total Revenue	809,629	993,629	1,030,310	36,681
Expenditures - Current				
Road Projects - Streets	452,723	478,723	506,288	27,565
Total Expenditures	452,723	478,723	506,288	27,565
Excess (Deficiency) of Revenue Over Expenditures	356,906	514,906	524,022	9,116
Other Financing Sources (uses)				
Transfers In	231,440	231,440	277,317	45,877
Total Financing Sources (uses)	231,440	231,440	277,317	45,877
Net Change in Fund Balance	588,346	746,346	801,339	54,993
Fund Balance, Beginning of Year	2,155,602	2,155,602	2,155,602	-
Fund Balance, End of Year	<u>\$ 2,743,948</u>	<u>\$ 2,901,948</u>	<u>\$ 2,956,941</u>	<u>\$ 54,993</u>

1) LEGAL COMPLIANCE - BUDGETS - ACCOUNTING AND REPORTING

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets were adopted for the general fund and eight special revenue funds (Major Street Fund, Local Street Fund, Refuse Collection and Disposal Fund, Vehicle Forfeiture Fund, Drug Enforcement Fund, Library Operations Fund, Community Development Block Grant Fund and Community Development Program Income Fund).

Functional Activity (i.e. general government, district court, public safety, etc.) is the legal level of control at which expenditures may not legally exceed appropriations for the general fund budget. Total expenditures is the legal level of control for all special revenue funds.

The City is legally subject to the budgetary control requirement of Michigan Public Act (P.A.) 2 of 1978 as amended. The following is a summary of the requirements of this Act.

- (i) Budgets must be adopted for the General Fund and Special Revenue Funds.
- (ii) The budgets must be balanced.
- (iii) The budgets must be amended when necessary.
- (iv) Public hearings must be held before budget adoptions.
- (v) Expenditures cannot exceed budget appropriations.
- (vi) Expenditures must be authorized by a budget before being incurred.

The City adopts its budget by functional activity which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- (i) At the second regular meeting in April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes the proposed expenditures and the means of financing them, for the General Fund and Special Revenue Funds. The budgets are adopted on a basis consistent with generally accepted accounting principles.
- (ii) Public hearings are conducted to obtain taxpayer comments.
- (iii) At the second regular meeting in May, the General Fund and Special Revenue Fund budgets are legally enacted through passage of a resolution by the City Council. The budgeting technique groups various departments into activities by function of service.
- (iv) After the budget has been adopted no money can be drawn from the treasury of the City, nor can any obligation for the expenditure of money be incurred except pursuant to the budget appropriation.
- (v) Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- (vi) The Finance Director is authorized to make budgetary transfers within appropriation centers. The City Manager is authorized to make budgetary transfers between appropriation centers as long as no appropriation center is increased by more than 2.5%. All other transfers between appropriation centers may be made only by further action of the City Council pursuant to the provisions of the Michigan Uniform Accounting and budgeting Act.

CITY OF WAYNE, MICHIGAN

Notes to Budgetary Comparison Schedules Year Ended June 30, 2019

1) LEGAL COMPLIANCE - BUDGETS - ACCOUNTING AND REPORTING (Continued)

For the year ended June 30, 2019, expenditures and transfers exceeded appropriations for the following functional activities within the General Fund:

<u>General Fund</u>	<u>Amount By Which Expenditures Exceed Appropriations</u>
District Court	\$ 68,818
Recreation and Culture	25,913

CITY OF WAYNE, MICHIGAN

Required Supplemental Information Schedule of Changes in the Total OPEB Liability and Related Ratios No Trust

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 44,089	\$ 46,494
Interest	190,880	234,566
Differences between Expected and Actual Experience	118,943	(13,754)
Changes in Assumptions	289,727	(35,159)
Benefit Payments, including Refunds	<u>(1,225,959)</u>	<u>(1,867,933)</u>
Net Change in Total OPEB Liability	(582,320)	(1,635,786)
Total OPEB Liability - Beginning of Year	<u>5,863,865</u>	<u>7,499,651</u>
Total OPEB Liability - End of Year	<u><u>\$ 5,281,545</u></u>	<u><u>\$ 5,863,865</u></u>

Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

CITY OF WAYNE, MICHIGAN

Required Supplemental Information Schedule of OPEB Contributions Last Five Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 484,058	\$ 485,813	\$ 6,219,301	\$ 6,225,156	\$ 3,773,200
Contributions in Relation to the Actuarially Determined Contribution	<u>1,225,959</u>	<u>1,867,933</u>	<u>1,959,080</u>	<u>2,221,758</u>	<u>1,403,253</u>
Contribution (Deficiency) Excess	<u>\$ 741,901</u>	<u>\$ 1,382,120</u>	<u>\$ (4,260,221)</u>	<u>\$ (4,003,398)</u>	<u>\$ (2,369,947)</u>

Notes to Schedule of Contributions

Actuarial Valuation Information Relative to the Determination of Contributions:

Valuation Date Actuarially determined contribution rates are calculated as of June 30, 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 dollar
Remaining Amortization Period	26 years, closed
Inflation	2.5 percent
Healthcare Cost Trend Rates	n/a
Salary Increases	3.5 to 14.5 percent
Investment Rate of Return	3.13 percent net of OPEB plan investment expense
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition. A 50% male - 50% female blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%, the RP-2014 Employee Mortality Tables and the RP-2014 Juvenile Mortality Tables
Mortality	

As detailed in Note 7, effective January 1, 2019, the City replaced its retiree medical plans with monthly stipends. The new benefit structure was valued as part of the June 30, 2019 valuation.

CITY OF WAYNE, MICHIGAN

Required Supplemental Information Schedule of Changes in the City Net Pension Liability and Related Ratios Last Five Fiscal Years

	2019	2018	2017	2016	2015
Total Pension Liability					
Service Cost	\$ 739,603	\$ 776,490	\$ 839,488	\$ 964,860	\$ 972,670
Interest	8,644,155	9,076,213	8,572,725	8,248,252	8,193,782
Changes to Benefit Terms	(431,640)	(932,184)	(1,964,931)	-	-
Experience Differences	(33,540)	(975,609)	617,650	753,203	-
Changes in Actuarial Assumptions	-	-	-	4,873,680	-
Miscellaneous Changes	-	-	67,360	67,360	-
Benefit Payments, including Refunds	(7,981,455)	(8,017,627)	(7,945,246)	(7,337,088)	(8,020,773)
Net Change in Total Pension Liability	937,123	(72,717)	187,046	7,570,267	1,145,679
Total Pension Liability - Beginning of Year	111,672,889	111,745,606	111,558,560	103,988,293	102,842,614
Total Pension Liability - End of Year	112,610,012	111,672,889	\$ 111,745,606	\$ 111,558,560	\$ 103,988,293
Plan Fiduciary Net Position					
Contributions - Employer	4,212,488	3,634,938	3,331,359	2,707,157	2,825,137
Contributions - Employee	577,025	513,222	412,398	331,062	1,430,906
Net Investment Income	(2,555,519)	8,197,570	6,766,100	(951,680)	4,151,563
Benefit Payment, including Refunds	(7,981,455)	(8,017,627)	(7,945,246)	(7,337,088)	(8,020,773)
Administrative Expenses	(129,099)	(128,709)	(133,763)	(142,200)	(151,723)
Net Change in Plan Fiduciary Net Position	(5,876,560)	4,199,394	2,430,848	(5,392,749)	235,110
Plan Fiduciary Net Position - Beginning of Year	67,990,757	63,791,363	61,360,515	66,753,264	66,518,152
Plan Fiduciary Net Position - End of Year	62,114,197	67,990,757	\$ 63,791,363	\$ 61,360,515	\$ 66,753,262
City's Net Pension Liability - Ending	\$ 50,495,815	\$ 43,682,132	\$ 47,954,243	\$ 50,198,045	\$ 37,235,031
Plan Fiduciary Net Position as a Percent of Total Pension Liability	55.16%	60.88%	57.10%	55.0%	64.2%
Covered Payroll	\$ 4,001,688	\$ 4,037,226	\$ 4,101,050	\$ 5,866,847	\$ 4,414,412
City's Net Pension Liability as a Percent of Covered Payroll	1261.86%	1081.98%	1169.32%	1901.50%	843.5%

CITY OF WAYNE, MICHIGAN

Required Supplemental Information Schedule of City Contributions Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Contribution	\$ 4,212,488	\$ 3,634,938	\$ 3,331,359	\$ 2,707,157	\$ 2,825,137	\$ 3,015,648	\$ 2,787,664	\$ 2,070,252	\$ 2,342,064	\$ 2,507,778
Contributions in Relation to the Actuarially Determined Contribution	<u>4,212,488</u>	<u>3,634,938</u>	<u>3,331,359</u>	<u>2,707,157</u>	<u>2,825,137</u>	<u>3,199,597</u>	<u>2,997,070</u>	<u>2,326,414</u>	<u>2,223,725</u>	<u>2,507,778</u>
Contribution Excess (Deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,949</u>	<u>\$ 209,406</u>	<u>\$ 256,162</u>	<u>\$ (118,339)</u>	<u>\$ -</u>
Covered Payroll	4,001,688	4,037,226	4,101,050	5,866,847	4,414,412	5,599,175	5,866,847	6,042,833	5,814,240	7,361,702
Contributions as a Percentage of Covered Payroll	105%	90%	81%	46%	64%	57%	51%	38%	38%	34%

Actuarial Valuation Information Relative to the Determination of Contributions:

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

Methods and Assumptions used to Determine Contribution Rates:

Actuarial Cost Method	Level Percentage of Pay
Remaining Amortization Period	5-22 years
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	3.75%, including inflation
Investment Rate of Return	7.75%
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition.
Mortality	RP 2014 Healthy Annuitant Mortality Tables
Other Information	None

OTHER SUPPLEMENTAL INFORMATION

CITY OF WAYNE, MICHIGAN

Non-Major Governmental Funds Combining Balance Sheet June 30, 2019

	Special Revenue Funds										Permanent Fund	Non-Major Governmental Funds Total
	Major Street and Trunkline Fund	Refuse Collection and Disposal Fund	PEG Public Improvement Fund	Vehicle Forfeiture Fund	Indigent Defense Fund	Drug Law Enforcement Fund	Library Operations Fund	Community Development Block Grant Fund	Community Development Program Income Fund	Youth Grant Program	Permanent Fund Cemetery Perpetual Fund	
Assets:												
Cash and Cash Equivalents	\$ 687,687	\$ 587,468	\$ 52,504	\$ 17	\$ 221,299	\$ 115	\$ 250,612	\$ -	\$ 67,130	\$ 308,916	\$ 365,344	\$ 2,541,092
Receivables:												
Intergovernmental	207,064	46,307	-	-	-	-	48,470	104,352	-	-	-	406,193
Others	63	-	2,727	-	-	-	-	-	-	105,895	-	108,685
Inventory	49,043	-	-	-	-	-	-	-	-	-	-	49,043
Total Assets	\$ 943,857	\$ 633,775	\$ 55,231	\$ 17	\$ 221,299	\$ 115	\$ 299,082	\$ 104,352	\$ 67,130	\$ 414,811	\$ 365,344	\$ 3,105,013
Liabilities and Fund Balances (Deficit)												
Liabilities:												
Accounts Payable	\$ 37,387	\$ 98,890	\$ -	\$ -	\$ 7,883	\$ -	\$ 10,385	\$ -	\$ -	\$ 52,296	\$ -	\$ 206,841
Due to Other Funds	-	-	-	-	-	-	2,710	104,352	-	-	-	107,062
Other Liabilities-Intergovernmental	-	12,523	-	-	-	-	4,307	-	-	-	-	16,830
Unearned Revenue	-	-	-	-	213,416	-	-	-	67,130	-	-	280,546
Accrued Salaries and Wages	-	-	-	-	-	-	6,489	-	-	-	-	6,489
Total Liabilities	37,387	111,413	-	-	221,299	-	23,891	104,352	67,130	52,296	-	617,768
Deferred Inflows of Resources -												
Unavailable Revenue	-	-	-	-	-	-	25,420	50,192	-	4,075	-	79,687
Fund Balances (Deficit):												
Nonspendable	49,043	-	-	-	-	-	-	-	-	-	-	49,043
Permanent Fund Principal	-	-	-	-	-	-	-	-	-	-	365,344	365,344
Restricted for:												
Roads	857,427	-	-	-	-	-	-	-	-	-	-	857,427
Refuse Collection	-	522,362	-	-	-	-	-	-	-	-	-	522,362
Law Enforcement	-	-	-	17	-	115	-	-	-	-	-	132
Library Operations	-	-	-	-	-	-	249,771	-	-	-	-	249,771
Public Improvements	-	-	55,231	-	-	-	-	-	-	-	-	55,231
Youth Grants	-	-	-	-	-	-	-	-	358,440	-	-	358,440
Unassigned	-	-	-	-	-	-	-	(50,192)	-	-	-	(50,192)
Total Fund Balance (Deficit)	906,470	522,362	55,231	17	-	115	249,771	(50,192)	-	358,440	365,344	2,407,558
Total Liabilities, Deferred Inflows and Fund Balance	\$ 943,857	\$ 633,775	\$ 55,231	\$ 17	\$ 221,299	\$ 115	\$ 299,082	\$ 104,352	\$ 67,130	\$ 414,811	\$ 365,344	\$ 3,105,013

CITY OF WAYNE, MICHIGAN

Non-Major Governmental Funds Combining Statement of Revenue, Expenditures and Changes in Fund Balance For Year Ended June 30, 2019

	Special Revenue Funds									Permanent Fund	Non-Major Governmental Funds Total	
	Major Street and Trunkline Fund	Refuse Collection and Disposal Fund	PEG Public Improvement Fund	Vehicle Forfeiture Fund	Indigent Defense Fund	Drug Law Enforcement Fund	Library Operations Fund	Community Development Block Grant Fund	Community Development Program Income Fund	Youth Grant Program		Permanent Fund Cemetery Perpetual Fund
Revenues:												
Taxes	\$ -	\$ 1,032,137	\$ -	\$ -	\$ -	\$ -	\$ 681,497	\$ -	\$ -	\$ -	\$ -	\$ 1,713,634
Intergovernmental Revenue												
Gas, Weight and Trunkline Maintenance	1,235,440	-	-	-	-	-	-	-	-	-	-	1,235,440
Federal Grants/Entitlement	-	-	-	-	-	-	95,469	-	299,074	-	-	394,543
Other Grants	-	91,628	-	-	49,798	-	45,616	-	-	-	-	187,042
Charges for Services	-	-	32,167	-	-	-	-	-	-	-	3,360	35,527
Interest and Rents	1,124	1,700	84	-	187	-	1,099	-	-	-	-	4,194
Other Revenue	-	158	-	-	-	101	42,621	-	-	-	-	42,880
Total Revenues	1,236,564	1,125,623	32,251	-	49,985	101	770,833	95,469	-	299,074	3,360	3,613,260
Expenditures:-Current												
General Government	-	-	-	-	49,985	-	-	-	-	-	-	49,985
Public Safety	-	-	-	17,284	-	14,934	-	-	-	-	-	32,218
Public Services	571,447	1,072,112	27,576	-	-	-	-	-	-	-	-	1,671,135
Community and Economic Development	-	-	-	-	-	-	-	115,432	-	338,490	-	453,922
Recreation and Culture	-	-	-	-	-	-	603,538	-	-	-	-	603,538
Debt Service												
Principal	25,000	-	-	-	-	-	-	-	-	-	-	25,000
Interest and Paying Agent Fees	25,313	-	-	-	-	-	-	-	-	-	-	25,313
Total Expenditures	621,760	1,072,112	27,576	17,284	49,985	14,934	603,538	115,432	-	338,490	-	2,861,111
Excess (Deficiency) of Revenue over Expenditures	614,804	53,511	4,675	(17,284)	-	(14,833)	167,295	(19,963)	-	(39,416)	3,360	752,149
Other Financing Source (Uses)												
Transfers Out	(277,317)	-	-	-	-	-	-	-	-	-	-	(277,317)
Total Other Financing Source (Uses)	(277,317)	-	-	-	-	-	-	-	-	-	-	(277,317)
Net change in Fund Balances	337,487	53,511	4,675	(17,284)	-	(14,833)	167,295	(19,963)	-	(39,416)	3,360	474,832
Fund Balances (Deficit) July 1, 2018	568,983	468,851	50,556	17,301	-	14,948	82,476	(30,229)	-	397,856	361,984	1,932,726
Fund Balances (Deficit) June 30, 2019	\$ 906,470	\$ 522,362	\$ 55,231	\$ 17	\$ -	\$ 115	\$ 249,771	\$ (50,192)	\$ -	\$ 358,440	\$ 365,344	\$ 2,407,558

CITY OF WAYNE, MICHIGAN

Other Supplemental Information
Combining Statement of Assets
and Liabilities Agency Funds
June 30, 2019

	Miscellaneous Agency Fund	Current Tax Collection Fund	Delinquent Personal Property Tax Collection Fund	Agency Funds Total
ASSETS				
Cash and Cash Equivalents	\$ 58,798	\$ 92,392	\$ 15,921	\$ 167,111
Tax Receivable - Delinquent	-	-	150,769	150,769
Total Assets	\$ 58,798	\$ 92,392	\$ 166,690	\$ 317,880
LIABILITIES				
Due to Other Government	\$ -	\$ 92,392	\$ 166,690	\$ 259,082
Held for Others	58,798	-	-	58,798
Total Liabilities	\$ 58,798	\$ 92,392	\$ 166,690	\$ 317,880

CITY OF WAYNE, MICHIGAN

SINGLE AUDIT REPORT

JUNE 30, 2019

CITY OF WAYNE, MICHIGAN

Contents

	<u>Page No.</u>
Independent Auditor's Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....	1
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	2
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	4
Schedule of Expenditures of Federal Awards.....	7
Notes to Schedule of Expenditures of Federal Awards.....	8
Schedule of Findings and Questioned Costs.....	9
Status of Prior Year Findings	11



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alancyoung.com

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The City of Wayne, Michigan (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 19, 2019 which contained unmodified opinions on the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Alan C. Young & Assoc.

Detroit, Michigan
December 19, 2019



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alancyoung.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor and City Council
City of Wayne, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wayne, Michigan (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 19, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

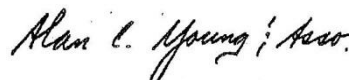
**Independent Auditor's Report on Internal
Control Over Financial Reporting and on
Compliance and Other Matters Based on
An Audit of Financial Statements Performed
In Accordance with Government Auditing Standards
(Continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Detroit, Michigan
December 19, 2019



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

(313) 873-7500 (Tel.)
(313) 873-7502 (Fax)
www.alancyoung.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Honorable Mayor and City Council
City of Wayne, Michigan

Report on Compliance for Each Major Federal Program

We have audited the City of Wayne, Michigan (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

**Independent Auditor's Report on Compliance
for Each Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance
(Continued)**

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Independent Auditor's Report on Compliance
for Each Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance
(Continued)**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Alan C. Young & Assoc.

Detroit, Michigan
December 19, 2019

CITY OF WAYNE, MICHIGAN

Schedule of Expenditures of Federal Awards Year Ended June 30, 2019

Federal Grantor / Pass-Trough Grantor / Program Title	Federal CFDA Number	Pass - Through Grantor's Number	Current Year Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development				
Pass through Wayne County				
Community Development Block Grant Entitlement - 2017	14.218	17-31	\$ 52,845	\$ -
Community Development Block Grant Entitlement - 2018	14.218	18-31	47,703	-
Total Community Development Block Grant (Major Program)			<u>100,548</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			100,548	-
U.S. Department of Justice				
Direct through Federal				
2016 Bulletproof Vest Partnership Grant Program	16.607	2016 Regular Fund	1,600	-
Pass through Michigan State Police:				
2018 Byrne Justice Assistance Grant-YS	16.738	JAG-72488-2018	12,424	-
2019 Byrne Justice Assistance Grant - YS	16.738	JAG-72488-2019	34,935	-
2019 Byrne Justice Assistance Grant - POL	16.738	JAG-73025-2019	81,290	-
Total U.S. Department of Justice			<u>130,249</u>	<u>-</u>
U.S. Department of Homeland Security				
Direct through Federal:				
2016 Department of Homeland Security FEMA - Assistance to Firefighters Grant Program Fire and Emergency Response	97.044	EMW-2016-FP-00455	3,505	-
2017 Department of Homeland Security FEMA - Assistance to Firefighters Grant Program Fire and Emergency Response	97.044	EMW-2017-FV-01047	214,287	-
2015 Department of Homeland Security FEMA - Staffing for Adequate Fire and Emergency Response	97.083	EMW-2015-FH-00436	374,464	-
Total U.S. Department of Homeland Security			<u>592,256</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 823,053</u>	<u>\$ -</u>

See notes to Schedule of Expenditures of Federal Awards

CITY OF WAYNE, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2019

1) BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING PRINCIPLES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Wayne, Michigan and is presented on the same basis of accounting as the financial statements. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). In addition, expenditures reported on the schedule are recognized following the federal cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, change in net position or cash flows of the Organization.

2) INDIRECT COST RATE

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF WAYNE, MICHIGAN

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Report Issued: Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified? Yes No

Significant Deficiency (ies) Identified? Yes None Reported

Non-Compliance Material to Financial Statements Noted? Yes No

FEDERAL AWARDS

Internal Control over Major Programs:

Material Weakness (es) Identified? Yes No

Significant Deficiency (ies) Identified? Yes None Reported

Type of Auditor's Report Issued on Compliance for Major Programs: Unmodified

Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR 200.516(a)? Yes No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
97.083	U.S. Department of Homeland Security – 2015 Department of Homeland Security FEMA-Staffing for Adequate Fire and Emergency Response

Dollar threshold used to distinguish between Type A and B programs: \$ 750,000

Auditee Qualified as Low Risk Auditee? Yes No

CITY OF WAYNE, MICHIGAN

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2019

SECTION III – FEDERAL PROGRAM AUDIT FINDINGS

Reference Number	Findings
2019-001	<p>Program Name – 2015 Department of Homeland Security FEMA – Staffing for Adequate Fire and Emergency Response</p> <p>CFDA Number – 97.083</p> <p>Pass-through Entity – N/A</p> <p>Finding Type – Significant Deficiency</p> <p>Criteria –Reimbursement requests should be properly accompanied by supporting documentation.</p> <p>Condition and Description – During our audit, sufficient supporting documents for reimbursement requests were not made available for our review. Out of 5 reimbursement requests, the City was not able to provide supporting documents for the fringe benefits for 2 of the requests.</p> <p>Questioned Costs – Unknown.</p> <p>Identification of a Repeat Finding – There was no single audit for the year ended June 30, 2018.</p> <p>Cause/Effect – The supporting documents were not available so the propriety of the expense could not be determined.</p> <p>Recommendation – We recommend that the City maintain adequate supporting documents for all reimbursement requests submitted to the various grant agencies.</p> <p>View of Responsible Officials and Planned Corrective Action – The Staffing for Adequate Fire and Emergency Response grant ended subsequent to year-end. However, the finance office will work with the staff responsible for requesting reimbursement for any grant to ensure that sufficient documentation is maintained to support future requests.</p>

No Single Audit was performed for the year ended June 30, 2018 as the City was below the \$750,000 threshold.