

**CITY OF WAYNE, MICHIGAN**

**FINANCIAL REPORT  
WITH  
SUPPLEMENTAL INFORMATION**

**JUNE 30, 2018**

# CITY OF WAYNE, MICHIGAN

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# *Alan C. Young & Associates, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740  
Detroit, MI 48202

(313) 873-7500 (Tel.)  
(313) 873-7502 (Fax)  
[www.alancyoung.com](http://www.alancyoung.com)

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council  
City of Wayne, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wayne, Michigan (the City) as of and for the year ended June 30, 2018, 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, 2018, 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.

### **Adoption of New Accounting Standard**

As described in Note 10 to the financial statements, during the year ended June 30, 2018, the City adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

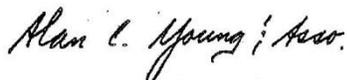
### **Other Matters**

#### **Required Supplementary Information**

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

#### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Detroit, Michigan  
December 18, 2018

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, 2018. Please read it in conjunction with the City's financial statements.

### FINANCIAL HIGHLIGHTS

The City has experienced financial difficulties for several years as a result of declining revenue sources, primarily property taxes and state shared revenue, and increasing costs, most notably pension contributions and retiree healthcare. As a result, the City's financial position has been eroding for several years; however, the fiscal year ended June 30, 2018 has shown dramatic improvement over the past several years. Highlights of this year include:

- The City's MERS defined benefit pension system achieved a funding status of 60 percent and is now compliant with Michigan's Public Act 202 of 2018.
- In 2017, the City Council voted to reduce the healthcare benefits offered to retirees to a fixed stipend instead of the City providing health insurance. This action was initially blocked in court, but subsequently that decision was reversed. The City plans to implement the stipend effective January 1, 2019. This, combined with the implementation of GASB 75, has reduced the City's outstanding OPEB liability to just \$6 million.
- Under full accrual accounting, the Governmental activities of the City of Wayne's net position improved by approximately \$3.5 million, primarily due to the decreases to the OPEB and net pension liabilities.
- The Water and Sewer Fund continues to improve its financial position. During fiscal year 2018, the City updated its 5-year utility rate model and adjusted water and sewer rates accordingly. Net position improved by just over \$2 million during the year.

### USING THIS ANNUAL REPORT

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

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

# CITY OF WAYNE, MICHIGAN

## Management's Discussion and Analysis (Continued) June 30, 2018

### REPORTING THE CITY AS A WHOLE

The following table shows the net position of the City as of June 30, 2018 and 2017:

|                                  | Governmental Activities |                        | Business-type Activities |                      | Total               |                        |
|----------------------------------|-------------------------|------------------------|--------------------------|----------------------|---------------------|------------------------|
|                                  | 2018                    | 2017                   | 2018                     | 2017                 | 2018                | 2017                   |
| <b>Assets</b>                    |                         |                        |                          |                      |                     |                        |
| Current Assets                   | \$ 8,647,199            | \$ 6,993,907           | \$ 9,844,086             | \$ 8,141,701         | \$ 18,491,285       | \$ 15,135,608          |
| Capital and other Assets         | 36,766,685              | 38,471,779             | 26,588,503               | 27,693,382           | 63,355,188          | 66,165,161             |
| <b>Total Assets</b>              | <b>45,413,884</b>       | <b>45,465,686</b>      | <b>36,432,589</b>        | <b>35,835,083</b>    | <b>81,846,473</b>   | <b>81,300,769</b>      |
| Deferred Outflows                | 1,624,605               | 4,155,756              | 284,078                  | 363,345              | 1,908,683           | 4,519,101              |
| <b>Liabilities</b>               |                         |                        |                          |                      |                     |                        |
| Current Liabilities              | 3,343,671               | 3,235,633              | 1,663,742                | 2,438,214            | 5,007,413           | 5,673,845              |
| Debt and Long-term Liabilities   | 56,505,498              | 75,550,502             | 14,288,461               | 16,127,834           | 70,793,959          | 91,678,338             |
| <b>Total Liabilities</b>         | <b>59,849,169</b>       | <b>78,786,135</b>      | <b>15,952,203</b>        | <b>18,566,048</b>    | <b>75,801,372</b>   | <b>97,352,183</b>      |
| Deferred Inflows                 | 1,471,695               | -                      | 269,426                  | -                    | 1,741,121           | -                      |
| <b>Net Position</b>              |                         |                        |                          |                      |                     |                        |
| Net Investment in Capital Assets | 25,652,819              | 25,544,399             | 15,343,502               | 15,853,379           | 40,996,321          | 41,397,778             |
| Restricted                       | 4,171,640               | 2,945,113              | -                        | 285,216              | 4,171,640           | 3,230,329              |
| Unrestricted                     | (44,106,834)            | (57,654,205)           | 5,151,536                | 1,493,785            | (38,955,298)        | (56,160,420)           |
| <b>Total Net Position</b>        | <b>\$ (14,282,375)</b>  | <b>\$ (29,164,693)</b> | <b>\$ 20,495,038</b>     | <b>\$ 17,632,380</b> | <b>\$ 6,212,663</b> | <b>\$ (11,532,313)</b> |

The following table shows the changes in net position for the years ended June 30, 2018 and 2017:

|                                    | Governmental Activities |                       | Business-type Activities |                     | Total               |                       |
|------------------------------------|-------------------------|-----------------------|--------------------------|---------------------|---------------------|-----------------------|
|                                    | 2018                    | 2017                  | 2018                     | 2017                | 2018                | 2017                  |
| <b>Revenue</b>                     |                         |                       |                          |                     |                     |                       |
| General Revenue                    | \$10,637,795            | \$10,955,603          | \$ 32,363                | \$ 24,065           | \$ 10,670,158       | \$ 10,979,668         |
| Charge for Service                 | 6,760,288               | 5,336,588             | 11,476,970               | 12,048,551          | 18,237,258          | 17,385,139            |
| Grants and Contributions           | 3,998,153               | 3,112,236             | -                        | -                   | 3,998,153           | 3,112,236             |
| <b>Total Revenue</b>               | <b>21,396,236</b>       | <b>19,404,427</b>     | <b>11,509,333</b>        | <b>12,072,616</b>   | <b>32,905,569</b>   | <b>31,477,043</b>     |
| <b>Program Expenses</b>            |                         |                       |                          |                     |                     |                       |
| General Government                 | 2,960,448               | 6,232,757             | -                        | -                   | 2,960,448           | 6,232,757             |
| District Court                     | 798,314                 | 985,659               | -                        | -                   | 798,314             | 985,659               |
| Public Safety                      | 6,312,505               | 10,585,348            | -                        | -                   | 6,312,505           | 10,585,348            |
| Public Services                    | 4,253,171               | 5,114,525             | -                        | -                   | 4,253,171           | 5,114,525             |
| Health and Welfare                 | 406,076                 | 338,883               | -                        | -                   | 406,076             | 338,883               |
| Recreation and Cultural            | 2,327,016               | 1,943,372             | -                        | -                   | 2,327,016           | 1,943,372             |
| Interest on Long-term Debt         | 669,677                 | 662,961               | -                        | -                   | 669,677             | 662,961               |
| Community and Economic Development | 231,627                 | 777,414               | -                        | -                   | 231,627             | 777,414               |
| Water and Sewer                    | -                       | -                     | 9,483,714                | 10,124,648          | 9,483,714           | 10,124,648            |
| <b>Total Expenses</b>              | <b>17,958,834</b>       | <b>26,640,919</b>     | <b>9,483,714</b>         | <b>10,124,648</b>   | <b>27,442,548</b>   | <b>36,765,567</b>     |
| Net Transfers                      | -                       | 1,155,036             | -                        | -                   | -                   | 1,155,036             |
| <b>Change in Net Position</b>      | <b>\$ 3,437,402</b>     | <b>\$ (6,081,456)</b> | <b>\$ 2,025,619</b>      | <b>\$ 1,947,968</b> | <b>\$ 5,463,021</b> | <b>\$ (4,133,488)</b> |

### GOVERNMENTAL ACTIVITIES

Net Position of the City's governmental activities improved by \$3.4 million, reducing the deficit of Net Position from (\$17.7) million to (\$14.3) million. Of that change, \$1.5 million comes from the activities of the City's governmental funds. Approximately \$2 million comes from the reduction of the City's pension and OPEB liabilities mentioned previously.

The City paid down \$2 million of structured long-term liabilities including bonds and paying off the remaining balance on a note payable for a fire truck that was sold during the year.

In addition, the City spent over \$800,000 on infrastructure improvements and various equipment.

# **CITY OF WAYNE, MICHIGAN**

## **Management's Discussion and Analysis (Continued) June 30, 2018**

### **GOVERNMENTAL ACTIVITIES (CONTINUED)**

With state-level changes to the personal property tax in previous years, the City's tax revenue continues to decrease. Property tax revenue decreased approximately \$55,000, from \$8.4 million in fiscal year 2017 to \$8.3 million this year, a decrease of less than 1 percent. This was more than offset with an unexpected increase to the revenue received from the Local Community Stabilization Authority ("the LCSA"), the State's replacement for personal property tax. This revenue increased \$481,000 from last year. The City is preparing for further declines of personal property tax as the revenue will continue to be phased out from 2018 to 2023 as a result of recent changes to state law. The additional revenue received from the LCSA is not guaranteed to recur in the future.

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 continues 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 \$2.0 million. The net investment in capital assets decreased by \$0.5 million, mostly due to depreciation expense exceeding the new capital purchases and payments of bonded debt. The unrestricted net position increased by \$3.6 million as the fund has stabilized financially and is poised for future improvements to the water and sewer system.

### **THE CITY'S FUNDS**

As of June 30, 2018, the governmental funds of the City, as presented in the balance sheet on page 10, reported a combined fund balance of \$7.3 million. This is an increase of approximately \$1.5 million from prior year. This is primarily due to the City's efforts to contain spending across all funds. Most significantly, the major and local street funds generated a combined surplus of approximately \$750,000. The General Fund produced a surplus of over \$300,000 due to unexpected revenues such as the aforementioned LCSA and cost containment across all departments.

The cost containment that helped to generate this surplus includes not filling open positions, which does have an effect on the service levels provided to Wayne residents, and the delaying of reinvestment in the City's capital assets such as roads, buildings, equipment, and technology. At some point in the future, the City will have to redirect some of its efforts and begin reinvesting back into the City operations and infrastructure.

Other non-major funds that account for such activity as refuse collections, the library, vehicle forfeiture, and the cemetery posted modest surpluses this year.

# **CITY OF WAYNE, MICHIGAN**

## **Management's Discussion and Analysis (Continued) June 30, 2018**

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Several things went very well for the City during fiscal 2018, including the additional revenue from the LCSA mentioned previously. In addition, many planned expenditures that were included in the budget did not occur. Altogether, the General Fund performed better than the original budget by \$1.6 million and better than the final amended budget by \$720,000. This is very positive and demonstrates that the City and its leadership is taking the financial difficulties the City has experienced very seriously.

Altogether, the General Fund spent 6 percent less than planned. This includes not filling open positions, health care claims, not to be mistaken with healthcare premiums, have trended flat for over a year, and delaying capital expenditures. All departments of the General Fund spent less than their budget, except Law which only went over budget by \$6,000.

### **CAPITAL ASSETS**

At the end of June 30, 2018, after depreciation expense, the City (excluding Component Units) had \$63.1 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 \$2.7 million from the previous year as depreciation expense continues to exceed new investment in the City. Last year, the capital asset balance declined \$2.0 million.

New additions and improvements, mostly road related and a new ambulance, totaled \$0.9 million. Depreciation expense totaled \$2.9 million. The City also sold a fire truck and cleaned up its capital asset records by writing off old assets that had previously been disposed of.

### **DEBT ADMINISTRATION**

At year end, the City has \$22.2 million in outstanding general obligation bonds, notes payable, and capital leases payable. Principal payments on this debt were approximately \$2.6 million, with another \$1.2 million paid in interest.

There was no new structured debt incurred during fiscal year 2018.

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.

# **CITY OF WAYNE, MICHIGAN**

## **Management's Discussion and Analysis (Continued) June 30, 2018**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Approved appropriations by the City Council in the General Fund budget are \$18.1 million for the 2018-19 fiscal year, consistent with the actual results from the 2017-18 fiscal year (\$17.6 million). The increase is primarily due to increases to the required pension contributions.

Revenue projections are budgeted at \$16.3 million, approximately \$1.9 million less than 2018's actual results. The decrease is primarily related to the sale of the fire truck in 2018 (\$450,000), declining personal property tax, a conservative forecast for the LCSA and fines/fees from the district court, and lower grant funding. Altogether, this results in a planned deficit of \$1.8 million for the year; however, the City is already aware of a significant number of amendments that need to be passed to address new information that was not available in spring 2018 when the original budget was adopted. Most significantly, this includes the transition from traditional retiree health care premiums to a fixed annual stipend per retiree. As mentioned previously, the City attempted to make this change for fiscal year 2018, but was stifled by a legal decision that has since been reversed. The City is moving ahead with plans to make the switch to the stipend in January 2019.

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.

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

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

# CITY OF WAYNE, MICHIGAN

## Statement of Net Position June 30, 2018

|   | <i>Primary Government</i>  |                             |                     | Component<br>Units  |
|---|----------------------------|-----------------------------|---------------------|---------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total               |                     |
| <b>ASSETS</b>                                   |                            |                             |                     |                     |
| <b>Current Assets:</b>                          |                            |                             |                     |                     |
| Cash and Cash Equivalents                       | \$ 6,105,019               | \$ 7,060,523                | \$ 13,165,542       | \$ 379,380          |
| Receivables, Net                                | 2,348,145                  | 2,664,699                   | 5,012,844           | -                   |
| Other Assets                                    | 11,371                     | -                           | 11,371              | -                   |
| Inventory                                       | 167,797                    | 88,179                      | 255,976             | -                   |
| Prepaid Expenses                                | 14,867                     | 30,685                      | 45,552              | -                   |
| <b>Total Current Assets</b>                     | <b>8,647,199</b>           | <b>9,844,086</b>            | <b>18,491,284</b>   | <b>379,380</b>      |
| <b>Noncurrent Assets:</b>                       |                            |                             |                     |                     |
| Restricted Assets                               |                            |                             |                     |                     |
| Cash and Cash Equivalents                       | 209,138                    | -                           | 209,138             | -                   |
| Capital Assets, Net                             |                            |                             |                     |                     |
| Assets not subject to Depreciation              | 4,495,549                  | 104,772                     | 4,600,321           | 1,841,176           |
| Assets subject to Depreciation                  | 32,061,998                 | 26,483,731                  | 58,545,729          | 2,908,329           |
| <b>Total Capital Assets</b>                     | <b>36,557,547</b>          | <b>26,588,503</b>           | <b>63,146,050</b>   | <b>4,749,505</b>    |
| <b>Total Assets</b>                             | <b>45,413,884</b>          | <b>36,432,589</b>           | <b>81,846,473</b>   | <b>5,128,885</b>    |
| <b>Deferred Outflows of Resources - Pension</b> | <b>1,624,605</b>           | <b>284,078</b>              | <b>1,908,683</b>    | <b>-</b>            |
| <b>LIABILITIES AND NET POSITION</b>             |                            |                             |                     |                     |
| <b>Liabilities</b>                              |                            |                             |                     |                     |
| <b>Current Liabilities</b>                      |                            |                             |                     |                     |
| Accounts Payable and Accrued Expenses           | 785,611                    | 925,123                     | 1,710,734           | 54,276              |
| Due to Other Governmental Units                 | 311,883                    | -                           | 311,883             | -                   |
| Unsettled Claims                                | 76,360                     | -                           | 76,360              | -                   |
| Current Portion of Long-term Debt               | 1,499,306                  | 620,000                     | 2,119,306           | 63,884              |
| Accumulated Compensated Absences                | 600,000                    | -                           | 600,000             | -                   |
| Accrued Interest Payable                        | 70,511                     | 118,619                     | 189,130             | 16,993              |
| <b>Total Current Liabilities</b>                | <b>3,343,671</b>           | <b>1,663,742</b>            | <b>5,007,413</b>    | <b>135,153</b>      |
| <b>Long-term Liabilities</b>                    |                            |                             |                     |                     |
| Long-term Debt, Net of Current Portion          | 9,465,047                  | 10,625,000                  | 20,090,047          | 319,420             |
| Other Post Employment Benefits                  | 5,723,581                  | 140,284                     | 5,863,865           | -                   |
| Net Pension Liability                           | 40,169,999                 | 3,512,133                   | 43,682,132          | -                   |
| Accumulated Compensated Absences                | 1,146,871                  | 11,044                      | 1,157,915           | -                   |
| <b>Total Noncurrent Liabilities</b>             | <b>56,505,498</b>          | <b>14,288,461</b>           | <b>70,793,959</b>   | <b>319,420</b>      |
| <b>Total Liabilities</b>                        | <b>59,849,169</b>          | <b>15,952,203</b>           | <b>75,801,372</b>   | <b>454,573</b>      |
| <b>Deferred Inflows of Resources - Pension</b>  | <b>1,451,316</b>           | <b>268,927</b>              | <b>1,720,243</b>    | <b>-</b>            |
| <b>Deferred Inflows of Resources - OPEB</b>     | <b>20,379</b>              | <b>499</b>                  | <b>20,878</b>       | <b>-</b>            |
| <b>Total Deferred Inflows of Resources</b>      | <b>1,471,695</b>           | <b>269,426</b>              | <b>1,741,121</b>    | <b>-</b>            |
| <b>Net Position</b>                             |                            |                             |                     |                     |
| Net Investment in Capital Assets                | 25,652,819                 | 15,343,502                  | 40,996,321          | 4,749,505           |
| Restricted for:                                 |                            |                             |                     |                     |
| Cemetery Perpetual Care (Nonspendable)          | 361,984                    | -                           | 361,984             | -                   |
| Road  | 2,744,892                  | -                           | 2,744,892           | -                   |
| Refuse Collection                               | 468,851                    | -                           | 468,851             | -                   |
| Law Enforcement                                 | 32,249                     | -                           | 32,249              | -                   |
| Youth Grants Program                            | 397,856                    | -                           | 397,856             | -                   |
| Veteran's Memorial                              | 16,000                     | -                           | 16,000              | -                   |
| Public Improvements                             | 52,797                     | -                           | 52,797              | -                   |
| Library Operations                              | 97,011                     | -                           | 97,011              | -                   |
| Unrestricted (Deficit)                          | (44,106,833)               | 5,151,536                   | (38,955,297)        | (75,193)            |
| <b>Total Net Position</b>                       | <b>\$ (14,282,375)</b>     | <b>\$ 20,495,038</b>        | <b>\$ 6,212,663</b> | <b>\$ 4,674,312</b> |

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, 2018

| Functions/Programs                   | Program Revenues     |                      |  |                                  | Net (Expense) Revenue and Charges in Net Position |                          |                     |                     |
|--------------------------------------|----------------------|----------------------|--|----------------------------------|---|--------------------------|---------------------|---------------------|
|                                      | Expenses             | Charges for Services | Operating Grants and Contributions                         | Capital Grants and Contributions | Primary Government                                |                          |                     | Component Units     |
|                                      |                      |                      |  |                                  | Governmental Activities                           | Business-Type Activities | Total               |                     |
| <b>Primary Government:</b>           |                      |                      |  |                                  |   |                          |                     |                     |
| General Government                   | \$ 2,960,448         | \$ 2,627,769         | \$ 1,400,944   | \$ -                             | 1,068,265   | \$ -                     | \$ 1,068,265        | \$ -                |
| District Court                       | 798,314              | 694,454              | -  | -                                | (103,860)   | -                        | (103,860)           | -                   |
| Public Safety                        | 6,312,505            | 1,781,444            | 666,399  | -                                | (3,864,662)                                       | -                        | (3,864,662)         | -                   |
| Public Services                      | 4,253,171            | 1,528,317            | 1,708,072  | -                                | (1,016,782)                                       | -                        | (1,016,782)         | -                   |
| Health and Welfare                   | 406,076              | -                    | -  | -                                | (406,076)   | -                        | (406,076)           | -                   |
| Community and Economic Development   | 231,627              | -                    | 116,956  | -                                | (114,671)   | -                        | (114,671)           | -                   |
| Recreation and Culture               | 2,327,016            | 128,304              | 105,782  | -                                | (2,092,930)                                       | -                        | (2,092,930)         | -                   |
| Interest and Other Long-Term Debt    | 669,677              | -                    | -  | -                                | (669,677)   | -                        | (669,677)           | -                   |
| <b>Total Governmental Activities</b> | <b>17,958,834</b>    | <b>6,760,288</b>     | <b>3,998,153</b>   | <b>-</b>                         | <b>(7,200,393)</b>                                | <b>-</b>                 | <b>(7,200,393)</b>  | <b>-</b>            |
| Business-type Activities:            |                      |                      |  |                                  |   |                          |                     |                     |
| Water and Sewer                      | 9,483,714            | 11,476,970           | -  | -                                | -   | 1,993,256                | 1,993,256           | -                   |
| <b>Total Primary Government</b>      | <b>\$ 27,442,548</b> | <b>\$ 18,237,258</b> | <b>\$ 3,998,153</b>  | <b>\$ -</b>                      | <b>(7,200,393)</b>                                | <b>1,993,256</b>         | <b>(5,207,137)</b>  | <b>-</b>            |
| <b>Component Units:</b>              |                      |                      |  |                                  |   |                          |                     |                     |
| Downtown Development Authority       | 1,353,934            | -                    | -  | -                                | -   | -                        | -                   | (1,353,934)         |
| <b>Total Component Units</b>         | <b>\$ 1,353,934</b>  | <b>\$ -</b>          | <b>\$ -</b>  | <b>\$ -</b>                      | <b>-</b>  | <b>-</b>                 | <b>-</b>            | <b>(1,353,934)</b>  |
|                                      |                      |                      | <b>General Revenues:</b>                                   |                                  |   |                          |                     |                     |
|                                      |                      |                      | Property Taxes, Levied for General Purposes                |                                  | 6,642,312   | -                        | 6,642,312           | 1,130,516           |
|                                      |                      |                      | Property Taxes, Levied for Refuse                          |                                  | 1,003,686   | -                        | 1,003,686           | -                   |
|                                      |                      |                      | Property Taxes, Levied for Library                         |                                  | 346,018   | -                        | 346,018             | -                   |
|                                      |                      |                      | Property Taxes, Levied for Road Program                    |                                  | 346,136   | -                        | 346,136             | -                   |
|                                      |                      |                      | Franchise Taxes  |                                  | 269,474   | -                        | 269,474             | -                   |
|                                      |                      |                      | Investment Earnings  |                                  | 38,660  | 32,363                   | 71,023              | 635                 |
|                                      |                      |                      | Other Contribution   |                                  | -   | -                        | -                   | 2,500               |
|                                      |                      |                      | State Shared Revenues                                      |                                  | 1,991,509   | -                        | 1,991,509           | -                   |
|                                      |                      |                      | <b>Total General Revenue</b>                               |                                  | <b>10,637,795</b>                                 | <b>32,363</b>            | <b>10,670,158</b>   | <b>1,133,651</b>    |
|                                      |                      |                      | <b>Change in Net Position</b>                              |                                  | <b>3,437,402</b>                                  | <b>2,025,619</b>         | <b>5,463,021</b>    | <b>(220,283)</b>    |
|                                      |                      |                      | <b>Net Position (Deficit) - July 1, 2017 (As Restated)</b> |                                  | <b>(17,719,777)</b>                               | <b>18,469,419</b>        | <b>749,642</b>      | <b>4,894,595</b>    |
|                                      |                      |                      | <b>Net Position (Deficit) - June 30, 2018</b>              |                                  | <b>\$ (14,282,375)</b>                            | <b>\$ 20,495,038</b>     | <b>\$ 6,212,663</b> | <b>\$ 4,674,312</b> |

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

# CITY OF WAYNE, MICHIGAN

## Governmental Fund Balance Sheet June 30, 2018

|   | General Fund        | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|------------------------------------|--------------------------------|
| <b>Assets:</b>  |                     |                                    |                                |
| Cash and Cash Equivalents   | \$ 2,501,585        | \$ 3,603,434                       | \$ 6,105,019                   |
| Restricted Cash and Cash Equivalents  | 209,138             | -                                  | 209,138                        |
| Receivables:  |                     |                                    |                                |
| Accounts Receivable, Net  | 955,899             | -                                  | 955,899                        |
| Special Assessments   | 56,568              | 20,307                             | 76,875                         |
| Due from Other Governmental Units   | 901,123             | 411,195                            | 1,312,318                      |
| Other   | 147                 | 2,906                              | 3,053                          |
| Due from Other Funds  | 44,330              | 397,856                            | 442,186                        |
| Other Assets  | 11,371              | -                                  | 11,371                         |
| Inventory   | 103,447             | 64,350                             | 167,797                        |
| Prepaid Items   | 14,867              | -                                  | 14,867                         |
| <b>Total Assets</b>   | <b>\$ 4,798,475</b> | <b>\$ 4,500,048</b>                | <b>\$ 9,298,523</b>            |
| <b>Liabilities and Fund Balances</b>  |                     |                                    |                                |
| <b>Liabilities:</b>   |                     |                                    |                                |
| Accounts Payable  | \$ 366,982          | \$ 210,445                         | \$ 577,427                     |
| Due to Other Governmental Units   | 279,542             | 32,341                             | 311,883                        |
| Due to Other Funds  | 397,856             | 44,330                             | 442,186                        |
| Accrued Salaries and Wages  | 139,085             | 4,817                              | 143,902                        |
| Deposits  | 11,807              | -                                  | 11,807                         |
| Unearned Revenue  | -                   | 52,475                             | 52,475                         |
| Unsettled Claims  | 76,360              | -                                  | 76,360                         |
| <b>Total Liabilities</b>  | <b>1,271,632</b>    | <b>344,408</b>                     | <b>1,616,040</b>               |
| <b>Deferred Inflows of Resources</b>  |                     |                                    |                                |
| Unavailable Revenue   | 279,603             | 67,312                             | 346,915                        |
| <b>Fund Balances:</b>   |                     |                                    |                                |
| Nonspendable:   |                     |                                    |                                |
| Prepaid Items   | 14,867              | -                                  | 14,867                         |
| Inventory   | 103,447             | 64,350                             | 167,797                        |
| Permanent Fund Principal  | -                   | 361,984                            | 361,984                        |
| Restricted:   |                     |                                    |                                |
| Road  | -                   | 2,660,235                          | 2,660,235                      |
| Refuse Collection   | -                   | 468,851                            | 468,851                        |
| Law Enforcement   | -                   | 32,249                             | 32,249                         |
| Library Operations  | -                   | 82,476                             | 82,476                         |
| Public Improvements   | -                   | 50,556                             | 50,556                         |
| Veteran's Memorial  | 16,000              | -                                  | 16,000                         |
| Youth Programs  | -                   | 397,856                            | 397,856                        |
| Assigned:   |                     |                                    |                                |
| 2019 Budget   | 1,872,562           | -                                  | 1,872,562                      |
| Unassigned Balance  | 1,240,364           | (30,229)                           | 1,210,135                      |
| <b>Total Fund Balances</b>  | <b>3,247,240</b>    | <b>4,088,328</b>                   | <b>7,335,568</b>               |
| <b>Total Liabilities, Deferred Inflows<br/>of Resources and Fund Balances</b> | <b>\$ 4,798,475</b> | <b>\$ 4,500,048</b>                | <b>\$ 9,298,523</b>            |

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, 2018

**Fund Balance - Total Governmental Funds** \$ 7,335,568

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: | 87,160,884          |            |
| Accumulated Depreciation is:   | <u>(50,603,337)</u> |            |
|                                |                     | 36,557,547 |

|   |  |           |
|---|--|-----------|
| Deferred Outflows are not Current Financial Resources and are not<br>Reported in the Funds. |  | 1,624,605 |
|---|--|-----------|

|   |  |             |
|---|--|-------------|
| Deferred Inflows are not Current Obligations and are not Reported<br>in the Funds |  | (1,471,695) |
|---|--|-------------|

|  |  |         |
|--|--|---------|
| Revenues not meeting the availability Criteria are Recorded as<br>Deferred Inflows at the Fund Level, but Recorded as Revenue<br>in the Full Accrual Statements. |  | 346,915 |
|--|--|---------|

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

|  |                     |              |
|--|---------------------|--------------|
| Compensated Absences                     | (1,746,871)         |              |
| Bonds and Note Payable (Net of Discount) | (10,964,353)        |              |
| OPEB Payable                             | (5,723,581)         |              |
| Net Pension Liability                    | <u>(40,169,999)</u> |              |
|  |                     | (58,604,804) |

|  |  |                 |
|--|--|-----------------|
| Accrued Interest is not Due and Payable in the<br>Current Period and is Not Reported in the Funds. |  | <u>(70,511)</u> |
|--|--|-----------------|

**Net Position of Governmental Activities** \$ (14,282,375)

*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, 2018

|  | General Fund        | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|------------------------------------|--------------------------------|
| <b>Revenues:</b>                               |                     |                                    |                                |
| Taxes  | \$ 6,642,312        | \$ 1,695,840                       | \$ 8,338,152                   |
| Licenses and Permits                           | 840,744             | -                                  | 840,744                        |
| Intergovernmental                              | 4,119,494           | 1,870,168                          | 5,989,662                      |
| Charges for Services                           | 1,211,763           | 33,079                             | 1,244,842                      |
| Fines and Forfeitures                          | 727,277             | -                                  | 727,277                        |
| Interest and Rents                             | 470,240             | 8,361                              | 478,601                        |
| Other Revenue                                  | 4,199,058           | 24,994                             | 4,224,053                      |
| <b>Total Revenue</b>                           | <b>18,210,888</b>   | <b>3,632,442</b>                   | <b>21,843,331</b>              |
| <b>Expenditures:</b>                           |                     |                                    |                                |
| General Government                             | 5,248,622           | 1,336                              | 5,249,958                      |
| District Court                                 | 883,309             | -                                  | 883,309                        |
| Public Safety                                  | 6,791,751           | 29,787                             | 6,821,538                      |
| Public Service                                 | 2,091,774           | 2,205,763                          | 4,297,537                      |
| Health and Welfare                             | 406,076             | -                                  | 406,076                        |
| Community and Economic Development             | 133,267             | 97,031                             | 230,298                        |
| Recreation and Culture                         | 1,328,415           | 461,054                            | 1,789,469                      |
| Debt Service                                   |                     |                                    |                                |
| Principal                                      | 445,436             | 25,000                             | 470,436                        |
| Interest and Paying Agent Fees                 | 172,803             | 26,438                             | 199,241                        |
| <b>Total Expenditures</b>                      | <b>17,501,453</b>   | <b>2,846,409</b>                   | <b>20,347,863</b>              |
| <b>Excess of Revenue<br/>Over Expenditures</b> | <b>709,435</b>      | <b>786,033</b>                     | <b>1,495,468</b>               |
| <b>Other Financing Sources (Uses):</b>         |                     |                                    |                                |
| Transfers In                                   | -                   | 656,291                            | 656,291                        |
| Transfers Out                                  | (397,856)           | (258,435)                          | (656,291)                      |
| <b>Total Other Financing Sources (Uses)</b>    | <b>(397,856)</b>    | <b>397,856</b>                     | <b>-</b>                       |
| <b>Net Change in Fund Balances</b>             | <b>311,579</b>      | <b>1,183,889</b>                   | <b>1,495,468</b>               |
| <b>Fund Balances - July 1, 2017</b>            | <b>2,935,661</b>    | <b>2,904,439</b>                   | <b>5,840,100</b>               |
| <b>Fund Balances - June 30, 2018</b>           | <b>\$ 3,247,240</b> | <b>\$ 4,088,328</b>                | <b>\$ 7,335,568</b>            |

*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, 2018

|   |                            |
|---|----------------------------|
| <b>Net Change in Fund Balances - Total Governmental Funds</b>   | <b>\$ 1,495,468</b>        |
| Amounts Reported for Governmental Activities in The<br>Statement of Activities Are Different Because:   |                            |
| Governmental Funds Report Capital Outlays As Expenditures;<br>In The Statement of Activities These Costs Are Allocated<br>Over Their Estimated Useful Lives As Depreciation:  |                            |
| Depreciation Expense  | (2,089,112)                |
| Capital Outlay  | 836,131                    |
| Proceeds from sale of Fixed Assets are Revenue in<br>Governmental Funds, but not in Statement of Activities   | (450,000)                  |
| Loss on Disposal of Fixed Assets is Recorded in Statement of<br>Activities, but not in the Funds  | (211,251)                  |
| Revenue is recorded in the statement of activities when earned.<br>It is not reported in the Funds until Collected or Collectible within<br>60 days of years.   | 214,157                    |
| Repayment of Bond Principal is an Expenditure in the<br>Governmental Funds; But Not in the Statement of Activities<br>(Where it Reduces Long-Term Debt)   |                            |
| Principal Payments on Bonds and Note Payable  | 2,022,652                  |
| Change in Accrued Interest Payable and Other  | 8,424                      |
| Decreases in Accumulated Employee Sick and Vacation Pay<br>Reported in the Statement of Activities do not require the use<br>of current resources and therefore are not reported in the<br>Fund Statements until they come due for payment. | 88,501                     |
| Changes in Net OPEB Obligations Reported in the Statement of<br>Activities do not require the use of current resources and<br>therefore are not reported in the fund statements until they<br>come due for payment.                         | 1,576,274                  |
| Decrease in Net Pension Liability does not require the use of<br>current resources and is not reported in the governmental  | 3,928,625                  |
| Increase in Deferred Inflows  | (1,581,932)                |
| Decrease in Pension Deferred Outflows   | <u>(2,400,535)</u>         |
| <b>Change in Net Position of Governmental Activities</b>  | <b><u>\$ 3,437,402</u></b> |

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

# CITY OF WAYNE, MICHIGAN

## Proprietary Funds Statement of Net Position June 30, 2018

|  | <b>Enterprise Fund<br/>Water and Sewer<br/>Fund</b> |
|--|---|
| <b>Assets:</b>                             |   |
| Current Assets:                            |   |
| Cash and Cash Equivalents                  | \$ 7,060,523  |
| Account Receivable                         | 2,636,063   |
| Due from Intergovernmental                 | 28,636  |
| Prepaid Expenses                           | 30,685  |
| Inventory                                  | 88,179  |
| <b>Total Current Assets</b>                | <b>9,844,086</b>                                    |
| Non-Current Assets:                        |   |
| Capital Assets:                            |   |
| Construction in Progress                   | 104,772   |
| Assets Subject to Depreciation             | 26,483,731  |
| <b>Total Noncurrent Assets</b>             | <b>26,588,503</b>                                   |
| <b>Total Assets</b>                        | <b>36,432,589</b>                                   |
| Deferred Outflow of Resources - Pension    | 284,078   |
| <b>Liabilities:</b>                        |   |
| Current Liabilities:                       |   |
| Accounts Payable                           | \$ 923,821  |
| Accrued Salaries and Wages                 | 1,302   |
| Payables from Restricted Assets            |   |
| Accrued Interest Payable                   | 118,619   |
| Current Portion of Long-term Debt          | 620,000   |
| <b>Total Current Liabilities</b>           | <b>1,663,742</b>                                    |
| <b>Noncurrent Liabilities</b>              |   |
| Accrued Compensated Absences               | 11,044  |
| Retiree Health Care Benefits Obligation    | 140,284   |
| Net Pension Liability                      | 3,512,133   |
| Bonds and Contracts Payable                | 10,625,000  |
| <b>Total Noncurrent Liabilities</b>        | <b>14,288,461</b>                                   |
| <b>Total Liabilities</b>                   | <b>15,952,203</b>                                   |
| Deferred Inflows of Resources              |   |
| Pension                                    | 268,927   |
| OPEB                                       | 499   |
| <b>Total Deferred Inflows of Resources</b> | <b>269,426</b>                                      |
| <b>Net Position:</b>                       |   |
| Net Investment in Capital Assets           | 15,343,502  |
| Unrestricted                               | 5,151,536   |
| <b>Total Net Position</b>                  | <b>\$ 20,495,038</b>                                |

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, 2018

|  | <b>Enterprise Fund<br/>Water and Sewer<br/>Fund</b> |
|--|---|
| <b>Operating Revenues</b>                        |   |
| Water Sales                                      | \$ 5,804,354  |
| Sewage Disposal                                  | 5,204,159   |
| Penalties  | 219,024   |
| Other  | 249,433   |
| <b>Total Operating Revenues</b>                  | <u>11,476,970</u>                                   |
| <b>Operating Expenses</b>                        |   |
| Water Purchased                                  | 2,881,088   |
| Sewage Disposal                                  | 3,133,028   |
| Service and Maintenance                          | 2,131,964   |
| Depreciation                                     | 847,988   |
| Other  | 7,613   |
| <b>Total Operating Expenses</b>                  | <u>9,001,681</u>                                    |
| <b>Operating Income</b>                          | <u>2,475,289</u>                                    |
| <b>Non-Operating Revenue (Expense)</b>           |   |
| Interest Income                                  | 32,363  |
| Interest and Paying Agent Fees Expense           | <u>(482,033)</u>                                    |
| <b>Total Non-Operating Revenue (Expense)</b>     | <u>(449,670)</u>                                    |
| <b>Change in Net Position</b>                    | 2,025,619   |
| <b>Net Position - July 1, 2017 (As Restated)</b> | <u>18,469,419</u>                                   |
| <b>Net Position - June 30, 2018</b>              | <u>\$ 20,495,038</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, 2018

|   | <b>Enterprise Fund<br/>Water and Sewer<br/>Fund</b> |
|---|---|
| <b>Cash Flows from Operating Activities</b>   |   |
| Cash Received from Customers  | \$ 11,620,431                                       |
| Cash Payment to Supplier for Goods and Services   | (6,843,173)   |
| Cash Payment to Employees for Services  | (2,165,504)   |
| Net Cash Provided by Operating Activities   | <u>2,611,754</u>                                    |
| <b>Cash Flows from Capital and Related Financing Activities</b>   |   |
| Acquisition and Construction of Capital Assets  | (62,816)  |
| Principal Paid on Revenue Bonds and Contracts   | (595,000)   |
| Interest Paid on Revenue Bonds and Contracts  | (488,052)   |
| Net Cash Used in Capital and Related Financing Activities   | <u>(1,145,868)</u>                                  |
| <b>Cash Flows from Investing Activities</b>   |   |
| Interest on Investment  |   |
| Net Cash Provided from Investing Activities   | <u>32,363</u>                                       |
| <b>Net Increase in Cash and Cash Equivalents</b>  | 1,498,249   |
| <b>Cash and Cash Equivalents, Beginning of year</b>   | <u>5,562,274</u>                                    |
| <b>Cash and Cash Equivalents, End of year</b>   | <u>\$ 7,060,523</u>                                 |
| <b>Reconciliation of Operating Income (Loss) to Net<br/>Cash Provided (Used) by Operating Activities:</b> |   |
| Operating Income (Loss)   | 2,475,289   |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash<br>from Operating Activities:                |   |
| Depreciation and Amortization   | 847,988   |
| Restatement of OPEB Liability   | 837,039   |
| Change in Assets and Liabilities  |   |
| Accounts Receivables  | 143,461   |
| Inventory   | 1,115   |
| Accounts Payable  | (793,554)   |
| Accrued and Other Liabilities   | 386   |
| Prepaid Expenses  | (29,005)  |
| OPEB Payable  | (876,172)   |
| OPEB Deferred Inflow  | 499   |
| Pension Payable   | (343,486)   |
| Deferred Inflows  | 138,311   |
| Deferred Outflows   | 209,883   |
| <b>Net Cash Provided by Operating Activities</b>  | <u>\$ 2,611,754</u>                                 |

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

# CITY OF WAYNE, MICHIGAN

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## Fiduciary Funds Statement of Net Position June 30, 2018

|                             | <u>Agency<br/>Funds</u>  |
|-----------------------------|--------------------------|
| <b>ASSETS</b>               |                          |
| Cash and Cash Equivalents   | \$ 190,497               |
| Tax Receivable - Delinquent | <u>134,777</u>           |
| <b>Total Assets</b>         | <u><u>\$ 325,274</u></u> |
| <b>LIABILITIES</b>          |                          |
| Due to Other Organizations  | \$ 123                   |
| Accounts Payable            | 11,066                   |
| Due to Other Government     | 254,581                  |
| Held for Others             | <u>59,504</u>            |
| <b>Total Liabilities</b>    | <u><u>\$ 325,274</u></u> |

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

# CITY OF WAYNE, MICHIGAN

## Component Units Statement of Net Position June 30, 2018

|  | Component Units                      |                                       |  | Total               |
|--|--------------------------------------|---------------------------------------|--|---------------------|
|  | Downtown<br>Development<br>Authority | Parks and<br>Recreation<br>Foundation | Brownfield<br>Redevelopment<br>Authority |                     |
| <b>Assets:</b>                                   |                                      |                                       |  |                     |
| Current Assets:                                  |                                      |                                       |  |                     |
| Cash and Cash Equivalents                        | \$ 347,249                           | \$ 29,631                             | \$ 2,500                                 | \$ 379,380          |
| Non-Current Assets:                              |                                      |                                       |  |                     |
| Capital Assets                                   |                                      |                                       |  |                     |
| Land, Improvements, and Construction in Progress | 1,841,176                            | -                                     | -  | 1,841,176           |
| Other Capital Assets - Net                       | 2,908,329                            | -                                     | -  | 2,908,329           |
| <b>Total Non-current Assets</b>                  | <b>4,749,505</b>                     | <b>-</b>                              | <b>-</b>                                 | <b>4,749,505</b>    |
| <b>Total Assets</b>                              | <b>5,096,754</b>                     | <b>29,631</b>                         | <b>2,500</b>                             | <b>5,128,885</b>    |
| <b>Liabilities:</b>                              |                                      |                                       |  |                     |
| Current Liabilities:                             |                                      |                                       |  |                     |
| Accounts Payable                                 | 54,276                               | -                                     | -  | 54,276              |
| Long Term Liability-Payable within one year      | 63,884                               | -                                     | -  | 63,884              |
| Accrued Interest Payable                         | 16,993                               | -                                     | -  | 16,993              |
| <b>Total Current Liabilities</b>                 | <b>135,153</b>                       | <b>-</b>                              | <b>-</b>                                 | <b>135,153</b>      |
| Long Term Liabilities:                           |                                      |                                       |  |                     |
| Due in More than One Year                        | 319,420                              | -                                     | -  | 319,420             |
| <b>Total Liabilities</b>                         | <b>454,573</b>                       | <b>-</b>                              | <b>-</b>                                 | <b>454,573</b>      |
| <b>Net Position:</b>                             |                                      |                                       |  |                     |
| Net Investment in Capital Assets                 | 4,749,505                            | -                                     | -  | 4,749,505           |
| Unrestricted (Deficit)                           | (107,324)                            | 29,631                                | 2,500                                    | (75,193)            |
| <b>Total Net Position</b>                        | <b>\$ 4,642,181</b>                  | <b>\$ 29,631</b>                      | <b>\$ 2,500</b>                          | <b>\$ 4,674,312</b> |

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

# CITY OF WAYNE, MICHIGAN

## Component Units Statement of Activities June 30, 2018

| Functions/Programs                     | Expenses         | Program Revenue         |  | Net Revenue (Expense) and<br>Changes in Net Position |                                       |  | Total               |
|--|------------------|-------------------------|--|--|---------------------------------------|--|---------------------|
|  |                  | Charges for<br>Services | Operating<br>Grant and<br>Contribution | Downtown<br>Development<br>Authority                 | Parks and<br>Recreation<br>Foundation | Brownfield<br>Redevelopment<br>Authority |                     |
| Downtown Development Authority         | \$ 1,353,934     | \$ -                    | -                                      | \$ (1,353,934)                                       | \$ -                                  | -  | \$ (1,353,934)      |
| Brownfield Redevelopment Authority     | -                | -                       | 2,500                                  | -  | -                                     | 2,500                                    | -                   |
| Parks and Recreation Foundation        | -                | -                       | -                                      | -  | -                                     | -  | -                   |
| <b>Total Component Units</b>           | <u>1,353,934</u> | <u>-</u>                | <u>2,500</u>                           | <u>(1,353,934)</u>                                   | <u>-</u>                              | <u>2,500</u>                             | <u>(1,351,434)</u>  |
| General Revenues:                      |                  |                         |  |  |                                       |  |                     |
| Property Taxes                         |                  |                         |  | 1,130,516  | -                                     | -  | 1,130,516           |
| Investment Earnings                    |                  |                         |  | 605  | 30                                    | -  | 605                 |
| Total General Revenue                  |                  |                         |  | <u>1,131,121</u>                                     | <u>30</u>                             | <u>-</u>                                 | <u>1,131,121</u>    |
| <b>Change in Net Position</b>          |                  |                         |  | (222,813)  | 30                                    | 2,500                                    | (220,283)           |
| <b>Net Position, Beginning of Year</b> |                  |                         |  | <u>4,864,994</u>                                     | <u>29,601</u>                         | <u>-</u>                                 | <u>4,864,994</u>    |
| <b>Net Position, Ending of Year</b>    |                  |                         |  | <u>\$ 4,642,181</u>                                  | <u>\$ 29,631</u>                      | <u>\$ 2,500</u>                          | <u>\$ 4,674,312</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, 2018.

### Discretely Presented Component Units

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

**City of Wayne Parks and Recreation Foundation** - The City of Wayne Parks and Recreation Foundation's Governing Board is 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.

**Brownsfield Redevelopment Authority of the City of Wayne** - A new component unit - Brownsfield Redevelopment Authority was set up during the year. This authority is controlled by the City of Wayne Downtown Development Authority.

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Government-Wide and Fund Financial Statements

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

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

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

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

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

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

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government -wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements as follows:

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### (1) Governmental Funds:

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

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

#### (2) Proprietary Funds:

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

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

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

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

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth the minimum criteria (percentage of the assets, liabilities, revenues or expenditure/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City reports the General Fund 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. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

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

#### (1) Measurement Focus

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

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

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

#### (2) Basis of Accounting

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

##### (a) Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## 1) NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### (b) Modified Accrual:

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

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

### Assets, Liabilities and Net Position or Equity

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

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

The City maintains a pooled investment fund for all funds. As of June 30, 2018, the pooled investment fund totaled \$13,673,795.

**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, 2018 are recorded as prepaid items.

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

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

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

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

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

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

|                         |             |
|-------------------------|-------------|
| Buildings               | 40-50 years |
| Improvements            | 20-25 years |
| Machinery and Equipment | 10-25 years |
| Utility System          | 25-66 years |
| Infrastructure          | 25-40 years |

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

***Fund Financial Statements***

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

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

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

***Deferred Outflows/Inflows of Resources***

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

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

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

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

The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is based on projected information. Accrued compensated absences is reported as a liability in governmental funds only if they have matured; i.e., only if the employee has terminated as of June 30, 2018. 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 based on the provisions of GASB 75. See note 7 for further information.

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

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

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

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

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

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

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

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

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

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

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

**Revenues, Expenditures and Expenses**

**Property Taxes** - Property taxes were levied July 1 (100% city taxes, 100% school taxes including Wayne County Regional Educational Service Agency (WCRESA), and 100% County operating) and December 1 (100% of other taxing authorities) and are payable on or before October 1 and February 14, respectively, without penalty. These taxes become liens against the property on December 31 of the previous year. After February 28, all unpaid taxes are declared delinquent with the City continuing to collect Act 198 taxes and ad valorem personal property taxes. Ad valorem real property taxes are turned over to the county treasurer who assumes responsibility for their collection and immediately, upon settlement, reimburses the City from the county revolving tax fund. The City collects its own property tax and also taxes for other entities including the county and school districts which are within the City. Collections and remittances of the taxes to those entities are accounted for in the current and delinquent tax collection funds. The City tax levy for the 2017 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>0.1424 mills</u>         |
| <b>Total</b>              | <b><u>24.0115 mills</u></b> |

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

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

**1) NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenues, Expenditures and Expenses (Continued)**

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

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

Proprietary Fund - By operating and nonoperating

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

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

**2) DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws Section 129,91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City has designated six banks for the deposit of its funds. The investment policy adopted by Council in accordance with Public Act 196 of 1997 has authorized investment of funds as listed above. The City of Wayne's deposits and investment policies are in accordance with statutory authority.

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

|                                      | <u>Governmental<br/>Funds</u> | <u>Fiduciary<br/>Funds</u> | <u>Business Type<br/>Funds</u> | <u>Total Primary<br/>Government</u> | <u>Component<br/>Units</u> |
|--------------------------------------|-------------------------------|----------------------------|--------------------------------|-------------------------------------|----------------------------|
| Cash and Cash Equivalents            | \$ 6,105,019                  | \$ 190,497                 | \$ 7,060,523                   | \$ 13,356,039                       | \$ 379,380                 |
| Cash and Cash Equivalents-Restricted | 209,138                       | -                          | -                              | \$ 209,138                          | -                          |
| <b>Total</b>                         | <u>\$ 6,314,157</u>           | <u>\$ 190,497</u>          | <u>\$ 7,060,523</u>            | <u>\$ 13,565,177</u>                | <u>\$ 379,380</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.

As of June 30, 2018, the bank balance of the City deposits was \$14,412,758 of which \$500,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

## 2) DEPOSITS AND INVESTMENTS (Continued)

**Custodial Credit Risk of Bank Deposits (Continued)** - The carrying amount of deposits and the bank balance for the City of Wayne Downtown Development Authority and Brownsfield Redevelopment Authority, discretely presented component units, were \$347,249 and \$2,500 respectively. These being part of City's pooled cash balances; the FDIC coverage are 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 \$29,631, 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.

**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.

| Fiduciary Investment Type | Fair Value | Weighted<br>Average<br>Maturity | Rating    | Rating<br>Organization |
|---------------------------|------------|---------------------------------|-----------|------------------------|
| Pooled Investment Fund    |            |                                 |           |                        |
| Mutual Funds              | \$ 967,646 | 71 days                         | AAAm      | S&P                    |
| Others                    | 25,731     | N/A                             | Not Rated |                        |

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

## 2) DEPOSITS AND INVESTMENTS (Continued)

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

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

**Level 2:** Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

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

Inputs other than quoted prices that 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, 2018

### 3) CAPITAL ASSETS

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

| <u>Governmental Activities</u>              | <u>Balance<br/>June 30, 2017</u> | <u>Additions<br/>2017-18</u> | <u>Disposals<br/>2017-18</u> | <u>Balance<br/>June 30, 2018</u> |
|---|----------------------------------|------------------------------|------------------------------|----------------------------------|
| Capital Assets not being Depreciated:       |                                  |                              |                              |                                  |
| Land  | \$ 4,495,549                     | \$ -                         | \$ -                         | \$ 4,495,549                     |
| <b>Subtotal</b>                             | <u>4,495,549</u>                 | <u>-</u>                     | <u>-</u>                     | <u>4,495,549</u>                 |
| Capital Assets being Depreciated:           |                                  |                              |                              |                                  |
| Buildings                                   | 38,764,118                       | -                            | (112,720)                    | 38,651,398                       |
| Improvements                                | 4,355,368                        | 107,803                      | -                            | 4,463,171                        |
| Machinery & Equipment                       | 8,942,418                        | 209,210                      | (1,420,091)                  | 7,731,537                        |
| Infrastructure                              | 31,300,112                       | 519,118                      | -                            | 31,819,230                       |
| <b>Subtotal</b>                             | <u>83,362,016</u>                | <u>836,131</u>               | <u>(1,532,811)</u>           | <u>82,665,336</u>                |
| <b>Total</b>                                | <u>87,857,565</u>                | <u>836,131</u>               | <u>(1,532,811)</u>           | <u>87,160,885</u>                |
| Less: Accumulated Depreciation for:         |                                  |                              |                              |                                  |
| Buildings                                   | 17,901,244                       | 927,141                      | (112,720)                    | 18,715,665                       |
| Improvements                                | 3,141,460                        | 154,315                      | -                            | 3,295,775                        |
| Machinery & Equipment                       | 7,340,642                        | 314,542                      | (758,840)                    | 6,896,344                        |
| Infrastructure                              | 21,002,440                       | 693,114                      | -                            | 21,695,554                       |
| <b>Subtotal</b>                             | <u>49,385,786</u>                | <u>2,089,112</u>             | <u>(871,560)</u>             | <u>50,603,338</u>                |
| <b>Net Capital Assets being Depreciated</b> | <u>33,976,230</u>                | <u>(1,252,981)</u>           | <u>(661,251)</u>             | <u>32,061,998</u>                |
| <b>Net Capital Assets</b>                   | <u>\$ 38,471,779</u>             | <u>\$ (1,252,981)</u>        | <u>\$ (661,251)</u>          | <u>\$ 36,557,547</u>             |

Depreciation was allocated to the following functional categories for the year ended June 30, 2018.

|                        |                     |
|------------------------|---------------------|
| General Government     | \$ 124,700          |
| Public Safety          | 505,680             |
| Public Services        | 816,220             |
| Recreation and Culture | 642,512             |
|                        | <u>\$ 2,089,112</u> |

| <u>Water &amp; Sewer Fund:</u>              | <u>Balance<br/>June 30, 2017</u> | <u>Additions<br/>2017-18</u> | <u>Disposals /<br/>Adjustments<br/>2017-18</u> | <u>Balance<br/>June 30, 2018</u> |
|---|----------------------------------|------------------------------|--|----------------------------------|
| Capital Assets not being Depreciated:       |                                  |                              |  |                                  |
| Construction in Progress                    | \$ -                             | \$ 104,772                   | \$ -   | \$ 104,772                       |
| <b>Subtotal</b>                             | <u>-</u>                         | <u>104,772</u>               | <u>-</u>                                       | <u>104,772</u>                   |
| Capital Assets being Depreciated:           |                                  |                              |  |                                  |
| Water and Sewer Mains                       | 40,498,049                       | -                            | -  | 40,498,049                       |
| Meters                                      | 2,421,374                        | -                            | (46,618)                                       | 2,374,756                        |
| Equipment                                   | 467,193                          | -                            | -  | 467,193                          |
| Motor Vehicles                              | 457,330                          | -                            | -  | 457,330                          |
| <b>Subtotal</b>                             | <u>43,843,946</u>                | <u>-</u>                     | <u>(46,618)</u>                                | <u>43,797,328</u>                |
| <b>Total Water &amp; Sewer</b>              | <u>43,843,946</u>                | <u>104,772</u>               | <u>(46,618)</u>                                | <u>43,902,100</u>                |
| Less: Accumulated Depreciation for:         |                                  |                              |  |                                  |
| Water and Sewer Mains                       | 15,457,255                       | 756,242                      | -  | 16,213,497                       |
| Meters                                      | 92,422                           | 90,436                       | (4,662)  | 178,196                          |
| Equipment                                   | 463,264                          | 1,310                        | -  | 464,574                          |
| Motor Vehicles                              | 457,330                          | -                            | -  | 457,330                          |
| <b>Subtotal</b>                             | <u>16,470,271</u>                | <u>847,988</u>               | <u>(4,662)</u>                                 | <u>17,313,597</u>                |
| <b>Net Capital Assets being Depreciated</b> | <u>27,373,675</u>                | <u>(847,988)</u>             | <u>(41,956)</u>                                | <u>26,483,731</u>                |
| <b>Net Capital Assets</b>                   | <u>\$ 27,373,675</u>             | <u>\$ (743,216)</u>          | <u>\$ (41,956)</u>                             | <u>\$ 26,588,503</u>             |

# CITY OF WAYNE, MICHIGAN

## Notes to the Financial Statements (Continued) June 30, 2018

### 3) CAPITAL ASSETS (Continued)

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

| <b>Downtown Development Authority:</b>      | <b>Balance<br/>June 30, 2017</b> | <b>Additions<br/>2017-18</b> | <b>Disposals<br/>2017-18</b> | <b>Balance<br/>June 30, 2018</b> |
|---|----------------------------------|------------------------------|------------------------------|----------------------------------|
| Capital Assets not being Depreciated:       |                                  |                              |                              |                                  |
| Land  | \$ 1,841,176                     | \$ -                         | \$ -                         | \$ 1,841,176                     |
| <b>Subtotal</b>                             | <b>1,841,176</b>                 | <b>-</b>                     | <b>-</b>                     | <b>1,841,176</b>                 |
| 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                        |
| <b>Subtotal</b>                             | <b>8,059,716</b>                 | <b>-</b>                     | <b>-</b>                     | <b>8,059,716</b>                 |
| <b>Total Downtown Development Auth.</b>     | <b>9,900,892</b>                 | <b>-</b>                     | <b>-</b>                     | <b>9,900,892</b>                 |
| Less: Accumulated Depreciation for:         |                                  |                              |                              |                                  |
| Buildings                                   | 38,556                           | 2,598                        | -                            | 41,154                           |
| Improvements                                | 2,249,117                        | 107,899                      | -                            | 2,357,016                        |
| Machinery and Equipment                     | 263,948                          | 17,069                       | -                            | 281,017                          |
| Infrastructure                              | 2,313,849                        | 158,351                      | -                            | 2,472,200                        |
| <b>Subtotal</b>                             | <b>4,865,470</b>                 | <b>285,917</b>               | <b>-</b>                     | <b>5,151,387</b>                 |
| <b>Net Capital Assets being Depreciated</b> | <b>3,194,246</b>                 | <b>(285,917)</b>             | <b>-</b>                     | <b>2,908,329</b>                 |
| <b>Net Capital Assets</b>                   | <b>\$ 5,035,422</b>              | <b>\$ (285,917)</b>          | <b>\$ -</b>                  | <b>\$ 4,749,505</b>              |

### 4) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

| <b>Fund Due To</b>  | <b>Fund Due From</b> | <b>Amount</b>     |
|---------------------|----------------------|-------------------|
| Youth Grant Program | General Fund         | \$ 397,856        |
| General Fund        | CDBG                 | 44,330            |
|                     |                      | <b>\$ 442,186</b> |

The composition of Interfund transfers is as follows:

| <b>Fund Transferred In</b> | <b>Fund Transferred Out</b>      | <b>Amount</b>     |
|----------------------------|----------------------------------|-------------------|
| Youth Grant Program        | General Fund                     | \$ 397,856        |
| Local Streets Fund         | Major Streets and Trunkline Fund | 258,435           |
|                            |                                  | <b>\$ 656,291</b> |

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

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

The transfer from General Fund to Youth Grants Program Fund was to create a new fund to record and monitor activities relating to Youth Grants Program.

### 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, 2018:

|  | Interest Rate  | Principal Maturity Ranges | Beginning Balance June 30, 2017 | Additions         | Reductions             | Ending Balance June 30, 2018 | Due Within One Year |
|--|----------------|---------------------------|---------------------------------|-------------------|------------------------|------------------------------|---------------------|
| <b>Governmental Activities</b>                 |                |                           |                                 |                   |                        |                              |                     |
| General Obligation bonds:                      |                |                           |                                 |                   |                        |                              |                     |
| MI Transportation Bond Series 2008             |                |                           |                                 |                   |                        |                              |                     |
| Amount of issue - \$730,000                    |                | \$25,000 - \$75,000       | \$ 530,000                      | \$ -              | \$ (25,000)            | \$ 505,000                   | \$ 25,000           |
| Maturing through 2027                          | 4.25% - 5.10%  |                           |                                 |                   |                        |                              |                     |
| Recreation Renovation Bond 2008                |                |                           |                                 |                   |                        |                              |                     |
| Amount of issue - \$1,800,000                  |                | \$85,000 - \$140,000      | 1,210,000                       | -                 | (85,000)               | 1,125,000                    | 90,000              |
| Maturing through 2027                          | 3.25% - 5.10%  |                           |                                 |                   |                        |                              |                     |
| Refunding of Building Authority Bonds 2012A:   |                |                           |                                 |                   |                        |                              |                     |
| Amount of issue - \$4,355,000                  |                | \$450,000 - \$555,000     | 1,985,000                       | -                 | (555,000)              | 1,430,000                    | 545,000             |
| Maturing through 2020                          | 2.79%          |                           |                                 |                   |                        |                              |                     |
| Refunding of Building Authority Bonds 2012B:   |                |                           |                                 |                   |                        |                              |                     |
| Amount of issue - \$2,845,000                  |                | \$370,000 - \$420,000     | 1,200,000                       | -                 | (385,000)              | 815,000                      | 395,000             |
| Maturing through 2019                          | 2.70%          |                           |                                 |                   |                        |                              |                     |
| Refunding of Building Authority Bonds 2012C:   |                |                           |                                 |                   |                        |                              |                     |
| Amount of issue - \$8,585,000                  |                | \$360,000 - \$1,000,000   | 7,330,000                       | -                 | (360,000)              | 6,970,000                    | 405,000             |
| Maturing through 2027                          | .80% - 3.40%   |                           |                                 |                   |                        |                              |                     |
| <b>Total General Obligation Bonds</b>          |                |                           | <u>12,255,000</u>               | <u>-</u>          | <u>(1,410,000)</u>     | <u>10,845,000</u>            | <u>1,460,000</u>    |
| Notes Payable:                                 |                |                           |                                 |                   |                        |                              |                     |
| Note Payable-Ladder Truck                      |                |                           |                                 |                   |                        |                              |                     |
| Original Amount - \$1,101,345                  |                | \$52,399 - \$100,738      | 584,243                         | -                 | (584,243)              | -                            | -                   |
| Semi-Annual Payments                           | 5.35%          |                           |                                 |                   |                        |                              |                     |
| Maturing in 2023                               |                |                           |                                 |                   |                        |                              |                     |
| Note Payable-Ambulance                         |                |                           |                                 |                   |                        |                              |                     |
| Original Amount - \$144,536                    |                | \$27,481 - \$30,360       | 88,137                          | -                 | (28,409)               | 59,728                       | 29,368              |
| Maturing in 2019                               | 3.4%           |                           |                                 |                   |                        |                              |                     |
| Note Payable-Ford Tax Settlement, as Corrected |                |                           |                                 |                   |                        |                              |                     |
| Original Amount - \$119,249                    |                | \$19,875                  | 59,625                          | -                 | -                      | 59,625                       | 9,938               |
| Maturing in 2019                               | 0.00%          |                           |                                 |                   |                        |                              |                     |
| <b>Total Bonds and Notes Payable</b>           |                |                           | <u>12,987,005</u>               | <u>-</u>          | <u>(2,022,652)</u>     | <u>10,964,353</u>            | <u>1,499,306</u>    |
| Other Liabilities:                             |                |                           |                                 |                   |                        |                              |                     |
| OPEB Unfunded Liability                        | N/A            | N/A                       | 18,765,150                      | -                 | (13,041,569)           | 5,723,581                    | -                   |
| Accrued Compensated Absences                   | N/A            | N/A                       | 1,835,372                       | 478,593           | (567,094)              | 1,746,871                    | 600,000             |
| <b>Total Governmental Activities</b>           |                |                           | <u>\$ 33,587,527</u>            | <u>\$ 478,593</u> | <u>\$ (15,631,315)</u> | <u>\$ 18,434,805</u>         | <u>\$ 2,099,306</u> |
| <b>Business-type Activities</b>                |                |                           |                                 |                   |                        |                              |                     |
| Water Bonds 2004                               |                |                           |                                 |                   |                        |                              |                     |
| Amount of issue - \$3,525,000                  |                | \$275,000 - \$375,000     | \$ 1,625,000                    | \$ -              | \$ (275,000)           | \$ 1,350,000                 | \$ 300,000          |
| Maturing through 2021                          | 4.00% - 4.40%  |                           |                                 |                   |                        |                              |                     |
| Water Bonds 2006                               |                |                           |                                 |                   |                        |                              |                     |
| Amount of issue - \$7,500,000                  |                | \$200,000 - \$500,000     | 6,000,000                       | -                 | (300,000)              | 5,700,000                    | 300,000             |
| Maturing through 2031                          | 4.00% - 4.50%  |                           |                                 |                   |                        |                              |                     |
| Water Bonds 2007                               |                |                           |                                 |                   |                        |                              |                     |
| Amount of issue - \$4,430,000                  |                | \$20,000 - \$620,000      | 4,215,000                       | -                 | (20,000)               | 4,195,000                    | 20,000              |
| Maturing through 2029                          | 3.80% - 4.125% |                           |                                 |                   |                        |                              |                     |
| Net Bonds Payable                              |                |                           | <u>11,840,000</u>               | <u>-</u>          | <u>(595,000)</u>       | <u>11,245,000</u>            | <u>620,000</u>      |
| Other Liabilities:                             |                |                           |                                 |                   |                        |                              |                     |
| OPEB Unfunded Liability                        | N/A            | N/A                       | 1,016,456                       | -                 | (876,172)              | 140,284                      | -                   |
| Accrued Compensated Absences                   |                |                           | 10,759                          | 6,815             | (6,530)                | 11,044                       | -                   |
| <b>Total Business-type Activities</b>          |                |                           | <u>\$ 12,867,215</u>            | <u>\$ 6,815</u>   | <u>\$ (1,477,702)</u>  | <u>\$ 11,396,328</u>         | <u>\$ 620,000</u>   |
| <b>Long-term Liabilities</b>                   |                |                           |                                 |                   |                        |                              |                     |

# CITY OF WAYNE, MICHIGAN

## Notes to the Financial Statements (Continued) June 30, 2018

### 5) LONG-TERM DEBT (Continued)

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

| Years Ending<br>June 30, | Governmental Activities  |                     |                      |                   |                 |                   |
|--------------------------|--------------------------|---------------------|----------------------|-------------------|-----------------|-------------------|
|                          | General Obligation Bonds |                     |                      | Notes Payable     |                 |                   |
|                          | Principal                | Interest            | Total                | Principal         | Interest        | Total             |
| 2019                     | \$ 1,460,000             | \$ 328,312          | \$ 1,788,312         | \$ 39,306         | \$ 2,017        | \$ 41,323         |
| 2020                     | 1,380,000                | 289,995             | 1,669,995            | 50,235            | 1,025           | 51,260            |
| 2021                     | 1,040,000                | 255,919             | 1,295,919            | 19,875            | -               | 19,875            |
| 2022                     | 875,000                  | 227,152             | 1,102,152            | 9,937             | -               | 9,937             |
| 2023                     | 925,000                  | 198,452             | 1,123,452            | -                 | -               | -                 |
| 2024-2028                | 5,165,000                | 457,973             | 5,622,973            | -                 | -               | -                 |
|                          | <u>\$ 10,845,000</u>     | <u>\$ 1,757,803</u> | <u>\$ 12,602,803</u> | <u>\$ 119,353</u> | <u>\$ 3,042</u> | <u>\$ 122,395</u> |

| Years<br>Ending<br>June 30, | Business-type Activities |                     |                      |
|-----------------------------|--------------------------|---------------------|----------------------|
|                             | General Obligation Bonds |                     |                      |
|                             | Principal                | Interest            | Total                |
| 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                        | 695,000                  | 375,875             | 1,070,875            |
| 2023                        | 825,000                  | 343,675             | 1,168,675            |
| 2024-2028                   | 4,570,000                | 1,183,437           | 5,753,437            |
| 2029-2033                   | 3,220,000                | 226,676             | 3,446,676            |
|                             | <u>\$ 11,245,000</u>     | <u>\$ 3,432,412</u> | <u>\$ 14,677,412</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. Ford Motor Company has allowed the City to postpone paying back the note, so the remaining payments will be made through 2022.

At June 30, 2018, the long-term debt payable from the major component unit consisted of the following:

|  | Current<br>Portion | Long-term<br>Portion |
|--|--------------------|----------------------|
| \$766,609 Note Payable dated February 11, 2011<br>For Property Tax Settlement, Noninterest bearing | \$ 63,884          | \$ 319,420           |

# CITY OF WAYNE, MICHIGAN

## Notes to the Financial Statements (Continued) June 30, 2018

### 5) LONG-TERM DEBT (Continued)

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

| <u>Year Ending<br/>June 30,</u> | <u>Total</u>      |
|---------------------------------|-------------------|
| 2019                            | \$ 63,884         |
| 2020                            | 127,768           |
| 2021                            | 127,768           |
| 2022                            | 63,884            |
|                                 | <u>\$ 383,304</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, 2018. The City of Wayne represents approximately 12% of the per capita base of this organization. The City has no investment in the assets, liabilities, and fund equity of the Nankin Transit Commission. Complete financial statements of the Nankin Transit Commission can be obtained at the entity's administrative office: Nankin Transit Commission, 37151 Marquette, Westland, MI, 48185.

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

**7) OTHER POST EMPLOYMENT BENEFITS**

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

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

**Funding Policy** - The cost of retiree healthcare and life insurance benefits is paid by the City of Wayne Retiree Healthcare Plan. This Other Post-Employment Benefits (OPEB) is funded by the City on a pay-as-you-go basis. For the year ended June 30, 2018, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2017.

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms:

| Date of Member Count         | <u>June 30, 2017</u> |
|------------------------------|----------------------|
| Retirees and Beneficiaries   | \$ 191               |
| Inactive, Nonretired Members | 5                    |
| Active Plan Members          | <u>46</u>            |
| Total Plan Members           | <u>\$ 242</u>        |

**Contributions**

Retiree healthcare costs are paid by the City on a “pay-as-you-go” basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2018, the City made payments for postemployment health benefit premiums of \$1,867,933.

**Total OPEB Liability**

The June 30, 2018 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, which used updated procedures to roll forward the estimated liability to June 30, 2018.

# CITY OF WAYNE, MICHIGAN

## Notes to the Financial Statements (Continued) June 30, 2018

### 7) OTHER POST EMPLOYMENT BENEFITS (Continued)

#### Total OPEB Liability (Continued)

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

| Changes in Total OPEB Liability                    | Total OPEB<br>Liability    |
|--|----------------------------|
| <b>Balance at July 1, 2017</b>                     | \$ 7,499,651               |
| Changes for the year:                              |                            |
| Service Cost                                       | 46,494                     |
| Interest   | 234,566                    |
| Differences Between Expected and Actual Experience | (13,754)                   |
| Changes in Assumptions                             | (35,159)                   |
| Benefit Payments, Including Refunds                | <u>(1,867,933)</u>         |
| Net Changes  | <u>(1,635,786)</u>         |
| <b>Balance at June 30, 2018</b>                    | <u><u>\$ 5,863,865</u></u> |

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

For the year ended June 30, 2018, the City recognized an OPEB expense of \$253,025.

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

|                        | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|------------------------|--------------------------------------|-------------------------------------|
| Changes in Assumptions | <u>\$ -</u>                          | <u>\$ (20,878)</u>                  |
| Total                  | <u><u>\$ -</u></u>                   | <u><u>\$ (20,878)</u></u>           |

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

| Years Ending<br>June 30 | Amount                    |
|-------------------------|---------------------------|
| 2019                    | <u>\$ (20,878)</u>        |
| Total                   | <u><u>\$ (20,878)</u></u> |

#### Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) ranging from 3.5 percent to 14.5 percent; and using the RP-2014 Mortality Tables. These assumptions were applied to all periods included in the measurement.

**7) OTHER POST EMPLOYMENT BENEFITS (Continued)**

**Other Information**

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

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.62 percent. The discount rate was based on the Fidelity “20-Year Municipal GO AA Index.”

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.62 percent, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

|  | 1 Percent<br>Decrease<br>(2.62%) | Current<br>Discount Rate<br>(3.62%) | 1 Percent<br>Increase<br>(4.62%) |
|--|----------------------------------|-------------------------------------|----------------------------------|
| Total OPEB Liability of the Retiree Health Care Plan | \$ 6,510,534                     | \$ 5,863,865                        | \$ 5,333,848                     |

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

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

**Assumption Changes**

The discount rate used to measure the total OPEB liability as of June 30, 2018 was changed from 3.56 percent to 3.62 percent. The discount rate changed due to changes in the municipal bond rate.

**8) DEFINED PENSION PLAN**

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

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

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

**8) DEFINED PENSION PLAN (Continued)**

The following is a summary of benefits by division:

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

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

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

**8) DEFINED BENEFIT PENSION PLAN (Continued)**

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

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

**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.

**8) DEFINED BENEFIT PENSION PLAN (Continued)**

**Supervisors** - Retirement benefits are calculated at 2.8 percent if less than 25 service years, 2.5 percent for 25-30 service years, and 1 percent for more than 30 years of service of the employee's highest three consecutive years average salary times the years of service with no retirement maximum. Members contribute 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, 2017 measurement date, the following employees were covered by the benefit terms:

|  |            |
|--|------------|
| Active plan members  | 63         |
| Inactive employees or beneficiaries currently receiving benefits | 205        |
| Inactive employees entitled to but not yet receiving benefits    | <u>20</u>  |
| Total employees covered by MERS                                  | <u>288</u> |

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

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

# CITY OF WAYNE, MICHIGAN

## Notes to the Financial Statements (Continued) June 30, 2018

### 8) DEFINED BENEFIT PENSION PLAN (Continued)

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

**Net Pension Liability** – The net pension liability reported at June 30, 2018 was determined using a measure of the total pension liability and the pension net position as of December 31, 2017. The December 31, 2017 total pension liability was determined by an actuarial valuation performed as of that date.

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

| Change in Net Pension Liability     | Increase (Decrease)     |                      |                       |
|-------------------------------------|-------------------------|----------------------|-----------------------|
|                                     | Total Pension Liability | Plan Net Position    | Net Pension Liability |
| Balance at December 31, 2016        | \$ 111,745,606          | \$ 63,791,363        | \$ 47,954,243         |
| Service Cost                        | 776,490                 | -                    | 776,490               |
| Interest                            | 9,076,213               | -                    | 9,076,213             |
| Changes to benefit terms            | (932,184)               | -                    | (932,184)             |
| Experience Differences              | (975,609)               | -                    | (975,609)             |
| Changes in Actuarial Assumptions    | -                       | -                    | -                     |
| Miscellaneous Changes               | -                       | -                    | -                     |
| Contributions - Employer            | -                       | 3,634,938            | (3,634,938)           |
| Contributions - Employee            | -                       | 513,222              | (513,222)             |
| Net Investment Income               | -                       | 8,197,570            | (8,197,570)           |
| Benefit Payments, Including Refunds | (8,017,627)             | (8,017,627)          | -                     |
| Administrative Expenses             | -                       | (128,709)            | 128,709               |
| Net Changes                         | (72,717)                | 4,199,394            | (4,272,111)           |
| <b>Balance at December 31, 2017</b> | <b>\$ 111,672,889</b>   | <b>\$ 67,990,757</b> | <b>\$ 43,682,132</b>  |

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

For the year ended June 30, 2018, the City recognized pension expense of \$3,938,030. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Source  | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Difference between actual and expected experience.                                | \$ -                           | \$ (487,804)                  |
| Net difference between projected and actual earnings on pension plan investments. | -                              | (1,232,439)                   |
| Employer contributions to the plan subsequent to the measurement date.            | 1,908,683                      | -                             |
|   | <u>\$ 1,908,683</u>            | <u>\$ (1,720,243)</u>         |

**8) DEFINED BENEFIT PENSION PLAN (Continued)**

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

| <u>Years Ending June 30,</u> | <u>Amount</u>         |
|------------------------------|-----------------------|
| 2019                         | \$ (117,900)          |
| 2020                         | 167,258               |
| 2021                         | (1,087,868)           |
| 2022                         | <u>(681,733)</u>      |
|                              | <u>\$ (1,720,243)</u> |

**Actuarial Assumptions** – the total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods including in the measurement:

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

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of the most recent actuarial experience study covering the period of December 31, 2008 through December 31, 2014.

**Discount Rate** – The 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.

**8) DEFINED BENEFIT PLAN (Continued)**

**Projected Cash Flows**

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

| <u>Asset Class</u>      | <u>Target Allocation</u> | <u>Long-term<br/>Expected<br/>Real Rate of<br/>Return</u> |
|-------------------------|--------------------------|---|
| Global Equity           | 55.5%                    | 8.65%   |
| Global Fixed Income     | 18.5%                    | 3.76%   |
| Real Assets             | 13.5%                    | 9.72%   |
| Diversifying Strategies | 12.5%                    | 7.50%   |

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:

|                                   | <u>1% Decrease<br/>7.00%</u> | <u>Current<br/>Discount Rate<br/>8.00%</u> | <u>1% Increase<br/>9.00%</u> |
|-----------------------------------|------------------------------|--|------------------------------|
| Net Pension Liability of the City | \$ 56,642,706                | \$ 43,682,132                              | \$ 32,886,957                |

**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](http://www.mersofmich.com). The plan’s fiduciary net pension has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee’s contributions are recognized as expense when due and payable in accordance with the benefit terms.

**9) RISK MANAGEMENT**

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

# CITY OF WAYNE, MICHIGAN

## Notes to the Financial Statements (Continued) June 30, 2018

### 9) RISK MANAGEMENT (Continued)

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

The City estimates the liability for general liability claims and workers' compensation claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported. The estimate for the general liability and workers' compensation claims are all included in the General Fund. Changes in the estimated liabilities for the years ended June 30, 2018 and 2017 were as follows:

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

|  | <b>June 30,</b>  |                  |
|--|------------------|------------------|
|  | <b>2018</b>      | <b>2017</b>      |
| Unpaid Claims, Beginning of Year                               | \$ 63,288        | \$ 172,549       |
| Incurred Claims, including Claims<br>Incurred but not Reported | 75,000           | (108,769)        |
| Claim Payments   | (67,136)         | (492)            |
| <b>Unpaid Claims, End of Year</b>                              | <b>\$ 71,152</b> | <b>\$ 63,288</b> |

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

|  | <b>June 30,</b> |                  |
|--|-----------------|------------------|
|  | <b>2018</b>     | <b>2017</b>      |
| Unpaid Claims, Beginning of Year                               | \$ 22,376       | \$ 22,376        |
| Incurred Claims, including Claims<br>Incurred but not Reported | 41,899          | (8,000)          |
| Claim Payments   | (59,067)        | 8,000            |
| <b>Unpaid Claims, End of Year</b>                              | <b>\$ 5,208</b> | <b>\$ 22,376</b> |

**10) ADOPTION OF NEW ACCOUNTING POLICY**

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

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

|                          | <b>Net Position</b>                                   |  |   |
|--------------------------|---|--|---|
|                          | <b>June 30, 2017 -<br/>As Previously<br/>Reported</b> | <b>June 30, 2017 -<br/>As Restated</b> | <b>Adjustment for<br/>Implementation of<br/>GASB Statement<br/>No. 75</b> |
| Governmental Activities  | \$ (29,164,693)                                       | \$ (17,719,777)                        | \$ 11,444,916   |
| Business-type Activities | 17,632,380  | 18,469,419                             | 837,039   |
| Water and Sewer Fund     | 17,632,380  | 18,469,419                             | 837,039   |

**11) 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.

**12) SUBSEQUENT EVENTS**

We examined subsequent events through December 18, 2018, the date the report was available to be issued.

**13) TAX ABATEMENTS**

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

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

**13) TAX ABATEMENTS (Continued)**

For the fiscal year ended June 30, 2018, the City abated \$338,920 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

**14) UPCOMING ACCOUNTING PRONOUNCEMENTS**

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2020.

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

**REQUIRED SUPPLEMENTAL INFORMATION**

# CITY OF WAYNE, MICHIGAN

## Required Supplemental Information Budgetary Comparison Schedule – General Fund June 30, 2018

|   | Original Budget     | Amended Budget      | Actual              | Variance with Amended Budget |
|---|---------------------|---------------------|---------------------|------------------------------|
| <b>Revenue</b>  |                     |                     |                     |                              |
| Taxes   | \$ 6,559,100        | \$ 6,564,100        | \$ 6,642,312        | \$ 78,212                    |
| Licenses and Permits                                    | 532,460             | 528,660             | 840,744             | 312,084                      |
| Intergovernmental                                       | 3,373,240           | 4,374,605           | 4,119,494           | (255,111)                    |
| Charges for Service and Sales                           | 1,241,630           | 1,221,780           | 1,211,763           | (10,017)                     |
| Fines and Forfeitures                                   | 474,000             | 627,140             | 727,277             | 100,137                      |
| Interest and Rents                                      | 491,200             | 383,640             | 470,240             | 86,600                       |
| Other Revenue   | 2,995,410           | 4,272,451           | 4,199,058           | (73,393)                     |
| <b>Total Revenue</b>                                    | <b>15,667,040</b>   | <b>17,972,376</b>   | <b>18,210,888</b>   | <b>238,512</b>               |
| <b>Expenditures - Current</b>                           |                     |                     |                     |                              |
| General Government:                                     |                     |                     |                     |                              |
| City Council  | 41,550              | 41,550              | 34,734              | (6,816)                      |
| City Manager  | 137,340             | 137,340             | 123,873             | (13,467)                     |
| Finance   | 679,210             | 631,350             | 597,402             | (33,948)                     |
| Law   | 150,000             | 248,000             | 253,524             | 5,524                        |
| City Clerk  | 305,355             | 329,855             | 286,395             | (43,460)                     |
| Personnel   | 186,035             | 220,535             | 217,696             | (2,839)                      |
| Information Technology                                  | 230,955             | 217,705             | 192,803             | (24,902)                     |
| Other   | 2,718,245           | 3,712,366           | 3,542,195           | (170,171)                    |
| <b>Total General Government</b>                         | <b>4,448,690</b>    | <b>5,538,701</b>    | <b>5,248,622</b>    | <b>(290,079)</b>             |
| District Court  | 972,255             | 956,550             | 883,309             | (73,241)                     |
| Public Safety   | 6,821,215           | 7,176,592           | 6,791,751           | (384,841)                    |
| Public Services   | 2,302,465           | 2,337,385           | 2,091,774           | (245,611)                    |
| Health and Welfare                                      | 510,695             | 407,420             | 406,076             | (1,344)                      |
| Community and Economic Development                      | 177,390             | 257,390             | 133,267             | (124,123)                    |
| Recreation and Culture                                  | 1,203,415           | 1,401,806           | 1,328,415           | (73,391)                     |
| Debt Service  | 618,480             | 618,480             | 618,239             | (241)                        |
| <b>Total Expenditures</b>                               | <b>17,054,605</b>   | <b>18,694,324</b>   | <b>17,501,453</b>   | <b>(1,192,872)</b>           |
| <b>Excess (Deficiency) of Revenue Over Expenditures</b> | <b>(1,387,565)</b>  | <b>(721,948)</b>    | <b>709,435</b>      | <b>1,431,384</b>             |
| <b>Other Financing Sources (uses)</b>                   |                     |                     |                     |                              |
| Transfers in  | 112,855             | 327,953             | -                   | (327,953)                    |
| Transfers out   | -                   | -                   | (397,856)           | (397,856)                    |
| <b>Total Financing Sources (uses)</b>                   | <b>112,855</b>      | <b>327,953</b>      | <b>(397,856)</b>    | <b>(725,809)</b>             |
| <b>Net Change in Fund Balance</b>                       | <b>(1,274,710)</b>  | <b>(393,995)</b>    | <b>311,579</b>      | <b>705,575</b>               |
| Fund Balance, Beginning of Year                         | 2,935,661           | 2,935,661           | 2,935,661           | -                            |
| <b>Fund Balance, End of Year</b>                        | <b>\$ 1,660,951</b> | <b>\$ 2,541,666</b> | <b>\$ 3,247,240</b> | <b>\$ 705,575</b>            |

### 1) LEGAL COMPLIANCE - BUDGETS - ACCOUNTING AND REPORTING

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

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

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

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

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

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

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

# CITY OF WAYNE, MICHIGAN

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## Notes to Required Supplemental Information (Continued) Year Ended June 30, 2018

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

For the year ended June 30, 2018, expenditures and transfers exceeded appropriations for the following functional activities within the General Fund:

| <u>General Fund</u> | <u>Amount By Which<br/>Expenditures<br/>Exceed<br/>Appropriations</u> |
|---------------------|---|
| Law                 | \$ 5,524  |

# CITY OF WAYNE, MICHIGAN

## Required Supplemental Information Schedule of Changes in the Total OPEB Liability and Related Ratios No Trust June 30, 2018

|  | <u>2018</u>             |
|--|-------------------------|
| <b>Total OPEB Liability</b>                        |                         |
| Service Cost                                       | \$ 46,494               |
| Interest   | 234,566                 |
| Differences between Expected and Actual Experience | (13,754)                |
| Changes in Assumptions                             | (35,159)                |
| Benefit Payments, including Refunds                | <u>(1,867,933)</u>      |
| <b>Net Change in Total OPEB Liability</b>          | (1,635,786)             |
| <b>Total OPEB Liability - Beginning of Year</b>    | <u>7,499,651</u>        |
| <b>Total OPEB Liability - End of Year</b>          | <u><u>5,863,865</u></u> |

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



# CITY OF WAYNE, MICHIGAN

## Required Supplemental Information Schedule of Changes in the City Net Pension Liability and Related Ratios Last Fiscal Year Year Ended June 30, 2018

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



## **OTHER SUPPLEMENTAL INFORMATION**

# CITY OF WAYNE, MICHIGAN

## Non-Major Governmental Funds Combining Balance Sheet June 30, 2018

|   | Major Street<br>and Trunkline<br>Fund | Local<br>Street<br>Fund | Refuse<br>Collection<br>and Disposal<br>Fund | PEG<br>Public<br>Improvement<br>Fund | Vehicle<br>Forfeiture<br>Fund | Drug Law<br>Enforcement<br>Fund | Library<br>Operations<br>Fund | Community<br>Development<br>Block<br>Grant Fund | Community<br>Development<br>Program<br>Income Fund | Youth<br>Grant<br>Program | Permanent<br>Fund<br>Cemetery<br>Perpetual Fund | Non-Major<br>Governmental<br>Funds<br>Total |
|---|---------------------------------------|-------------------------|--|--------------------------------------|-------------------------------|---------------------------------|-------------------------------|---|--|---------------------------|---|---|
| <b>Assets:</b>  |                                       |                         |  |                                      |                               |                                 |                               |   |  |                           |   |   |
| Cash and Cash Equivalents                                   | \$ 390,707                            | \$ 2,116,093            | \$ 525,216                                   | \$ 49,891                            | \$ 17,301                     | \$ 14,948                       | \$ 74,552                     | \$ -  | \$ 52,475  | \$ -                      | \$ 362,251                                      | \$ 3,603,434                                |
| Receivables:  |                                       |                         |  |                                      |                               |                                 |                               |   |  |                           |   |   |
| Special Assessments   | -                                     | 20,307                  | -  | -                                    | -                             | -                               | -                             | -   | -  | -                         | -   | 20,307                                      |
| Intergovernmental   | 180,341                               | 90,518                  | 55,788                                       | -                                    | -                             | -                               | 40,218                        | 44,330  | -  | -                         | -   | 411,195                                     |
| Others  | -                                     | -                       | -  | 2,906                                | -                             | -                               | -                             | -   | -  | -                         | -   | 2,906                                       |
| Due from other Funds  | -                                     | -                       | -  | -                                    | -                             | -                               | -                             | -   | -  | 397,856                   | -   | 397,856                                     |
| Inventory   | 32,175                                | 32,175                  | -  | -                                    | -                             | -                               | -                             | -   | -  | -                         | -   | 64,350                                      |
| <b>Total Assets</b>   | <b>\$ 603,223</b>                     | <b>\$ 2,259,093</b>     | <b>\$ 581,004</b>                            | <b>\$ 52,797</b>                     | <b>\$ 17,301</b>              | <b>\$ 14,948</b>                | <b>\$ 114,770</b>             | <b>\$ 44,330</b>                                | <b>\$ 52,475</b>                                   | <b>\$ 397,856</b>         | <b>\$ 362,251</b>                               | <b>\$ 4,500,048</b>                         |
| <b>Liabilities and Fund Balances (Deficit)</b>              |                                       |                         |  |                                      |                               |                                 |                               |   |  |                           |   |   |
| <b>Liabilities:</b>   |                                       |                         |  |                                      |                               |                                 |                               |   |  |                           |   |   |
| Accounts Payable  | \$ 34,240                             | \$ 76,594               | \$ 92,992                                    | \$ -                                 | \$ -                          | \$ -                            | \$ 6,352                      | \$ -  | \$ -   | \$ -                      | \$ 267  | \$ 210,445                                  |
| Due to Other Funds  | -                                     | -                       | -  | -                                    | -                             | -                               | -                             | 44,330  | -  | -                         | -   | 44,330                                      |
| Other Liabilities-Intergovernmental                         | -                                     | 6,590                   | 19,161                                       | -                                    | -                             | -                               | 6,590                         | -   | -  | -                         | -   | 32,341                                      |
| Unearned Revenue  | -                                     | -                       | -  | -                                    | -                             | -                               | -                             | -   | 52,475   | -                         | -   | 52,475                                      |
| Accrued Salaries and Wages                                  | -                                     | -                       | -  | -                                    | -                             | -                               | 4,817                         | -   | -  | -                         | -   | 4,817                                       |
| <b>Total Liabilities</b>                                    | <b>34,240</b>                         | <b>83,184</b>           | <b>112,153</b>                               | <b>-</b>                             | <b>-</b>                      | <b>-</b>                        | <b>17,759</b>                 | <b>44,330</b>                                   | <b>52,475</b>                                      | <b>-</b>                  | <b>267</b>                                      | <b>344,408</b>                              |
| <b>Deferred Inflows of Resources -</b>                      |                                       |                         |  |                                      |                               |                                 |                               |   |  |                           |   |   |
| Unavailable Revenue   | -                                     | 20,307                  | -  | 2,241                                | -                             | -                               | 14,535                        | 30,229  | -  | -                         | -   | 67,312                                      |
| <b>Fund Balances (Deficit):</b>                             |                                       |                         |  |                                      |                               |                                 |                               |   |  |                           |   |   |
| Nonspendable  | 32,175                                | 32,175                  | -  | -                                    | -                             | -                               | -                             | -   | -  | -                         | -   | 64,350                                      |
| Permanent Fund Principal                                    | -                                     | -                       | -  | -                                    | -                             | -                               | -                             | -   | -  | -                         | 361,984   | 361,984                                     |
| Restricted for:   |                                       |                         |  |                                      |                               |                                 |                               |   |  |                           |   |   |
| Roads   | 536,808                               | 2,123,427               | -  | -                                    | -                             | -                               | -                             | -   | -  | -                         | -   | 2,660,235                                   |
| Refuse Collection   | -                                     | -                       | 468,851                                      | -                                    | -                             | -                               | -                             | -   | -  | -                         | -   | 468,851                                     |
| Law Enforcement   | -                                     | -                       | -  | -                                    | 17,301                        | 14,948                          | -                             | -   | -  | -                         | -   | 32,249                                      |
| Library Operations  | -                                     | -                       | -  | -                                    | -                             | -                               | 82,476                        | -   | -  | -                         | -   | 82,476                                      |
| Public Improvements   | -                                     | -                       | -  | 50,556                               | -                             | -                               | -                             | -   | -  | -                         | -   | 50,556                                      |
| Youth Grants  | -                                     | -                       | -  | -                                    | -                             | -                               | -                             | -   | -  | 397,856                   | -   | 397,856                                     |
| Unassigned  | -                                     | -                       | -  | -                                    | -                             | -                               | -                             | (30,229)  | -  | -                         | -   | (30,229)                                    |
| <b>Total Fund Balance (Deficit)</b>                         | <b>568,983</b>                        | <b>2,155,602</b>        | <b>468,851</b>                               | <b>50,556</b>                        | <b>17,301</b>                 | <b>14,948</b>                   | <b>82,476</b>                 | <b>(30,229)</b>                                 | <b>-</b>   | <b>397,856</b>            | <b>361,984</b>                                  | <b>4,088,328</b>                            |
| <b>Total Liabilities, Deferred Inflows and Fund Balance</b> | <b>\$ 603,223</b>                     | <b>\$ 2,259,093</b>     | <b>\$ 581,004</b>                            | <b>\$ 52,797</b>                     | <b>\$ 17,301</b>              | <b>\$ 14,948</b>                | <b>\$ 114,770</b>             | <b>\$ 44,330</b>                                | <b>\$ 52,475</b>                                   | <b>\$ 397,856</b>         | <b>\$ 362,251</b>                               | <b>\$ 4,500,048</b>                         |

# CITY OF WAYNE, MICHIGAN

## Non-Major Governmental Funds Combining Statement of Revenue, Expenditures and Changes in Fund Balance For Year Ended June 30, 2018

|  | Major Street<br>and Trunkline<br>Fund | Local<br>Street<br>Fund | Refuse<br>Collection<br>and Disposal<br>Fund | PEG<br>Public<br>Improvement<br>Fund | Vehicle<br>Forfeiture<br>Fund | Drug Law<br>Enforcement<br>Fund | Library<br>Operations<br>Fund | Community<br>Development<br>Block<br>Grant Fund | Community<br>Development<br>Program<br>Income Fund | Youth<br>Grant<br>Program | Permanent<br>Fund<br>Cemetery<br>Perpetual Fund | Non-Major<br>Governmental<br>Funds<br>Total |
|--|---------------------------------------|-------------------------|--|--------------------------------------|-------------------------------|---------------------------------|-------------------------------|---|--|---------------------------|---|---|
| <b>Revenues:</b>                                 |                                       |                         |  |                                      |                               |                                 |                               |   |  |                           |   |   |
| Taxes  | \$ -                                  | \$ 346,136              | \$ 1,003,686                                 | \$ -                                 | \$ -                          | \$ -                            | \$ 346,018                    | \$ -  | \$ -   | \$ -                      | \$ -  | \$ 1,695,840                                |
| Intergovernmental Revenue                        |                                       |                         |  |                                      |                               |                                 |                               |   |  |                           |   |   |
| Gas, Weight and Trunkline Maintenance            | 1,086,744                             | 417,070                 | -  | -                                    | -                             | -                               | -                             | -   | -  | -                         | -   | 1,503,814                                   |
| Federal Grants/Entitlement                       | -                                     | -                       | -  | -                                    | -                             | -                               | -                             | 116,956   | -  | -                         | -   | 116,956                                     |
| Other Grants                                     | -                                     | 139,773                 | 64,485                                       | -                                    | -                             | -                               | 45,140                        | -   | -  | -                         | -   | 249,398                                     |
| Charges for Services                             | -                                     | -                       | -  | 24,499                               | -                             | -                               | -                             | -   | -  | -                         | 8,580   | 33,079                                      |
| Interest and Rents                               | 458                                   | 2,760                   | 1,076  | 21                                   | 25                            | 21                              | 4,000                         | -   | -  | -                         | -   | 8,361                                       |
| Other Revenue                                    | -                                     | -                       | 202  | -                                    | -                             | 198                             | 24,594                        | -   | -  | -                         | -   | 24,994                                      |
| <b>Total Revenues</b>                            | <b>1,087,202</b>                      | <b>905,739</b>          | <b>1,069,449</b>                             | <b>24,520</b>                        | <b>25</b>                     | <b>219</b>                      | <b>419,752</b>                | <b>116,956</b>                                  | <b>-</b>   | <b>-</b>                  | <b>8,580</b>                                    | <b>3,632,442</b>                            |
| <b>Expenditures:-Current</b>                     |                                       |                         |  |                                      |                               |                                 |                               |   |  |                           |   |   |
| General Government                               | -                                     | -                       | -  | -                                    | -                             | -                               | -                             | -   | -  | -                         | 1,336   | 1,336                                       |
| Public Safety                                    | -                                     | -                       | -  | -                                    | -                             | -                               | -                             | 29,787  | -  | -                         | -   | 29,787                                      |
| Public Services                                  | 573,978                               | 620,725                 | 1,011,060                                    | -                                    | -                             | -                               | -                             | -   | -  | -                         | -   | 2,205,763                                   |
| Community and Economic Development               | -                                     | -                       | -  | -                                    | -                             | -                               | 461,054                       | 97,031  | -  | -                         | -   | 558,085                                     |
| Debt Service                                     |                                       |                         |  |                                      |                               |                                 |                               |   |  |                           |   |   |
| Principal  | 25,000                                | -                       | -  | -                                    | -                             | -                               | -                             | -   | -  | -                         | -   | 25,000                                      |
| Interest and Paying Agent Fees                   | 26,438                                | -                       | -  | -                                    | -                             | -                               | -                             | -   | -  | -                         | -   | 26,438                                      |
| <b>Total Expenditures</b>                        | <b>625,416</b>                        | <b>620,725</b>          | <b>1,011,060</b>                             | <b>-</b>                             | <b>-</b>                      | <b>-</b>                        | <b>461,054</b>                | <b>126,818</b>                                  | <b>-</b>   | <b>-</b>                  | <b>1,336</b>                                    | <b>2,846,409</b>                            |
| Excess (Deficiency) of Revenue over Expenditures | 461,786                               | 285,014                 | 58,389                                       | 24,520                               | 25                            | 219                             | (41,302)                      | (9,862)   | -  | -                         | 7,244   | 786,033                                     |
| Other Financing Source (Uses)                    |                                       |                         |  |                                      |                               |                                 |                               |   |  |                           |   |   |
| Transfer In                                      | -                                     | 258,435                 | -  | -                                    | -                             | -                               | -                             | -   | -  | 397,856                   | -   | 656,291                                     |
| Transfers Out                                    | (258,435)                             | -                       | -  | -                                    | -                             | -                               | -                             | -   | -  | -                         | -   | (258,435)                                   |
| <b>Total Other Financing Source (Uses)</b>       | <b>(258,435)</b>                      | <b>258,435</b>          | <b>-</b>                                     | <b>-</b>                             | <b>-</b>                      | <b>-</b>                        | <b>-</b>                      | <b>-</b>  | <b>-</b>   | <b>397,856</b>            | <b>-</b>  | <b>397,856</b>                              |
| <b>Net change in Fund Balances</b>               | <b>203,351</b>                        | <b>543,449</b>          | <b>58,389</b>                                | <b>24,520</b>                        | <b>25</b>                     | <b>219</b>                      | <b>(41,302)</b>               | <b>(9,862)</b>                                  | <b>-</b>   | <b>397,856</b>            | <b>7,244</b>                                    | <b>1,183,889</b>                            |
| <b>Fund Balances (Deficit) July 1, 2017</b>      | <b>365,632</b>                        | <b>1,612,153</b>        | <b>410,462</b>                               | <b>26,036</b>                        | <b>17,276</b>                 | <b>14,729</b>                   | <b>123,778</b>                | <b>(20,367)</b>                                 | <b>-</b>   | <b>-</b>                  | <b>354,740</b>                                  | <b>2,904,439</b>                            |
| <b>Fund Balances (Deficit) June 30, 2018</b>     | <b>\$ 568,983</b>                     | <b>\$ 2,155,602</b>     | <b>\$ 468,851</b>                            | <b>\$ 50,556</b>                     | <b>\$ 17,301</b>              | <b>\$ 14,948</b>                | <b>\$ 82,476</b>              | <b>\$ (30,229)</b>                              | <b>\$ -</b>  | <b>\$ 397,856</b>         | <b>\$ 361,984</b>                               | <b>\$ 4,088,328</b>                         |

# CITY OF WAYNE, MICHIGAN

## Other Supplemental Information Combining Statement of Assets and Liabilities Agency Funds June 30, 2018

|                             | <u>Miscellaneous<br/>Agency Fund</u> | <u>Current<br/>Tax Collection<br/>Fund</u> | <u>Delinquent<br/>Personal<br/>Property Tax<br/>Collection Fund</u> | <u>Payroll<br/>Fund</u> | <u>Agency<br/>Funds Total</u> |
|-----------------------------|--------------------------------------|--|---|-------------------------|-------------------------------|
| <b>ASSETS</b>               |                                      |  |   |                         |                               |
| Cash and Cash Equivalents   | \$ 59,504                            | \$ 119,804                                 | \$ 11,066   | \$ 123                  | \$ 190,497                    |
| Tax Receivable - Delinquent | -                                    | -  | 134,777   | -                       | 134,777                       |
| <b>Total Assets</b>         | <u>\$ 59,504</u>                     | <u>\$ 119,804</u>                          | <u>\$ 145,843</u>   | <u>\$ 123</u>           | <u>\$ 325,274</u>             |
| <b>LIABILITIES</b>          |                                      |  |   |                         |                               |
| Due to Other Government     | -                                    | \$ 119,804                                 | \$ 145,843  | -                       | \$ 265,647                    |
| Due to Other Organizations  | -                                    | -  | -   | 123                     | 123                           |
| Held for Others             | 59,504                               | -  | -   | -                       | 59,504                        |
| <b>Total Liabilities</b>    | <u>\$ 59,504</u>                     | <u>\$ 119,804</u>                          | <u>\$ 145,843</u>   | <u>\$ 123</u>           | <u>\$ 325,274</u>             |

**CITY OF WAYNE, MICHIGAN**

**AUDIT COMMUNICATION LETTER**

**JUNE 30, 2018**



# *Alan C. Young & Associates, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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7310 Woodward Ave, Suite 740  
Detroit, MI 48202

(313) 873-7500 (Tel.)  
(313) 873-7502 (Fax)  
[www.alanycyoung.com](http://www.alanycyoung.com)

December 18, 2018

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, 2018. In addition to our audit report, we are providing the following required communication and recommendations which impact the City.

Page No.

Communications Required under AU-C 260 (To Those Charged with Governance)

1

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



# *Alan C. Young & Associates, P.C.*

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December 18, 2018

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, the 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, 2018. 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 July 9, 2018, 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.

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;
- Note 10 which addresses the implementation of GASB 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions.

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 18, 2018.

#### *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.

*Alan C. Young, Assoc.*

Detroit, Michigan  
December 18, 2018