

CITY OF WAYNE, MICHIGAN

**FINANCIAL REPORT
WITH
SUPPLEMENTAL INFORMATION**

JUNE 30, 2016

CITY OF WAYNE, MICHIGAN

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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, 2016, 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. 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, 2016, 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.


Detroit, Michigan
December 19, 2016

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, 2016. 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 continued to erode. The City is taking steps to consolidate and simplify its financial statement presentation in order to be more transparent and clarify the picture of the City's financial distress:

- Internal service funds such as the DPW Equipment Rental Fund and the Risk Management Fund were closed during 2015 with remaining financial resources being returned to the funds that originally provided them. This resulted in approximately \$1.5 million and \$536,000 being returned to the General Fund and the Water and Sewer Fund, respectively. In 2016, there is no activity in the internal service funds.
- Several years ago, the City created the Other Employee Benefits Trust Fund in order to "pre-fund" the retiree healthcare liability. Over the last few years, the City has slowed contributions to this fund and allowed the accumulated balance to decline as retiree benefits paid out of the fund have exceeded contributions from the City being paid into the fund. For several years, the expenses paid out of this fund have exceeded the contributions into the fund and the investment income earned on the accumulated balance. Effectively, the City is using the OPEB money to balance the General Fund budget. This year, the OPEB Trust paid \$1.2 million of the City's premiums, leaving a balance of \$1.1 million in the trust. That remaining balance is expected to be completely extinguished by June 30, 2017. The actuarial accrued liability related to OPEB, an estimate of the future liability based on the current benefits offered, grew from \$48.1 million in the 2012 valuation to \$87.8 million in the 2014 valuation. The 2016 valuation has not yet been prepared.
- The City's pension plan with the Municipal Employers Retirement System (MERS) has not seen the investment returns that were expected. As a result, the funding status of the plan fell from 64 to 55 percent funded from January 1, 2015 to December 31, 2015. The net pension liability during the same timeframe grew from \$37.2 million to \$50.2 million.
- Under full accrual accounting, the Primary Government of the City of Wayne (excluding the Downtown Development Authority)'s net position declined by approximately \$6.9 million, primarily due to the increases to the OPEB and pension liabilities.

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, 2016

REPORTING THE CITY AS A WHOLE

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current Assets	6,340,194	5,492,993	5,189,612	5,308,520	11,529,806	10,801,513
Capital and other Assets	40,175,854	41,251,127	29,393,091	26,818,878	69,568,945	68,070,005
Total Assets	46,516,048	46,744,120	34,582,703	32,127,398	81,098,751	78,871,518
Deferred Outflows	9,139,646	1,903,865	799,095	196,952	9,938,741	2,100,817
Liabilities						
Current Liabilities	3,539,919	2,007,681	3,119,545	763,034	6,659,462	2,770,715
Debt and Long-term Liabilities	75,199,012	61,440,777	16,577,841	17,246,994	91,776,855	78,687,771
Total Liabilities	78,738,931	63,448,458	19,697,386	18,010,028	98,436,317	81,458,486
Net Position						
Net Investment in Capital Assets	25,812,606	25,673,884	16,997,198	15,428,348	42,809,804	41,102,232
Restricted	2,378,968	1,601,065	285,216	285,328	2,664,184	1,886,393
Unrestricted	(51,274,811)	(42,075,422)	(1,598,002)	(1,399,354)	(52,872,813)	(43,474,776)
Total Net Position	\$ (23,083,237)	\$ (14,800,473)	\$ 15,684,412	\$ 14,314,322	\$ (7,398,825)	\$ (486,151)

The following table shows the changes in net position for the years ended June 30, 2016 and 2015:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue						
General Revenue	\$ 10,574,975	\$ 10,951,929	\$ 16,017	\$ 49,117	\$ 10,590,992	\$ 11,001,046
Charge for Service	6,385,253	7,638,213	10,714,088	9,632,251	17,099,341	17,270,464
Grants and Contributions	2,282,399	812,776	-	-	2,282,399	812,776
Total Revenue	19,242,627	19,402,918	10,730,105	9,681,368	29,972,732	29,084,286
Program Expenses						
General Government	5,787,128	2,168,585	-	-	5,787,128	2,168,585
District Court	998,673	658,347	-	-	998,673	658,347
Public Safety	12,217,749	9,390,720	-	-	12,217,749	9,390,720
Public Services	5,664,889	4,117,775	-	-	5,664,889	4,117,775
Health and Welfare	360,017	337,881	-	-	360,017	337,881
Recreation and Cultural	2,471,773	1,917,898	-	-	2,471,773	1,917,898
Interest on Long-term Debt	644,124	456,287	-	-	644,124	456,287
Community and Economic Development	543,451	686,589	-	-	543,451	686,589
Water and Sewer	-	-	9,360,015	9,769,104	9,360,015	9,769,104
Total Expenses	28,687,804	19,734,082	9,360,015	9,769,104	38,047,819	29,503,186
Net Transfers	1,162,415	(535,518)	-	535,518	1,162,415	-
Change in Net Position	\$ (8,282,762)	\$ (866,682)	\$ 1,370,090	\$ 447,782	\$ (6,912,672)	\$ (418,900)

GOVERNMENTAL ACTIVITIES

Net Position of the City's governmental activities decreased by 57%, decreasing by nearly \$8.3 million. Of that change, \$4.2 million relates to the increase in the net other postemployment benefits (retiree healthcare), or OPEB liability. The City's actuarially calculated Annual Required Contribution for OPEB, plus interest on the accumulated shortfall of previous unpaid contributions, was \$6.6 million, but the City only contributed \$1.2 million toward that by paying the insurance premiums. In addition, the City's retiree benefits paid out of the accumulated balance in the OPEB trust was another \$1.1 million.

GOVERNMENTAL ACTIVITIES (CONTINUED)

With state-level changes to the personal property tax, the City's tax revenue has started decreasing again. Property tax revenue decreased from \$8.7 million in fiscal year 2015 to 8.4 million this year, a decrease of 3 percent. The City is preparing for further declines as the revenue from property taxes on personal property will continue to be phased out from 2016 to 2023 as a result of recent changes to state law.

State shared revenue decreased slightly, breaking a streak of three straight years of slight improvements. This year, state shared revenue decreased \$14,000. However, at the full-accrual level, the City recorded an additional state shared revenue payment in the full accrual statements in order for the City's revenue recognition to match the State's calendar.

On the expense side, the City continues to reduce costs where possible by limiting capital outlay and leaving vacant positions unfilled. The City has dramatically reduced its employee headcount over the years which has reduced the costs of wages; however, the required contributions for pension and retiree healthcare continue to rise at a rate in excess of inflation.

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 \$1.4 million. The net investment in capital assets increased by \$1.6 million, mostly due to the City's purchase of new water meters. The unrestricted net position deficit decreased by approximately \$87,000, to a total deficit of (\$1.6) million. The City significantly increased the Water and Sewer rates for fiscal year 2016 in an effort to stabilize the fund and provide capital for the necessary improvements, including the new water meters.

THE CITY'S FUNDS

As of June 30, 2016, the governmental funds of the City, as presented in the balance sheet on page 11, reported a combined fund balance of \$4.6 million. This is an increase of approximately \$482,000 from prior year. This is primarily due to decreased spending in both the major and local street funds and the continued use of OPEB money previously set aside in a legally separate trust. In 2016, the subsidy to retiree healthcare costs from the OPEB Trust was approximately \$1.2 million. The remaining \$1.1 million in the OPEB Trust is expected to be used in its entirety to help balance the General Fund budget in 2017.

Other non-major funds that account for such activity as refuse collections, the library, vehicle forfeiture, and the cemetery posted modest surpluses this year. Expenditures exceeded revenues in the Community Development Block Grant Fund (CDBG) by approximately \$137,000 because the rules of modified accrual accounting do not allow for recognition of revenue in a government fund if it is not received within the period of availability. In Wayne's case, this is 60 days. Amounts received after that timeframe are deferred until the following year. Remaining fund balance in these funds is restricted to each fund's particular purpose and cannot be appropriated by the General Fund.

While the positive financial performance of the other funds is encouraging, that activity is a small fraction of the City's total operation. The majority of the City's operations are recorded in the General Fund. As described below, the General Fund is in severe decline financially.

GENERAL FUND BUDGETARY HIGHLIGHTS

The originally adopted General Fund budget projected anticipated revenues equal to expenditures; however, this included \$1.6 million coming from the OPEB Trust. Absent this money, the General Fund would be budgeted to lose \$1.6 million, which would result in using up that same amount of fund balance. Without digging deeper into the issue, this is deceptive and does not appear to be terrible for General Fund, however, the financial position of the General Fund is actually quite dire. The OPEB trust has been subsidizing the General Fund for the last several years. As of June 30, 2016, there is only \$1.1 million left in the OPEB Trust. The City expects to use the full amount in FY 2017 to help pay for the retiree healthcare premiums. Once the OPEB Trust is depleted, the full cost of retiree healthcare will be borne by the General Fund. This is not a sustainable situation.

The City is proactively making changes to prevent a deficit. In fiscal year 2016, the City

- Changed healthcare insurance carrier from Blue Cross to Priority Health. This change saved the City approximately \$600,000 in the first year in premiums
- Entered into an operating agreement with Hype Athletics to have Hype manage the City recreation center. In exchange for a management fee, Hype has assumed the majority of the operating costs associated with running the facility. This arrangement will save several hundred thousand dollars per year for the City.
- Did not fill several open positions that had been included in the budget. This saved the City several hundred thousand dollars this year.

To be clear, the City's General Fund is in a severe state of decline. The General Fund must find a new revenue source or dramatically reduce its expenditures in order to avoid running into a deficit of fund balance in the next 2 to 3 years.

The 2017 budget as noted later gives a clearer picture of the financial distress the City of Wayne is in.

CAPITAL ASSETS

At the end of June 30, 2016, after depreciation expense, the City had \$67.8 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 \$300,000 from the previous year. New additions and improvements, mostly road related and new water meters, totaled \$2.9 million. Depreciation expense totaled \$3.0 million

DEBT ADMINISTRATION

At year end, the City has \$26.8 million in outstanding general obligation bonds, notes payable, and capital leases payable. Principal payments on this debt were approximately \$2.1 million, with another \$1.0 million paid in interest.

The only new structured debt incurred during fiscal year 2016 was a new ambulance financed over 5 years.

In addition, the City has \$1.8 million of accrued sick and vacation benefits which will be extinguished almost entirely out of the General Fund as the liability matures.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Approved appropriations by the City Council in the General Fund budget are \$16.5 million for the 2016-17 fiscal year, consistent with the final approved budget for the 2015-16 fiscal year (\$16.3 million).

Revenue projections are budgeted at \$15.7 million; resulting in a planned deficit of \$744,000; however that includes a \$765,000 subsidy from the OPEB Trust, so really General Fund operations are in a deficit of \$1.5 million. An additional \$400,000 from the OPEB Trust will be available in 2016-17 as it was budgeted but unspent in 2015-16. Mentioned previously, the OPEB Trust will be fully depleted in 2016-17, leaving 2018 with a tremendous deficit to overcome or else deplete the General Fund's fund balance.

Obviously, this is not sustainable for the City in the long term. The City must be able to balance its budget on its own by increasing revenues and decreasing costs. 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.

Activity subsequent to June 30, 2016 that is not included in the budget and could potentially have a positive effect on the City's General Fund include:

- The City is looking to sell the recreation center and other city owned property. This will generate short-term revenue, but also take away long-term operating costs the City can no longer afford to pay.
- All of the City's labor contracts expired at June 30, 2016. As of the date of this report, a few of the new contracts have been settled with bargaining groups accepting concessions. The remaining contracts will continue to be negotiated into 2017.
- The City was recently awarded a Staffing for Adequate Fire & Emergency Response (SAFER) Grant equivalent to 6 additional firefighters. Hiring 6 new firefighters should help the City reduce its overtime costs for the fire department.
- In December 2016, the City Council approved a resolution to stop paying healthcare premiums for retirees and begin paying a monthly stipend. This is expected to be implemented in early 2017.

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, 2016

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 2,672,836	\$ 3,953,184	\$ 6,626,020	\$ 386,380
Receivables, Net	1,839,640	1,142,053	2,981,693	-
Other Assets	22,882	-	22,882	-
Due from Other Fiduciary Funds	1,162,415	-	1,162,415	-
Inventory	181,224	94,375	275,599	-
Prepaid Expenses	461,197	-	461,197	-
Total Current Assets	6,340,194	5,189,612	11,529,806	386,380
Noncurrent Assets:				
Restricted Assets				
Cash and Cash Equivalents	-	1,757,699	1,757,699	-
Capital Assets, Net				
Assets not Subject to Depreciation	4,497,232	50,396	4,547,628	1,841,176
Assets Subject to Depreciation	35,678,622	27,584,996	63,263,618	3,479,768
Total Capital Assets	40,175,854	27,635,392	67,811,246	5,320,944
Total Assets	46,516,048	34,582,703	81,098,751	5,707,324
Deferred Outflows of Resources - Pension	9,139,646	799,095	9,938,741	-
LIABILITIES				
Current Liabilities				
Accounts Payable and Accrued Expenses	815,134	2,302,969	3,118,103	72,086
Due to Other Governmental Units	188,688	-	188,688	-
Unsettled Claims	194,925	-	194,925	-
Current Portion of Long-term Debt	1,455,743	685,000	2,140,743	127,769
Accumulated Compensated Absences	800,000	-	800,000	-
Accrued Interest Payable	85,429	131,576	217,005	-
Total Current Liabilities	3,539,919	3,119,545	6,659,464	199,855
Long-term Liabilities				
Long-term Debt, Net of Current Portion	12,987,005	11,710,894	24,697,899	383,304
Other Post Employment Benefits	15,043,779	820,594	15,864,373	-
Net Pension Liability	46,162,020	4,036,025	50,198,045	-
Accumulated Compensated Absences	1,006,208	10,328	1,016,536	-
Total Noncurrent Liabilities	75,199,012	16,577,841	91,776,853	383,304
Total Liabilities	78,738,931	19,697,386	98,436,317	383,304
NET POSITION				
Net Investment in Capital Assets	25,812,606	16,997,198	42,809,804	5,320,944
Restricted for:				
Cemetery Perpetual Care	351,464	-	351,464	-
Road	1,496,341	-	1,496,341	-
Refuse Collection	398,868	-	398,868	-
Law Enforcement	37,838	-	37,838	-
Library Operations	94,457	-	94,457	-
Debt Service	-	285,216	285,216	-
Unrestricted (Deficit)	(51,274,811)	(1,598,002)	(52,872,813)	(196,779)
Total Net Position	\$ (23,083,237)	\$ 15,684,412	\$ (7,398,825)	\$ 5,124,165

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, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Charges in Net Position			
	Expenses	Charges for Services	Operating	Capital	Primary Government			Component Units
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
General Government	\$ 5,787,128	\$ 895,256	\$ 815,975	\$ -	\$ (4,075,897)	\$ -	\$ (4,075,897)	\$ -
District Court	998,673	548,742	-	-	(449,931)	-	(449,931)	-
Public Safety	12,217,749	2,122,574	-	-	(10,095,175)	-	(10,095,175)	-
Public Services	5,664,889	2,818,681	1,329,056	-	(1,517,152)	-	(1,517,152)	-
Health and Welfare	360,017	-	-	-	(360,017)	-	(360,017)	-
Community and Economic Development	543,451	-	137,368	-	(406,083)	-	(406,083)	-
Recreation and Culture	2,471,773	-	-	-	(2,471,773)	-	(2,471,773)	-
Interest and Other Long-Term Debt	644,124	-	-	-	(644,124)	-	(644,124)	-
Total Governmental Activities	28,687,804	6,385,253	2,282,399	-	(20,020,152)	-	(20,020,152)	-
Business-type Activities:								
Water and Sewer	9,360,015	10,714,088	-	-	-	1,354,073	1,354,073	-
Total Primary Government	\$ 38,047,819	\$ 17,099,341	\$ 2,282,399	\$ -	(20,020,152)	1,354,073	(18,666,079)	-
Component Units:								
Downtown Development Authority	1,377,570	-	-	-	-	-	-	(1,377,570)
Park and Recreation Foundation	1,000	-	-	-	-	-	-	(1,000)
Total Component Units	\$ 1,378,570	\$ -	\$ -	\$ -	-	-	-	(1,378,570)
			General Revenues:					
			Property Taxes, Levied for General Purposes		6,577,458	-	6,577,458	1,282,805
			Property Taxes, Levied for Refuse		1,068,252	-	1,068,252	-
			Property Taxes, Levied for Library		369,438	-	369,438	-
			Property Taxes, Levied for Road Program		369,613	-	369,613	-
			Franchise Taxes		327,967	-	327,967	-
			Investment Earnings		18,802	16,017	34,819	(39)
			State Shared Revenues		1,843,445	-	1,843,445	-
			Total General Revenue		10,574,975	16,017	10,590,992	1,282,766
			Net Transfers		1,162,415	-	1,162,415	-
			Change in Net Position		(8,282,762)	1,370,090	(6,912,672)	(95,804)
			Net Position (Deficit) - July 1, 2015		(14,800,475)	14,314,322	(486,153)	5,219,969
			Net Position (Deficit) - June 30, 2016		\$ (23,083,237)	\$ 15,684,412	\$ (7,398,825)	\$ 5,124,165

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

CITY OF WAYNE, MICHIGAN

Governmental Fund Balance Sheet June 30, 2016

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 541,192	\$ 2,131,644	\$ 2,672,836
Receivables:			
Accounts Receivable, Net	569,193	3,285	572,478
Special Assessments	92,096	29,607	121,703
Due from Other Governmental Units	701,875	412,475	1,114,350
Other	31,668	441	32,109
Due from Other Funds	1,325,684	35,447	1,361,131
Other Assets	22,882	-	22,882
Inventory	99,558	81,666	181,224
Prepaid Items	439,216	21,981	461,197
Total Assets	\$ 3,823,364	\$ 2,716,546	\$ 6,539,910
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 575,493	\$ 100,146	\$ 675,639
Due to Other Governmental Units	150,109	38,579	188,688
Due to Other Funds	3,993	194,723	198,716
Accrued Salaries and Wages	116,837	3,651	120,488
Deposits	20,007	-	20,007
Unsettled Claims	194,925	-	194,925
Total Liabilities	\$ 1,061,364	\$ 337,099	\$ 1,398,463
Deferred Inflows of Resources			
Unavailable Revenue	390,316	167,940	558,256
Fund Balances:			
Nonspendable:			
Prepaid Items	439,216	21,981	461,197
Inventory	99,558	81,666	181,224
Permanent Fund Principal	-	351,464	351,464
Restricted			
Road	-	1,384,103	1,384,103
Refuse Collection	-	398,868	398,868
Law Enforcement	-	37,838	37,838
Library Operations	-	72,476	72,476
Unassigned Balance	1,832,910	(136,889)	1,696,021
Total Fund Balances	2,371,684	2,211,507	4,583,191
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,823,364	\$ 2,716,546	\$ 6,539,910

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, 2016

Fund Balance - Total Governmental Funds \$ 4,583,191

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:	87,447,952	
Accumulated Depreciation is:	<u>(47,272,097)</u>	40,175,854

Deferred Outflows are not Current Financial Resources and are not Reported in the Funds.	9,139,646
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Revenues not meeting the availability Criteria are Recorded as Deferred Inflows at the Fund Level, but Recorded as Revenue in the Full Accrual Statements.	558,256
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Long-term Obligations are not Due and Payable in the Current Period and are not Reported in the Funds.

Compensated Absences	(1,806,208)	
Bonds and Note Payable (Net of Discount)	(14,442,748)	
OPEB Payable	(15,043,779)	
Net Pension Liability	<u>(46,162,020)</u>	(77,454,755)

Accrued Interest is not Due and Payable in the Current Period and is Not Reported in the Funds.	<u>(85,429)</u>
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Net Position of Governmental Activities \$ (23,083,237)

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, 2016

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 6,577,458	\$ 1,807,303	\$ 8,384,761
Licenses and permits	598,998	-	598,998
Intergovernmental	2,657,258	1,428,833	4,086,091
Charges for services	1,375,882	5,400	1,381,282
Fines and forfeitures	548,742	-	548,742
Interest and rents	555,862	5,045	560,907
Other Revenue	3,352,390	112,476	3,464,866
Total Revenue	<u>15,666,590</u>	<u>3,359,057</u>	<u>19,025,647</u>
Expenditures:			
General Government	5,598,564	1,336	5,599,900
District Court	789,621	-	789,621
Public Safety	6,333,691	8,719	6,342,410
Public Service	1,875,616	1,941,849	3,817,465
Health and welfare	360,017	-	360,017
Community and Economic Development	-	582,163	582,163
Recreation and Culture	1,488,618	-	1,488,618
Capital Outlay	-	81,704	81,704
Debt Service			
Principal	401,808	25,000	426,808
Interest and Paying Agent Fees	188,628	28,688	217,316
Total Expenditures	<u>17,036,563</u>	<u>2,669,459</u>	<u>19,706,022</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(1,369,973)</u>	<u>689,598</u>	<u>(680,375)</u>
Other Financing Sources (Uses):			
Transfers In	1,162,415	191,266	1,353,681
Transfers Out	-	(191,266)	(191,266)
Total Other Financing Sources (Uses)	<u>1,162,415</u>	<u>-</u>	<u>1,162,415</u>
Net Change in Fund Balances	(207,558)	689,598	482,040
Fund Balances - July 1, 2015	<u>2,579,242</u>	<u>1,521,909</u>	<u>4,101,151</u>
Fund Balances - June 30, 2016	<u>\$ 2,371,684</u>	<u>\$ 2,211,507</u>	<u>\$ 4,583,191</u>

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, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 482,040
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	(2,231,159)
Capital Outlay	1,338,302
Loss on Disposal	(182,416)
New Debt received during the year is a revenue in the General Funds, but not in the Statement of Activities where it increases the Long-term Debt	
	(144,536)
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.	
	361,513
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	1,358,531
Change in Accrued Interest Payable and Other	27,155
Decreases 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.	
	73,947
Increases 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.	
	(4,184,146)
Increase in Net Pension Liability does not require the use of current resources and is not reported in the governmental funds.	
	(12,417,774)
Increase in Pension Deferred Outflows	<u>7,235,781</u>
Change in Net Position of Governmental Activities	<u><u>\$ (8,282,762)</u></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, 2016

	Enterprise Funds Water and Sewer Fund
Assets:	
Current Assets:	
Cash and Cash Equivalents	\$ 3,953,184
Account Receivable	1,142,053
Inventory	94,375
Total Current Assets	5,189,612
Non-Current Assets:	
Restricted Assets - Cash and Cash Equivalents	1,757,699
Capital Assets:	
Assets not Subject to Depreciation	50,396
Assets Subject to Depreciation	27,584,996
Total Noncurrent Assets	29,393,091
Total Assets	34,582,703
Deferred Outflow of Resources - Pension	799,095
Liabilities:	
Current Liabilities:	
Accounts Payable	\$ 2,302,010
Accrued Salaries and Wages	959
Payables from Restricted Assets	
Accrued Interest Payable	131,576
Current Portion of Long-term Debt	685,000
Total Current Liabilities	3,119,545
Noncurrent Liabilities	
Accrued Compensated Absences	10,328
Retiree Health Care Benefits Obligation	820,594
Net Pension Liability	4,036,025
Bonds and Contracts Payable - Net of Discount	11,710,894
Total Noncurrent Liabilities	16,577,841
Total Liabilities	19,697,386
Net Position:	
Net Investment in Capital Assets	16,997,198
Restricted-Debt Service	285,216
Unrestricted	(1,598,002)
Total Net Position	\$ 15,684,412

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 June 30, 2016

	<u>Enterprise Funds</u> <u>Water and Sewer</u>
Operating Revenues	
Water Sales	\$ 4,952,458
Sewage Disposal	5,357,003
Penalties	203,888
Other	200,739
Total Operating Revenues	<u>10,714,088</u>
Operating Expenses	
Water Purchased	2,513,967
Sewage Disposal	3,137,845
Service and Maintenance	2,297,480
Depreciation	791,032
Other	64,070
Total Operating Expenses	<u>8,804,394</u>
Operating Income	<u>1,909,694</u>
Non-Operating Revenue (Expense)	
Interest Income	16,017
Interest and Paying Agent Fees Expense	<u>(555,621)</u>
Total Non-Operating Revenue (Expense)	<u>(539,604)</u>
Change in Net Position	<u>1,370,090</u>
Net Position - July 1, 2015	<u>14,314,322</u>
Net Position - June 30, 2016	<u>\$ 15,684,412</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, 2016

	Enterprise Funds Water and Sewer
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 10,701,544
Cash Payment to Supplier for Goods and Services	(3,988,964)
Cash Payment to Employees for Services	(2,198,201)
Net Cash Provided by Operating Activities	<u>4,514,379</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(1,607,546)
Principal Paid on Revenue Bonds and Contracts	(770,000)
Interest Paid on Revenue Bonds and Contracts	(545,459)
Net Cash Used in Capital and Related Financing Activities	<u>(2,923,005)</u>
Cash Flows from Investing Activities	
Interest on Investment	
Net Cash Provided from Investing Activities	<u>16,017</u>
Net Increase in Cash and Cash Equivalents	1,607,391
Cash and Cash Equivalents, Beginning of year	<u>4,103,492</u>
Cash and Cash Equivalents, End of year	<u>\$ 5,710,883</u>
(Including \$1,757,699 in restricted accounts)	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:	
Operating Income (Loss)	1,909,694
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:	
Depreciation and Amortization	791,032
Change in Assets and Liabilities	
Accounts Receivables	(12,544)
Inventory	(18,856)
Accounts Payable	1,681,705
Accrued and Other Liabilities	220,251
Pension Payable	545,240
Deferred Outflows	(602,143)
Net Cash Provided by Operating Activities	<u>\$ 4,514,379</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, 2016

	<u>Other Employee Benefits Trust Fund</u>	<u>Agency Funds</u>
ASSETS:		
Cash and Cash Equivalents	\$ 289,000	\$ 466,021
Accounts Receivable	-	1,800
Investment, at Fair Value		
Mutual Funds	375,374	-
U.S. Government Obligations	385,526	-
Corporate Stock	1,193,300	-
Tax Receivable - Delinquent	-	113,692
Total Assets	<u><u>\$ 2,243,200</u></u>	<u><u>\$ 581,513</u></u>
LIABILITIES		
Due to Other Funds	\$ 1,162,415	\$ -
Due to Other Organizations	-	340,110
Due to Other Government	-	113,768
Held for Others	-	127,635
Total Liabilities	<u><u>1,162,415</u></u>	<u><u>\$ 581,513</u></u>
Net Position	<u><u>\$ 1,080,785</u></u>	

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

CITY OF WAYNE, MICHIGAN

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

	<u>Other Employee Benefits Trust Fund</u>
Additions:	
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investment	\$ (117,079)
Interest and Dividends	51,004
	<hr/>
Total Additions	(66,075)
	<hr/>
Deductions:	
Transfer to General Fund	1,162,415
Investment Administration Fees	21,833
	<hr/>
Total Deductions	1,184,248
	<hr/>
Change in Net Position	(1,250,323)
Net Position, Beginning of Year	2,331,108
	<hr/>
Net Position, End of Year	\$ 1,080,785
	<hr/> <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, 2016

	Component Units		
	Downtown Development Authority	Parks and Recreation Foundation	Total
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ 356,797	\$ 29,583	\$ 386,380
Non-Current Assets:			
Capital Assets			
Land, Improvements, and Construction in Progress	1,841,176	-	1,841,176
Other Capital Assets - Net	3,479,768	-	3,479,768
Total Non-current Assets	<u>5,320,944</u>	<u>-</u>	<u>5,320,944</u>
Total Assets	<u>5,677,741</u>	<u>29,583</u>	<u>5,707,324</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 72,086	\$ -	\$ 72,086
Current Portion of Long-term Debt	127,769	-	127,769
Total Current Liabilities	199,855	-	199,855
Long Term Liabilities:			
Due in More than One Year	383,304	-	383,304
Total Liabilities	<u>583,159</u>	<u>-</u>	<u>583,159</u>
Net Position:			
Investment in Capital Assets	5,320,944	-	5,320,944
Unrestricted (Deficit)	(226,362)	29,583	(196,779)
Total Net Position	<u>\$ 5,094,582</u>	<u>\$ 29,583</u>	<u>\$ 5,124,165</u>

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

CITY OF WAYNE, MICHIGAN

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

Functions/Programs	Expenses	Program Revenue		Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grant and Contribution	Downtown Development Authority	Parks and Recreation Foundation	Total
Downtown Development Authority	\$ 1,377,570	\$ -	\$ -	\$ (1,377,570)	\$ -	\$ (1,377,570)
Parks and Recreation Foundation	1,000	-	-	-	(1,000)	(1,000)
Total Component Units	<u>1,378,570</u>	<u>-</u>	<u>-</u>	<u>(1,377,570)</u>	<u>(1,000)</u>	<u>(1,378,570)</u>
General Revenues:						
Property Taxes				1,282,805	-	1,282,805
Investment Earnings				(54)	15	(39)
Total General Revenue				<u>1,282,751</u>	<u>15</u>	<u>1,282,766</u>
Change in Net Position				(94,819)	(985)	(95,804)
Net Position, Beginning of Year				<u>5,189,401</u>	<u>30,568</u>	<u>5,219,969</u>
Net Position, Ending of Year				<u>\$ 5,094,582</u>	<u>\$ 29,583</u>	<u>\$ 5,124,165</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, 2016.

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 \$940,664 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's Governing Board are appointed by the City Council which has the ability to significantly influence its operations. The City has responsibility to fund deficits, and has significant fiscal management responsibility.

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.

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 fund reports the activity of the post-employment health care in the Public Employees Health Care Fund. 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 as a major fund.

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 (other post-employment employee benefits and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, retired health care participants, 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 net total 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 funds 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, 2016, the pooled investment fund totaled \$9,095,280.

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, 2016 are recorded as prepaid items.

Restricted Assets - Certain resources set aside for the repayment of enterprise fund revenue bonds are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants.

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.

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 straightline 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

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 liabilities on the Statement of Net Position in the government -wide financial statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest 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.

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 liability.

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, 2016. 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.

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.

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 annual required contribution (ARC) 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 equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

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.

CITY OF WAYNE, MICHIGAN

Notes to the Financial Statements (Continued)
June 30, 2016

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 2015 roll was as follows:

General Operating	15.0000 mills
Retirement System	0.9620 mills
Recreation	0.9999 mills
Public Safety Millage	1.0000 mills
Act 298 Refuse Collection	2.9073 mills
Library Fund (Act 164)	0.9999 mills
Roads	1.0000 mills
Police Millage	1.0000 mills
P.A.-359	<u>0.1322 mills</u>
Total	<u>24.0013 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.

Adoption of New Standards – As of June 30, 2016, the City adopted Governmental Accounting Standards Board (GASB) Statements No. 72, Fair Value Measurement and Application, and No. 79, Certain External Investments Pools and Pool Participants. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 79 provides guidance for determining whether certain investment pools can continue to be accounted for using amortized cost. The adoption did not have a significant impact on amounts reported in the financial statements.

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	\$ 2,672,836	\$ 755,021	\$ 3,953,184	\$ 7,381,041	\$ 386,380
Cash and Cash Equivalents-Restricted	-	-	1,757,699	1,757,699	-
Investments	-	1,954,200	-	1,954,200	-
Total	<u>\$ 2,672,836</u>	<u>\$ 2,709,221</u>	<u>\$ 5,710,883</u>	<u>\$ 11,092,940</u>	<u>\$ 386,380</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.

2) DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk of Bank Deposits (Continued) - As of June 30, 2016, the bank balance of the City deposits was \$8,965,117 of which \$1,250,000 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.

The carrying amount of deposits and the bank balance for the City of Wayne Downtown Development Authority, a discretely presented component unit, was \$356,797. This being part of City's pooled cash balances; the FDIC coverage is not separately determinable.

The carrying amount of deposits and the bank balance for the City of Wayne Parks and Recreation Foundation, a discretely presented component unit, was \$29,583, which was totally covered by federal depository insurance.

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.

As of June 30, 2016, the City's investments were as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Pooled Investment Fund Mutual Funds	Various	\$ 330,743
Non-Pooled Investment Fund Fiduciary Funds - Employee Health Care Fund		
U.S. Government Securities	3/31/2017-11/1/2044	385,526
Mutual Funds	N/A	375,374
Common Stock	N/A	1,193,300
		<u>1,954,200</u>
Total Investments		<u><u>\$ 2,284,943</u></u>

Mutual Funds within the Fiduciary Funds - Employee Health Care Funds do not carry maturity dates as they are invested in global stocks and cash.

Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy states investments must be diversified by security type and institution, with the exception of the U.S. Treasury securities and authorized investment pools. No more than 50 percent of the total investment portfolio will be invested in a single security type. At June 30, 2016, the City had under 3% of its investments in any single issuer.

CITY OF WAYNE, MICHIGAN

Notes to the Financial Statements (Continued) June 30, 2016

2) DEPOSITS AND INVESTMENTS (Continued)

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	\$ 330,743	50 days	AAAm	S&P
Non-Pooled Investment Fund Fiduciary Funds-Employee Health Care Fund U.S. Government Securities	\$ 385,527	7.19 years	AAA/AA+	Moody/S&P

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.

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 is 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, 2016

3) CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Balance June 30, 2015</u>	<u>Additions 2015-16</u>	<u>Reclassifications</u>	<u>Disposals 2015-16</u>	<u>Balance June 30, 2016</u>
Business-Type Activities					
Capital Assets not being Depreciated:					
Land	\$ 4,497,232	\$ -	\$ -	\$ -	\$ 4,497,232
Construction in Progress	1,023,661	-	(1,023,661)	-	-
Subtotal	<u>5,520,893</u>	<u>-</u>	<u>(1,023,661)</u>	<u>-</u>	<u>4,497,232</u>
Capital Assets being Depreciated:					
Buildings	37,970,030	1,030,260	-	(236,172)	38,764,118
Improvements	4,323,633	-	-	-	4,323,633
Machinery & Equipment	8,876,550	259,064	-	(257,243)	8,878,371
Infrastructure	29,911,959	48,978	1,023,661	-	30,984,598
Subtotal	<u>81,082,172</u>	<u>1,338,302</u>	<u>1,023,661</u>	<u>(493,415)</u>	<u>82,950,720</u>
Total	<u>86,603,065</u>	<u>1,338,302</u>	<u>-</u>	<u>(493,415)</u>	<u>87,447,952</u>
Less: Accumulated Depreciation for:					
Buildings	16,199,777	898,646	-	(88,370)	17,010,053
Improvements	2,838,328	151,848	-	-	2,990,176
Machinery & Equipment	6,765,691	432,263	-	(222,629)	6,975,325
Infrastructure	19,548,142	748,402	-	-	20,296,544
Subtotal	<u>45,351,938</u>	<u>2,231,159</u>	<u>-</u>	<u>(310,999)</u>	<u>47,272,098</u>
Net Capital Assets being Depreciated	<u>35,730,234</u>	<u>(892,857)</u>	<u>-</u>	<u>(182,416)</u>	<u>35,678,622</u>
Net Capital Assets	<u>\$ 41,251,127</u>	<u>\$ (892,857)</u>	<u>\$ -</u>	<u>\$ (182,416)</u>	<u>\$ 40,175,854</u>

Depreciation was allocated to the following functional categories for the year ended June 30, 2016.

General Government	\$ 129,060
District Court	12,912
Public Safety	544,849
Public Services	884,743
Recreation and Culture	659,595
	<u>\$ 2,231,159</u>

<u>Water & Sewer Fund:</u>	<u>Balance June 30, 2015</u>	<u>Additions 2015-16</u>	<u>Disposals 2015-16</u>	<u>Balance June 30, 2016</u>
Capital Assets not being Depreciated:				
Construction in Progress	\$ 50,396	\$ -	\$ -	\$ 50,396
Subtotal	<u>50,396</u>	<u>-</u>	<u>-</u>	<u>50,396</u>
Capital Assets being Depreciated:				
Water and Sewer Mains	40,447,653	-	-	40,447,653
Meters	1,032,160	1,607,546	-	2,639,706
Equipment	467,193	-	-	467,193
Motor Vehicles	457,330	-	-	457,330
Subtotal	<u>42,404,336</u>	<u>1,607,546</u>	<u>-</u>	<u>44,011,882</u>
Total Water & Sewer	<u>42,454,732</u>	<u>1,607,546</u>	<u>-</u>	<u>44,062,278</u>
Less: Accumulated Depreciation for:				
Water and Sewer Mains	13,943,455	756,774	-	14,700,229
Meters	774,425	32,948	-	807,373
Equipment	460,644	1,310	-	461,954
Motor Vehicles	457,330	-	-	457,330
Subtotal	<u>15,635,854</u>	<u>791,032</u>	<u>-</u>	<u>16,426,886</u>
Net Capital Assets being Depreciated	<u>26,768,482</u>	<u>816,514</u>	<u>-</u>	<u>27,584,996</u>
Net Capital Assets	<u>\$ 26,818,878</u>	<u>\$ 816,514</u>	<u>\$ -</u>	<u>\$ 27,635,392</u>

CITY OF WAYNE, MICHIGAN

Notes to the Financial Statements (Continued) June 30, 2016

3) CAPITAL ASSETS (Continued)

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

<u>Downtown Development Authority:</u>	<u>Balance June 30, 2015</u>	<u>Additions 2015-16</u>	<u>Disposals 2015-16</u>	<u>Balance June 30, 2016</u>
Business-Type Activities				
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	-	-	3,226,420
Machinery and Equipment	433,448	-	-	433,448
Infrastructure	4,319,043	-	-	4,319,043
Subtotal	<u>8,059,716</u>	<u>-</u>	<u>-</u>	<u>8,059,716</u>
Total Downtown Development Auth.	<u>9,900,892</u>	<u>-</u>	<u>-</u>	<u>9,900,892</u>
Less: Accumulated Depreciation for:				
Buildings	33,360	2,598	-	35,958
Improvements	2,030,408	115,249	-	2,145,657
Machinery and Equipment	218,446	24,645	-	243,091
Infrastructure	1,994,198	161,044	-	2,155,242
Subtotal	<u>4,276,412</u>	<u>303,536</u>	<u>-</u>	<u>4,579,948</u>
Net Capital Assets being Depreciated	<u>3,783,304</u>	<u>(303,536)</u>	<u>-</u>	<u>3,479,768</u>
Net Capital Assets	<u>\$ 5,624,480</u>	<u>\$ (303,536)</u>	<u>\$ -</u>	<u>\$ 5,320,944</u>

4) INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of inter-fund balances is as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	Public Employee Health Care	\$ 1,162,415
	Library	18,313
	Major Streets and Trunkline	4,007
	Local Streets	3,581
	CDBG	137,368
Local Streets	Major Streets and Trunkline	31,454
Drug Law Enforcement	General Fund	3,993
		<u>\$ 1,361,131</u>

The composition of inter-fund 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	\$ 191,266
General Fund	Public Employee Health Care	1,162,415
		<u>\$ 1,353,681</u>

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.

The transfer from Public Employee Healthcare fund was to reimburse the General Fund for Retiree Healthcare premiums paid by the General Fund.

CITY OF WAYNE, MICHIGAN

Notes to the Financial Statements (Continued)

June 30, 2016

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.

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

	Interest Rate	Principal Maturity Ranges	Beginning Balance June 30, 2015	Additions	Reductions	Ending Balance June 30, 2016	Due Within One Year
Governmental Activities							
General Obligation bonds:							
MI Transportation Bond Series 2008							
Amount of issue - \$730,000							
Maturing through 2027	4.25% - 5.10%	\$25,000 - \$75,000	\$ 580,000	\$ -	\$ (25,000)	\$ 555,000	\$ 25,000
Recreation Renovation Bond 2008							
Amount of issue - \$1,800,000							
Maturing through 2027	3.25% - 5.10%	\$85,000 - \$140,000	1,375,000	-	(80,000)	1,295,000	85,000
Refunding of Building Authority Bonds 2012A:							
Amount of Issue - \$4,355,000							
Maturing through 2020	2.79%	\$450,000 - \$555,000	2,975,000	-	(500,000)	2,475,000	490,000
Refunding of Building Authority Bonds 2012B:							
Amount of Issue - \$2,845,000							
Maturing through 2019	2.70%	\$370,000 - \$420,000	1,900,000	-	(330,000)	1,570,000	370,000
Refunding of Building Authority Bonds 2012C:							
Amount of Issue - \$8,585,000							
Maturing through 2027	.80% - 3.40%	\$360,000 - \$1,000,000	8,020,000	-	(325,000)	7,695,000	365,000
Total General Obligation Bonds			14,850,000	-	(1,260,000)	13,590,000	1,335,000
Notes Payable:							
Note Payable-Ladder Truck							
Original Amount - \$1,101,345							
Semi-Annual Payments							
Maturing in 2023	5.35%	\$52,399 - \$100,738	727,243	-	(69,613)	657,630	73,387
Note Payable-Ambulance							
Original Amount - \$144,536							
Maturing in 2019	3.4%	\$27,481 - \$30,360	-	144,536	(28,918)	115,618	27,481
Note Payable-Ford Tax Settlement, as Corrected							
Original Amount - \$119,249							
Maturing in 2019	0.00%	\$19,875	79,500	-	-	79,500	19,875
Total Bonds and Notes Payable			15,656,743	144,536	(1,358,531)	14,442,748	1,455,743
Other Liabilities:							
OPEB Unfunded Liability							
Accrued Compensated Absences	N/A	N/A	10,859,633	4,184,146	-	15,043,779	-
	N/A	N/A	1,880,155	725,512	(799,459)	1,806,208	800,000
Total Governmental Activities			\$ 28,396,531	\$ 5,054,194	\$ (2,157,990)	\$ 31,292,735	\$ 2,255,743
Business-type Activities							
General Obligation Bonds:							
Water Bonds 1995							
Amount of Issue - \$255,796							
Maturing through 2017	2.25%	\$15,000	\$ 30,000	\$ -	\$ (15,000)	\$ 15,000	\$ 15,000
Water Bonds 1997							
Amount of Issue - \$604,829							
Maturing through 2017	2.25%	\$30,000	60,000	-	(30,000)	30,000	30,000
Water Bonds 2003							
Amount of Issue - \$2,720,000							
Maturing through 2017	4.125%	\$145,000	405,000	-	(260,000)	145,000	145,000
Water Bonds 2004							
Amount of Issue - \$3,525,000							
Maturing through 2021	4.00% - 4.40%	\$275,000 - \$375,000	2,150,000	-	(250,000)	1,900,000	275,000
Water Bonds 2006							
Amount of Issue - \$7,500,000							
Maturing through 2031	4.00% - 4.50%	\$200,000 - \$500,000	6,400,000	-	(200,000)	6,200,000	200,000
Water Bonds 2007							
Amount of Issue - \$4,430,000							
Maturing through 2029	3.80% - 4.125%	\$20,000 - \$620,000	4,250,000	-	(15,000)	4,235,000	20,000
Less Amortization of Bond Discount	N/A	N/A	(147,702)	-	18,596	(129,106)	-
Net Bonds Payable			13,147,298	-	(751,404)	12,395,894	685,000
Other Liabilities:							
OPEB Unfunded Liability							
Accrued Compensated Absences	N/A	N/A	600,374	220,220	-	820,594	-
			8,537	1,791	-	10,328	-
Total Business-type Activities			\$ 13,756,209	\$ 222,011	\$ (751,404)	\$ 13,226,816	\$ 685,000
Long-term Liabilities			\$ 13,756,209	\$ 222,011	\$ (751,404)	\$ 13,226,816	\$ 685,000

CITY OF WAYNE, MICHIGAN

Notes to the Financial Statements (Continued) June 30, 2016

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 Payable		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 1,335,000	\$ 400,094	\$ 1,735,094	\$ 120,743	\$ 38,119	\$ 158,862
2018	1,410,000	365,743	1,775,743	125,649	33,211	158,860
2019	1,460,000	328,312	1,788,312	130,803	28,059	158,862
2020	1,380,000	289,995	1,669,995	136,216	22,644	158,860
2021	1,040,000	255,919	1,295,919	90,643	16,958	107,601
2022-2026	4,975,000	816,044	5,791,044	248,694	20,309	269,003
2027-2028	1,990,000	67,533	2,057,533	-	-	-
	<u>\$ 13,590,000</u>	<u>\$ 2,523,640</u>	<u>\$ 16,113,640</u>	<u>\$ 852,748</u>	<u>\$ 159,300</u>	<u>\$ 1,012,048</u>

Years Ending June 30	Business-type Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2017	\$ 685,000	\$ 512,427	\$ 1,197,427
2018	595,000	486,513	1,081,513
2019	620,000	461,775	1,081,775
2020	645,000	434,937	1,079,937
2021	670,000	406,037	1,076,037
2022-2026	4,125,000	1,541,675	5,666,675
2027-2031	4,685,000	576,988	5,261,988
2032-2036	500,000	11,000	511,000
	<u>\$ 12,525,000</u>	<u>\$ 4,431,352</u>	<u>\$ 16,956,352</u>

Notes Payable - 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.

At June 30, 2016, 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	\$127,769	\$383,304

CITY OF WAYNE, MICHIGAN

Notes to the Financial Statements (Continued) June 30, 2016

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:

Year Ending June 30,	Total
2017	\$ 127,769
2018	127,768
2019	127,768
2020	127,768
	<u>\$ 511,073</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, 2016. 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. As of the December 31, 2014 valuation, 142 retirees received benefits and 8 were vested to receive benefits in the future. 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, 2016, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2014. The valuation estimates an annual required contribution, which represents a level funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

Annual OPEB Cost - The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 4,116,304	30.59%	\$ 8,575,402
June 30, 2015	\$ 4,287,724	32.72%	\$ 11,460,007
June 30, 2016	\$ 6,626,256	33.53%	\$ 15,864,373

The computed contribution and actual funding are summarized as follows:

Annual Required Contribution (Recommended)	\$ 6,225,156
Interest on Net OPEB Obligation	401,100
Total	<u>6,626,256</u>
Amounts Contributed:	
Payments of Current Premiums	<u>(2,221,890)</u>
Increase in OPEB Obligation	4,404,366
OPEB Obligation - Beginning of Year	<u>11,460,007</u>
OPEB Obligation - End of Year	<u><u>\$ 15,864,373</u></u>

7) OTHER POST EMPLOYMENT BENEFITS (Continued)

Note: The plan has less than 232 members that include 82 active members', 142 retirees receiving benefits and 8 terminated vested members and qualify for biannual actuarial valuation.

The OPEB Obligation is recorded as follows:

	June 30,	
	2016	2015
Governmental Activities	\$ 15,043,779	\$ 10,859,633
Business - Type Activities	820,594	600,374
OPEB Obligation - End of Year	\$ 15,864,373	\$ 11,460,007

The funding status of the plan as of the most recent valuation date is as follows:

Valuation as of December 31, 2014	
Actuarial Accrued Liabilities (AAL)	\$ 87,842,665
Actuarial Value of Assets	2,295,381
Unfunded Actuarial Accrued Liabilities (UAAL)	<u>\$ 85,547,284</u>
Funded Ratio (Actuarial Value of Assets/AAL)	2.60%
Covered Payroll	<u>\$ 4,414,412</u>
UAAL as a Percentage of Covered Payroll	1937.91%

Actuarial valuations of a plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, Actuarially determined amounts are subject to continual revision as actual amounts are compared to past expectations and as new estimates are made about the future, The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of the valuation.

In the December 31, 2014 actuarial valuation, the individual entry-age actuarial cost method was used. Unfunded actuarial accrued liabilities (UAAL) were amortized as a level dollar amount. The actuarial value of assets is set equal to the reported market value of assets. The rate of investment return was 3.5% a year compounded annually net after investment expenses. The growth rate for financing unfunded actuarial liabilities for open groups was assumed to be 3.5% per year. The rate of post retirement mortality for healthy retirees used for individual members was in accordance with mortality rates on the RP2000 Combined Health Tables blended 50% male and 50% female. An annual health care cost trend inflation rate of 9% was used initially, reduced by decrements to an ultimate rate of 3.5% after 10 years.

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.

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 7 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 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. 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.

8) DEFINED BENEFIT PENSION PLAN (Continued)

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 7 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 calculated at 2.7 percent if less than 25 service years, 2.5 percent for 25-30 service years, and 1 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. Normal retirement age is 50 years with a 10 year vesting period, early retirement with unreduced benefits after 25 years of service.

Department Heads – Retirement benefits for employees hired after November 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 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 November 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 time the years of service with no retirement maximum. 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 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 7 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.

8) DEFINED BENEFIT PENSION PLAN (Continued)

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 7 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 7 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 7 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 7 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.

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 7 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 December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Active plan members	62
Inactive employees or beneficiaries currently receiving benefits	198
Inactive employees entitled to but not yet receiving benefits	22
Total employees covered by MERS	282

8) DEFINED BENEFIT PENSION PLAN (Continued)

Contributions – Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during 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>		<u>Actual Percentage of Payroll</u>
General	34.81%	Court after 12/18/2007	33.05%
Supervisors	72.00%	Fire	13.11%
Supervisors after 11/20/2007	72.00%	Patrol	23.58%
TPOAM	18.60%	Patrol after 5/5/2008	23.58%
		Department Heads after 1/1/2016	1.67%
		COAM	68.03%

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, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

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

<u>Change in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2014	\$ 103,988,293	\$ 66,753,264	\$ 37,235,029
Service Cost	964,860	-	964,860
Interest	8,248,252	-	8,248,252
Experience Differences	753,203	-	753,203
Changes in Actuarial Assumptions	4,873,680	-	4,873,680
Miscellaneous Changes	67,360	-	67,360
Contributions - Employer	-	2,707,157	(2,707,157)
Contributions - Employee	-	331,062	(331,062)
Net Investment Income	-	(951,680)	951,680
Benefit Payments, Including Refunds	(7,337,088)	(7,337,088)	-
Administrative Expenses	-	(142,200)	142,200
Net Changes	<u>7,570,267</u>	<u>(5,392,749)</u>	<u>12,963,016</u>
Balance at December 31, 2015	<u>\$ 111,558,560</u>	<u>\$ 61,360,515</u>	<u>\$ 50,198,045</u>

8) DEFINED PENSION PLAN (Continued)

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

For the year ended June 30, 2016, the City recognized pension expense of \$8,038,872. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between actual and expected experience.	\$ 2,813,442	\$ -
Net difference between projected and actual earnings on pension plan investments.	5,628,443	-
Employer contributions to the plan subsequent to the measurement date.	<u>1,496,856</u>	<u>-</u>
	<u>\$ 9,938,741</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$1,497,856), which will impact the net pension liability in fiscal year 2017, rather than pension expense.

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 4,271,214
2018	1,457,772
2019	1,457,772
2020	<u>1,255,127</u>
	<u>\$ 8,441,885</u>

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

Inflation	3-4 %	
Salary Increases	4.50%	In the long term 2 percent and 3 percent for calendar years 2015 and 2016, respectively, including inflation.
Investment Rate of Return	8.00%	Gross of pension plan investment expenses, including inflation.

8) DEFINED BENEFIT PLAN (Continued)

Actuarial Assumptions (Continued)

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, 2015 valuation were based on the results of the most recent actuarial experience study in 2008.

Discount Rate – The discount rate used to measure the total pension liability was 8.00 percent. 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.

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.

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 8.00 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 (7.00 percent) or one percentage point higher (9.00 percent) than the current rate:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net Pension Liability of the City	\$ 63,750,579	\$ 50,198,045	\$ 38,977,486

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 employees contributions are recognized as expense when due and payable in accordance with the benefit terms.

CITY OF WAYNE, MICHIGAN

Notes to the Financial Statements (Continued) June 30, 2016

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.

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, 2016 and 2015 were as follows:

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

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Unpaid Claims, Beginning of Year	\$ 8,600	\$ 43,775
Incurred Claims, including Claims Incurred but not Reported	186,517	(14,780)
Claim Payments	<u>(22,568)</u>	<u>(20,395)</u>
Unpaid Claims, End of Year	<u><u>\$ 172,549</u></u>	<u><u>\$ 8,600</u></u>

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

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Unpaid Claims, Beginning of Year	\$ 23,150	\$ 1,937
Incurred Claims, including Claims Incurred but not Reported	(47,058)	(25,975)
Claim Payments	<u>46,284</u>	<u>47,188</u>
Unpaid Claims, End of Year	<u><u>\$ 22,376</u></u>	<u><u>\$ 23,150</u></u>

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, 2016, the date the report was available to be issued.

12) UPCOMING ACCOUNTING PRONOUNCEMENTS

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

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans, whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefit to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statement more extensive note disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the City will, after adoption of GASB Statement No. 75, recognize on the face of the financial standards its net OPEB liability. The City is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal year beginning after June 15, 2016 whereas GASB Statement No. 75 is effective one year later.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF WAYNE, MICHIGAN

Required Supplemental Information Budgetary Comparison Schedule – General Fund June 30, 2016

	Original Budget	Amended Budget	June 30, 2016 Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 6,520,841	\$ 6,492,093	\$ 6,577,458	\$ 85,365
Licenses and Permits	540,180	544,000	598,998	54,998
Intergovernmental	2,609,858	2,660,303	2,657,258	(3,045)
Charges for Service and Sales	1,288,750	1,294,969	1,375,882	80,913
Fines and Forfeitures	445,600	434,025	548,742	114,717
Interest and Rents	14,000	535,096	555,862	20,766
Other Revenue	3,200,815	3,633,654	3,352,390	(281,264)
Total Revenue	14,620,044	15,594,140	15,666,590	72,450
Expenditures - Current				
General Government:				
City Council	42,524	40,000	39,437	(563)
City Manager	184,335	121,000	120,697	(303)
Finance	598,227	608,000	607,741	(259)
Law	173,000	144,000	143,894	(106)
City Clerk	252,344	251,000	250,074	(926)
Personnel	127,903	146,000	145,901	(99)
Information Technology	188,161	183,000	182,023	(977)
Other	3,565,325	4,038,000	4,108,797	70,797
Total General Government	5,131,819	5,531,000	5,598,564	67,564
District Court	716,954	807,166	789,621	(17,545)
Public Safety	6,466,009	6,427,234	6,333,691	(93,543)
Public Services	1,780,176	2,263,878	1,875,616	(388,262)
Health and Welfare	489,585	448,802	360,017	(88,785)
Community and Economic Development	49,600	142,000	-	(142,000)
Recreation and Culture	1,110,571	1,506,908	1,488,618	(18,290)
Debt Service	590,668	590,668	590,436	(232)
Total Expenditures	16,335,382	17,717,656	17,036,563	(681,093)
Excess (Deficiency) of Revenue Over Expenditures	(1,715,338)	(2,123,516)	(1,369,973)	753,542
Other Financing Sources (Uses)				
Transfers In	1,715,338	1,665,338	1,162,415	(502,923)
Transfers Out	-	-	-	-
Total Financing Sources (Uses)	1,715,338	1,665,338	1,162,415	(502,923)
Net Change in Fund Balance	-	(458,178)	(207,558)	250,619
Fund Balance, Beginning of Year	2,579,242	2,579,242	2,579,242	-
Fund Balance, End of Year	<u>\$ 2,579,242</u>	<u>\$ 2,121,064</u>	<u>\$ 2,371,684</u>	<u>\$ 250,620</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.

CITY OF WAYNE, MICHIGAN

Required Supplemental Information
Notes to Required Supplemental Information (Continued)
Year Ended June 30, 2016

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

- (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.

For the year ended June 30, 2016, 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>
General Government	\$ 67,564

CITY OF WAYNE, MICHIGAN

Required Supplemental Information Post Employee Healthcare Benefits Schedule of Funding Progress June 30, 2016

The Schedule of Funding Progress is as follows:

Other Post Employment Benefit Plan Trust Trend Information						
Schedule of Funding Progress						
Actuarial Valuation date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entity Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2014	\$ 2,295,381	\$ 87,842,665	\$ 85,547,284	2.60%	\$ 4,414,412	1937.91%
12/31/2012	\$ 3,455,628	\$ 48,140,348	\$ 44,684,720	7.18%	\$ 5,866,847	761.65%

The Schedule of Employer Contributions:

Schedule of Employer Contribution		
Year Ended	Annual Required Contribution	Percentage Contributed
6/30/2016	\$ 6,225,156	35.69%
6/30/2015	\$ 3,773,200	37.19%
6/30/2014	\$ 3,773,200	33.37%

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

CITY OF WAYNE, MICHIGAN

Required Supplemental Information Schedule of Changes in the City Net Pension Liability and Related Ratios Last Fiscal Year Year Ended June 30, 2016

	2016	2015
Total Pension Liability		
Service Cost	\$ 964,860	\$ 972,670
Interest	8,248,252	8,193,782
Experience Differences	753,203	-
Changes in Actuarial Assumptions	4,873,680	-
Miscellaneous Changes	67,360	-
Benefit Payments, including Refunds	(7,337,088)	(8,020,773)
Net Change in Total Pension Liability	7,570,267	1,145,679
Total Pension Liability - Beginning of Year	103,988,293	102,842,614
Total Pension Liability - End of Year	\$ 111,558,560	\$ 103,988,293
Plan Fiduciary Net Position		
Contributions - Employer	2,707,157	2,825,137
Contributions - Employee	331,062	1,430,906
Net Investment Income	(951,680)	4,151,563
Benefit Payment, including Refunds	(7,337,088)	(8,020,773)
Administrative Expenses	(142,200)	(151,723)
Net Change in Plan Fiduciary Net Position	(5,392,749)	235,110
Plan Fiduciary Net Position - Beginning of Year	66,753,264	66,518,152
Plan Fiduciary Net Position - End of Year	\$ 61,360,515	\$ 66,753,262
City's Net Pension Liability - Ending	\$ 50,198,045	\$ 37,235,031
Plan Fiduciary Net Position as a Percent of Total Pension Liability	55.0%	64.2%
Covered Employee Payroll	\$ 5,866,847	\$ 4,414,412
City's Net Pension Liability as a Percent of Covered Employee Payroll	1901.50%	843.5%

OTHER SUPPLEMENTAL INFORMATION

CITY OF WAYNE, MICHIGAN

Non-Major Governmental Funds Combining Balance Sheet June 30, 2016

	Major Street and Trunkline Fund	Local Street Fund	Refuse Collection and Disposal Fund	Vehicle Forfeiture Fund	Drug Law Enforcement Fund	Library Operations Fund	Community Development Block Grant Fund	Community Development Program Income Fund	Permanent Fund Cemetery Perpetual Fund	Non-Major Governmental Funds Total
Assets:										
Cash and Cash Equivalents	\$ 193,150	\$ 958,732	\$ 503,324	\$ 16,374	\$ 15,630	\$ 92,219	\$ 479	\$ -	\$ 351,736	\$ 2,131,644
Receivables:										
Accounts Receivable	29	-	1,415	900	941	-	-	-	-	3,285
Special Assessments	-	29,607	-	-	-	-	-	-	-	29,607
Intergovernmental	166,228	89,785	-	-	-	19,094	137,368	-	-	412,475
Other	-	441	-	-	-	-	-	-	-	441
Due from Other Funds	-	31,454	-	-	3,993	-	-	-	-	35,447
Prepaid Expenses	-	-	-	-	-	21,981	-	-	-	21,981
Inventory	40,833	40,833	-	-	-	-	-	-	-	81,666
Total Assets	\$ 400,240	\$ 1,150,852	\$ 504,739	\$ 17,274	\$ 20,564	\$ 133,294	\$ 137,847	\$ -	351,736	2,716,546
Liabilities and Fund Balances (Deficit)										
Liabilities:										
Accounts Payable	\$ 4,541	\$ 3,306	\$ 83,015	\$ -	\$ -	\$ 9,012	\$ -	\$ -	\$ 272	\$ 100,146
Due to Other Funds	35,461	3,581	-	-	-	18,313	137,368	-	-	194,723
Other Liabilities-Intergovernmental	-	7,862	22,856	-	-	7,861	-	-	-	38,579
Accrued Salaries and Wages	-	-	-	-	-	3,651	-	-	-	3,651
Total Liabilities	40,002	14,749	105,871	-	-	38,837	137,368	-	272	337,099
Deferred Inflows of Resources -										
Unavailable Revenue	965	29,607	-	-	-	-	137,368	-	-	167,940
Fund Balances (Deficit):										
Nonspendable	40,833	40,833	-	-	-	21,981	-	-	-	103,647
Permanent Fund Principal	-	-	-	-	-	-	-	-	351,464	351,464
Restricted for:										
Roads	318,440	1,065,663	-	-	-	-	-	-	-	1,384,103
Refuse Collection	-	-	398,868	-	-	-	-	-	-	398,868
Law Enforcement	-	-	-	17,274	20,564	-	-	-	-	37,838
Library Operations	-	-	-	-	-	72,476	-	-	-	72,476
Unassigned	-	-	-	-	-	-	(136,889)	-	-	(136,889)
Total Fund Balance (Deficit)	359,273	1,106,496	398,868	17,274	20,564	94,457	(136,889)	-	351,464	2,211,507
Total Liabilities, Deferred Inflows and Fund Balance	\$ 400,240	\$ 1,150,852	\$ 504,739	\$ 17,274	\$ 20,564	\$ 133,294	\$ 137,847	\$ -	\$ 351,736	\$ 2,716,546

CITY OF WAYNE, MICHIGAN

Non-Major Governmental Funds Combining Statement of Revenue, Expenditures and Changes in Fund Balance For Year Ended June 30, 2016

	Major Street and Trunkline Fund	Local Street Fund	Refuse Collection and Disposal Fund	Vehicle Forfeiture Fund	Drug Law Enforcement Fund	Library Operations Fund	Community Development Block Grant Fund	Community Development Program Income Fund	Permanent Fund Cemetery Perpetual Fund	Non-Major Governmental Funds Total
Revenues:										
Taxes	\$ -	\$ 369,613	\$ 1,068,252	\$ -	\$ -	\$ 369,438	\$ -	\$ -	\$ -	\$ 1,807,303
Intergovernmental Revenue										
Gas, Weight and Trunkline Maintenance	844,163	484,893	-	-	-	-	-	-	-	1,329,056
Federal Grants/Entitlement	-	-	-	-	-	-	6,560	-	-	6,560
Other Grants	79,899	-	-	-	-	11,504	-	-	-	91,403
Charges for Services	-	-	-	-	-	-	-	-	5,400	5,400
Interest and Rents	(79)	1,814	(589)	(8)	(4)	3,909	-	2	-	5,045
Other Revenue	35,742	8,773	192	2,300	7,564	50,181	-	9,538	-	114,290
Total Revenues	959,725	865,093	1,067,855	2,292	7,560	435,032	6,560	9,540	5,400	3,359,057
Expenditures:-Current										
General Government	-	-	-	-	-	-	-	-	1,336	1,336
Public Safety	-	-	-	529	8,190	-	-	-	-	8,719
Public Services	487,920	438,910	1,015,019	-	-	-	-	-	-	1,941,849
Community and Economic Development	-	-	-	-	-	428,697	143,924	9,542	-	582,163
Debt Service										
Principal	25,000	-	-	-	-	-	-	-	-	25,000
Interest and Paying Agent Fees	28,688	-	-	-	-	-	-	-	-	28,688
Capital Outlay	81,704	-	-	-	-	-	-	-	-	81,704
Total Expenditures	623,312	438,910	1,015,019	529	8,190	428,697	143,924	9,542	1,336	2,669,459
Other Financing Source (Uses)										
Transfer In	-	191,266	-	-	-	-	-	-	-	191,266
Tranfers Out	(191,266)	-	-	-	-	-	-	-	-	(191,266)
Total Other Financing Source (Uses)	(191,266)	191,266	-	-	-	-	-	-	-	-
Net change in Fund Balances	145,147	617,449	52,836	1,763	(630)	6,335	(137,364)	(2)	4,064	689,598
Fund Balances, Beginning of Year	214,126	489,047	346,032	15,511	21,194	88,122	475	2	347,400	1,521,909
Fund Balances, End of Year	\$ 359,273	\$ 1,106,496	\$ 398,868	\$ 17,274	\$ 20,564	\$ 94,457	\$ (136,889)	\$ -	\$ 351,464	\$ 2,211,507

CITY OF WAYNE, MICHIGAN

Other Supplemental Information Combining Statement of Assets and Liabilities Agency Funds June 30, 2016

	<u>Miscellaneous Agency Fund</u>	<u>Current Tax Collection Fund</u>	<u>Delinquent Personal Property Tax Collection Fund</u>	<u>Payroll Fund</u>	<u>Agency Funds Total</u>
ASSETS:					
Cash and Cash Equivalents	\$ 115,121	\$ -	\$ 10,790	\$ 340,110	\$ 466,021
Accounts Receivable	1,800	-	-	-	1,800
Tax Receivable - Delinquent	-	-	113,692	-	113,692
Total Assets	<u>\$ 116,921</u>	<u>\$ -</u>	<u>\$ 124,482</u>	<u>\$ 340,110</u>	<u>\$ 581,513</u>
LIABILITIES					
Due to Other Government	\$ -	\$ -	\$ 113,768	\$ -	\$ 113,768
Due to Other Organizations	-	-	-	340,110	340,110
Held for Others	116,921	-	10,714	-	127,635
Total Liabilities	<u>\$ 116,921</u>	<u>\$ -</u>	<u>\$ 124,482</u>	<u>\$ 340,110</u>	<u>\$ 581,513</u>

CITY OF WAYNE, MICHIGAN

AUDIT COMMUNICATION LETTER

June 30, 2016



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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December 19, 2016

Honorable Mayor and Members of City Council
City of Wayne, Michigan

We have recently completed our audit of the financial statements of the City of Wayne, Michigan (the City), for the year ended June 30, 2016. In addition to our audit report, we are providing the following required communication and recommendations which impact the City.

	<u>Page</u>
Communications Required under AU-C 260 (To Those Charged with Governance)	1
Other Comments and Recommendations	6

We are grateful for the opportunity to be of service to the City of Wayne, Michigan. Should you have any questions regarding the comments in this report, please do not hesitate to contact us.

Very truly yours,

Alan C. Young and Associates, P.C.
Detroit, Michigan



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December 19, 2016

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

We have audited the financial statements of the governmental activities, business type activities aggregate discretely presented component units each major fund and the aggregate remaining fund information of the City of Wayne, Michigan (the City) for the year ended June 30, 2016. Professional standards require that we communicate to you the following information related to our audit:

Our Responsibilities under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 21, 2016, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI (as identified in the table of contents of the audit report), which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, was to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Scope of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas tested.

Scope of the Audit (Continued)

Our audit also included obtaining an understanding of the City and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As discussed in Note 1, the City adopted the new accounting standard related to Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* and No. 79, *Certain External Investment Pools and Pool Participants*.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements users and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the City's estimate of pension and OPEB liability.

We evaluated the key factors and assumptions in determining that they are reasonable in relation to the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City are:

- Note 5 which describe the City's long-term debt;
- Note 7 which addresses the City's OPEB liability;
- Note 8 which addresses the City's pension liability.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We received complete cooperation and encountered no significant difficulties in dealing with management in performing and completing our audit.

Significant Audit Findings

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter December 19, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the City's RSI (as identified in the table of contents of the audit report) which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Matters (Continued)

We were engaged to report on the supplementary schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Honorable Mayor, and Members of City Council of the City of Wayne, Michigan and is not intended to be, and should not be, used by anyone other than these specified parties.



Detroit, Michigan
December 19, 2016

OTHER COMMENTS AND RECOMMENDATIONS

As the result of our audit procedures for the year ended June 30, 2016, we offer the following financial reporting suggestions for your review and consideration:

1) GENERAL FUND DECLINE

As the City is aware, and as stated within the MD&A of the audit report, the City's general fund is in a severe financial decline. Although the general fund had a fund balance of \$2.3 million at June 30, 2016, this fund balance exists due to the fact the OPEB Trust Fund has been subsidizing the general fund for several years, including \$1.1 million in fiscal 2016. The remaining \$1.1 left in the OPEB Trust is expected to be used in fiscal 2017 leaving the full cost of retiree healthcare to be paid by the general fund in fiscal 2018 and forward.

The City must strive to seek opportunities for increasing revenues and reducing costs. Although this will be a difficult and challenging process, the reality is that without significant changes, the City will be facing a fund deficit as soon as fiscal 2018.