

City of Wixom, Michigan

Financial Report with Supplemental Information June 30, 2016

This page intentionally left blank.

City of Wixom, Michigan

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11-12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13
Reconciliation of the Balance Sheet to the Statement of Net Position	14
Statement of Revenue, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Proprietary Funds:	
Statement of Net Position	17
Statement of Revenue, Expenses, and Changes in Net Position	18
Statement of Cash Flows	19
Fiduciary Funds - Statement of Fiduciary Assets and Liabilities - Agency Fund - Trust and Agency	20
Component Units:	
Statement of Net Position	21
Statement of Activities	22-23
Notes to Financial Statements	24-54
Required Supplemental Information	55
Budgetary Comparison Schedule - General Fund	56
Note to Required Supplemental Information	57-58
OPEB System Schedule of Funding Progress	59
Pension System Schedules:	
Schedule of Changes in the Net Pension Liability and Related Ratios	60
Schedule of Pension Contributions	61

City of Wixom, Michigan

Contents (Continued)

Other Supplemental Information	62
Nonmajor Governmental Funds:	
Combining Balance Sheet	63-64
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	65-66
Local Development Finance Authority:	
Balance Sheet	67
Schedule of Revenue and Expenditures	68

Independent Auditor's Report

To the City Council
City of Wixom, 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 Wixom, Michigan (the "City") as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the City of Wixom, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wixom, Michigan as of June 30, 2016 and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

This page intentionally left blank.

To the City Council
City of Wixom, Michigan

Other Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wixom, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Plante & Moran, PLLC

December 1, 2016

This page intentionally left blank.

City of Wixom, Michigan

Management's Discussion and Analysis

The purpose of this section of the City of Wixom, Michigan's (the "City") financial report for the fiscal year ended June 30, 2016 is to present a narrative overview and analysis of the financial activities of the City. Readers are advised to read this management's discussion and analysis in conjunction with the City's financial statements. These statements can be found in subsequent sections of this financial report.

Financial Highlights

As discussed in further detail in this management's discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2016:

- The City's governmental net position decreased by \$348,251.
- The City increased its governmental funds fund balance by \$1.27 million this year, remaining consistent with the prior year (\$1.3 million increase in 2015, \$1.5 million increase in 2014, and a \$.3 million increase in 2013). Note that the difference in results between these two measurement bases is primarily due to reduced capital replacement expenditures (the full accrual basis reports the costs of assets acquired in prior years that are being used in the current year, but the modified accrual basis only reports assets as they are acquired). The City also implemented many cost-cutting measures in all departments through outsourcing and attrition. In addition, to prepare for unforeseen events or address previously delayed capital improvements, budgeted contributions were made to budget stabilization.

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 Wixom, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

Governmental activities include all activity other than the Water and Sewer Funds, which are considered business-type activities because they involve exchanges and are intended to be self-supporting activities. The following table shows the current year's net position compared to the prior two years:

	Governmental Activities			
	2014	2015	2016	Change
Assets				
Cash and investments	\$ 11,277,978	\$ 12,341,238	\$ 13,577,790	\$ 1,236,552
Receivables and other current assets	2,092,886	2,452,298	2,631,367	179,069
Capital assets	<u>37,730,415</u>	<u>36,794,714</u>	<u>36,010,455</u>	<u>(784,259)</u>
Total assets	51,101,279	51,588,250	52,219,612	631,362
Deferred Outflows of Resources -				
Pension costs	-	715,022	3,233,817	2,518,795
Liabilities				
Current liabilities	1,304,911	1,034,479	1,763,482	729,003
Long-term liabilities	<u>7,878,157</u>	<u>18,584,761</u>	<u>21,354,166</u>	<u>2,769,405</u>
Total liabilities	<u>9,183,068</u>	<u>19,619,240</u>	<u>23,117,648</u>	<u>3,498,408</u>
Net Position				
Net investment in capital assets	30,875,415	30,443,747	30,105,585	(338,162)
Restricted	6,404,663	6,970,265	5,097,041	(1,873,224)
Unrestricted	<u>4,638,133</u>	<u>(4,729,980)</u>	<u>(2,866,845)</u>	<u>1,863,135</u>
Total net position	<u>\$ 41,918,211</u>	<u>\$ 32,684,032</u>	<u>\$ 32,335,781</u>	<u>\$ (348,251)</u>

The governmental net position decreased approximately 1 percent from a year ago - from \$32.7 million to \$32.3 million. Unrestricted net position, the part of net position that can be used to finance day-to-day operations, decreased by \$1,863,135 but still remains at a negative balance. This is directly attributable to the City having to restate beginning of year net position in accordance with implementing GASB Statement No. 68 as it was implemented retroactively during fiscal year 2015. This indicates that the pension costs earned to date have not been funded, but this is offset by the capital assets that have been funded in advance of their use. When viewed from a combined perspective, the residents have paid the cost of services received in total.

City of Wixom, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the current year's changes in net position compared to the prior two years:

	2014	2015	2016	Change
Revenue				
Program revenue:				
Charges for services	\$ 1,834,195	\$ 2,340,370	\$ 2,793,373	\$ 453,003
Operating grants	966,626	944,256	1,226,419	282,163
Capital grants	203,554	254,647	82,412	(172,235)
General revenue:				
Property taxes	9,172,044	8,598,606	8,614,108	15,502
State-shared revenue	1,084,907	1,087,013	1,221,050	134,037
Investment earnings	28,456	18,471	54,330	35,859
Other revenue	443,531	898,754	694,930	(203,824)
Total revenue	13,733,313	14,142,117	14,686,622	544,505
Program Expenses				
General government	1,612,396	1,110,358	2,686,857	1,576,499
Public safety	4,272,598	4,995,556	5,591,908	596,352
Public works	4,999,445	4,693,844	5,091,041	397,197
Community and economic development	526,118	646,895	691,669	44,774
Recreation and cultural	798,377	617,092	778,900	161,808
Interest on long-term debt	316,245	317,804	194,498	(123,306)
Total expenses	12,525,179	12,381,549	15,034,873	2,653,324
Change in Net Position	\$ 1,208,134	\$ 1,760,568	\$ (348,251)	\$(2,108,819)

The City's property tax revenue remained consistent compared to the prior year. The City continues to collect a separately voted 3.5 supplemental operating millage approved in November 2012. The additional revenue collected over expenditures is allocated to budget stabilization to be utilized toward future expenses. The City has offset prior decreases by taking advantage of cost-cutting measures as they present themselves. The City re-evaluated its City-wide capital improvement plan during the fiscal year, which consists of a 10-year plan.

The cost of providing governmental services increased by approximately \$2.6 million compared to the prior year. This can generally be attributed to overall cost-of-service increases, an increase to the recording of the GASB pension and depreciation expenses, purchase of capital equipment for DPW operations, and increases related to the local road capital project fund.

City of Wixom, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The following table shows the current year's net position, compared to the prior two years:

	Business-type Activities			
	2014	2015	2016	Change
Assets				
Cash and investments	\$ 7,842,997	\$ 7,490,554	\$ 7,534,021	\$ 43,467
Receivables and other current assets	1,711,297	1,839,849	2,452,260	612,411
Capital assets	<u>51,603,303</u>	<u>50,593,189</u>	<u>51,320,292</u>	<u>727,103</u>
Total assets	61,157,597	59,923,592	61,306,573	1,382,981
Liabilities				
Current liabilities	583,894	711,953	1,790,382	1,078,429
Long-term liabilities	<u>7,065,318</u>	<u>6,033,237</u>	<u>3,895,129</u>	<u>(2,138,108)</u>
Total liabilities	<u>7,649,212</u>	<u>6,745,190</u>	<u>5,685,511</u>	<u>(1,059,679)</u>
Net Position				
Net investment in capital assets	45,073,353	45,095,469	46,879,621	1,784,152
Unrestricted	<u>8,435,032</u>	<u>8,082,933</u>	<u>8,741,441</u>	<u>658,508</u>
Total net position	<u>\$ 53,508,385</u>	<u>\$ 53,178,402</u>	<u>\$ 55,621,062</u>	<u>\$ 2,442,660</u>

The City's business-type activities consist of the water and sewer activities. The City provides water to residents through the wholesale purchase of water from the Detroit water and sewerage department and provides sewage treatment through a City-owned wastewater treatment plant. The Water and Sewer Funds are healthy, with unrestricted net position approximately 1.5 times annual program expenses.

City of Wixom, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the current year's changes in net position compared to the prior two years:

	Business-type Activities			Change
	2014	2015	2016	
Water				
Charges for services	\$ 2,096,847	\$ 2,316,442	\$ 2,688,289	\$ 371,847
Grants and contributions	20,565	45,385	1,311,948	1,266,563
Program expenses	<u>(3,266,902)</u>	<u>(3,278,319)</u>	<u>(3,758,043)</u>	<u>(479,724)</u>
Net program expense	(1,149,490)	(916,492)	242,194	1,158,686
Sewer				
Charges for services	1,354,237	1,352,302	1,670,158	317,856
Grants and contributions	218,950	233,065	1,517,948	1,284,883
Program expenses	<u>(2,219,123)</u>	<u>(2,260,467)</u>	<u>(2,244,383)</u>	<u>16,084</u>
Net program expense	(645,936)	(675,100)	943,723	1,618,823
General Revenue				
Property taxes	1,225,309	1,226,402	1,197,956	(28,446)
Investment income	<u>50,110</u>	<u>35,207</u>	<u>58,787</u>	<u>23,580</u>
Change in Net Position	<u>\$ (520,007)</u>	<u>\$ (329,983)</u>	<u>\$ 2,442,660</u>	<u>\$ 2,772,643</u>

Over several years, the City had allowed its sewer rates to be set lower than its cost to provide services. This was due primarily to the strong financial position of the Sewer Fund. During 2016, the City entered its third year of implementation of a financial master plan for the water and sewer system. This plan will allow the City to evaluate and set its rates on a yearly basis to ensure that the funding required to support the system is present.

Our analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2016 include the General Fund, the Special Assessment Fund, and the Local Road Capital Fund.

City of Wixom, Michigan

Management's Discussion and Analysis (Continued)

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenditures of approximately \$4.6 million in 2016, and general government, which incurred expenditures of approximately \$2.7 million. The General Fund ended the year with approximately \$2.7 million of unrestricted fund balance, which represents 33 percent of annual expenditures.

The Special Assessment Fund accounts for the tribute drain improvements in the Village Center area completed in 2006 and the related special assessment that is intended to fund a portion of those improvements from the property owners. Fiscal year 2016 was the third year the City has been billing the annual assessments since the reinstatement of charges to properties. There was a reprieve to the property owners from fiscal year 2008 through fiscal year 2012 as the City utilized unspent bond proceeds to facilitate the annual bond payments.

The Local Road Capital Fund accounts for local road capital outlay and the related property taxes that funds the outlay.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. The most significant change was to increase the estimated building permit revenue by \$432,619 due to new building permits and fees. Local community stabilization share appropriations were increased by \$112,025 to account for reimbursements from the State of Michigan for decreases in personal property taxes during the 2014 and 2015 tax years. Also, employee healthcare contribution revenue was reduced to \$0 and the contributions were reflected as an off-set to fringe benefit expenditures as opposed to revenue. City departments overall stayed below budget, resulting in total expenditures of \$218,806 below the original budget and \$765,249 below the amended budget.

Capital Asset and Debt Administration

At the end of 2016, the City had \$87.3 million (net of depreciation) invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. Major purchases included a water and sewer line, and local road construction on the road maintenance program. In addition, significant investments were allocated to roads within the City. The debt balances related to the acquisition and construction of these assets at June 30, 2016 were approximately \$10 million. Additional information regarding capital assets and related debt is available in the notes to the financial statements.

City of Wixom, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The diverse tax mix of residential, manufacturing, office, service, technology, and retail-recreational centers reduces the City's impact of adverse economic cycles and provides a stable environment for new investment. The City also continues to have a strong, diversified tax base. A total of 40 percent of the 2016 tax roll is residential, including single-family and multifamily homes. The remaining 60 percent is nonresidential, composed of 43 percent commercial and industrial and 17 percent personal property. The City is approximately 80 percent developed. The State Tax Commission requested a procedural change for the 2010 assessment year, which reclassified a significant portion of industrial to commercial property classification.

The region, which includes the City of Wixom and the surrounding area of Oakland County, has 15.88 percent of all people employed in Michigan. More than 658,000 people work in Oakland County's business establishments and government agencies, with 57 percent of Global Fortune 500 companies having at least one business location in Oakland County. The City continues to attract businesses of national and international importance.

It is estimated that the future taxable values will remain the same in the real estate market. The estimated change in taxable value over the next two years will likely not be significant. This is predicated on the assumption that the downward trend in the housing market has hit bottom and will begin to slowly rise. The five-year budget plan is continually updated during budget preparations to assist in softening the impact of this trend on the City's budget.

During fiscal year 2015-2016, new construction, commercial and residential developments, build-outs, and full-scale commercial remodeling continued at a brisk pace and provide the City with continuing evidence of businesses and developers confidence in the community. A total of 28 new single-family residential homes and eight condominiums were started, most of which are located within the VCA-Anthem at Tribute, by Robertson Homes LLC. This project will support additional future development within the downtown. Several Wixom businesses, Adept Plastics, BKG, Wixom Inn & Suites, Eagle Industries, Zimmerman, Anca Inc., Rampf Group, Wixom Retail Management LLC, Fiberclass, Hitachi, Diffin-Umlor, and Discraft began construction on either needed expansions or new buildings. The expansions and new construction will create additional jobs within the City.

Contacting the City's Management

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the finance department office at 49045 Pontiac Trail, Wixom, Michigan 48393.

This page intentionally left blank.

City of Wixom, Michigan

Statement of Net Position June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 4)	\$ 13,577,790	\$ 7,534,021	\$ 21,111,811	\$ 3,096,281
Receivables - Net	2,112,733	2,035,372	4,148,105	-
Due from component units	1,753	-	1,753	-
Internal balances (Note 6)	(270,465)	270,465	-	-
Inventory	70,489	146,423	216,912	-
Prepaid expenses and other assets	127,423	-	127,423	-
Net OPEB asset (Note 11)	589,434	-	589,434	-
Capital assets (Note 5):				
Assets not subject to depreciation	4,905,911	-	4,905,911	154,296
Assets subject to depreciation	31,104,544	51,320,292	82,424,836	109,012
Total assets	52,219,612	61,306,573	113,526,185	3,359,589
Deferred Outflows of Resources -				
Deferred pension costs (Note 10)	3,233,817	-	3,233,817	-
Liabilities				
Accounts payable	613,721	678,550	1,292,271	1,816
Due to primary government	-	-	-	1,753
Refundable deposits, bonds, etc.	211	-	211	-
Accrued salaries and other	240,566	29,964	270,530	-
Unearned revenue	335,208	-	335,208	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	112,679	-	112,679	-
Current portion of long-term debt (Note 7)	461,097	1,081,868	1,542,965	-
Due in more than one year:				
Compensated absences (Note 7)	652,670	-	652,670	-
Refundable escrow deposits	-	536,326	536,326	-
Net pension liability (Note 10)	15,257,723	-	15,257,723	-
Long-term debt	5,443,773	3,358,803	8,802,576	-
Total liabilities	23,117,648	5,685,511	28,803,159	3,569
Net Position				
Net investment in capital assets	30,105,585	46,879,621	76,985,206	263,308
Restricted for:				
Roads and bike paths	1,946,144	-	1,946,144	-
Debt service	84,481	-	84,481	-
Land acquisition	1,427,724	-	1,427,724	-
Police forfeitures	41,243	-	41,243	-
Solid waste	74,925	-	74,925	-
Building and development	912,015	-	912,015	-
PEG Fees	21,075	-	21,075	-
Retiree health care	589,434	-	589,434	-
Unrestricted	(2,866,845)	8,741,441	5,874,596	3,092,712
Total net position	<u>\$ 32,335,781</u>	<u>\$ 55,621,062</u>	<u>\$ 87,956,843</u>	<u>\$ 3,356,020</u>

City of Wixom, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,686,857	\$ 620,588	\$ 10,000	\$ -
Public safety	5,591,908	33,347	8,863	-
Public works	5,091,041	616,162	972,296	82,412
Community and economic development	691,669	1,361,435	18,863	-
Recreation and culture	778,900	161,841	12,182	-
Interest on long-term debt	194,498	-	204,215	-
Total governmental activities	15,034,873	2,793,373	1,226,419	82,412
Business-type activities:				
Water	3,758,043	2,688,289	-	1,311,948
Wastewater	2,244,383	1,670,158	-	1,517,948
Total business-type activities	6,002,426	4,358,447	-	2,829,896
Total primary government	<u>\$ 21,037,299</u>	<u>\$ 7,151,820</u>	<u>\$ 1,226,419</u>	<u>\$ 2,912,308</u>
Component units:				
Downtown Development Authority	\$ 230,762	\$ -	\$ -	\$ -
Local Development Finance Authority	3,480	-	-	-
Total component units	<u>\$ 234,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Gain on sale of fixed assets				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities Year Ended June 30, 2016

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,056,269)	\$ -	\$ (2,056,269)	\$ -
(5,549,698)	-	(5,549,698)	-
(3,420,171)	-	(3,420,171)	-
688,629	-	688,629	-
(604,877)	-	(604,877)	-
9,717	-	9,717	-
(10,932,669)	-	(10,932,669)	-
-	242,194	242,194	-
-	943,723	943,723	-
-	1,185,917	1,185,917	-
(10,932,669)	1,185,917	(9,746,752)	-
-	-	-	(230,762)
-	-	-	(3,480)
-	-	-	(234,242)
8,614,108	1,197,956	9,812,064	199,859
1,221,050	-	1,221,050	5,518
54,330	58,787	113,117	27,760
265,451	-	265,451	-
137,901	-	137,901	1,450
291,578	-	291,578	-
10,584,418	1,256,743	11,841,161	234,587
(348,251)	2,442,660	2,094,409	345
32,684,032	53,178,402	85,862,434	3,355,675
\$ 32,335,781	\$ 55,621,062	\$ 87,956,843	\$ 3,356,020

City of Wixom, Michigan

Governmental Funds Balance Sheet June 30, 2016

	General Fund	Special Assessment Fund - Tribute	Local Road Capital Program	Nonmajor Funds	Total
Assets					
Cash and investments (Note 4)	\$ 7,421,410	\$ 19,026	\$ 426,372	\$ 5,710,982	\$ 13,577,790
Receivables - Net	291,769	1,651,500	-	169,464	2,112,733
Due from component units	1,753	-	-	-	1,753
Due from other funds (Note 6)	538,901	-	2,471	604,918	1,146,290
Inventory	70,489	-	-	-	70,489
Prepaid expenses and other assets	127,423	-	-	-	127,423
Total assets	\$ 8,451,745	\$ 1,670,526	\$ 428,843	\$ 6,485,364	\$ 17,036,478
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 460,556	\$ -	\$ 29,199	\$ 123,966	\$ 613,721
Due to other funds (Note 6)	1,160,607	8,500	-	70,582	1,239,689
Advances from other funds	-	-	-	177,066	177,066
Refundable deposits, bonds, etc.	-	-	-	211	211
Accrued salaries and other	195,525	-	1,397	1,198	198,120
Unearned revenue	-	96,500	-	248,145	344,645
Total liabilities	1,816,688	105,000	30,596	621,168	2,573,452
Deferred Inflows of Resources -					
Unavailable revenue	-	1,555,000	-	-	1,555,000
Fund Balances					
Nonspendable:					
Inventory	70,489	-	-	-	70,489
Prepays	127,423	-	-	-	127,423
Restricted:					
Roads and bike paths	-	-	398,247	1,547,897	1,946,144
Debt service	-	10,526	-	73,955	84,481
PEG fees	21,075	-	-	-	21,075
Land acquisition	-	-	-	1,427,724	1,427,724
Police forfeiture	-	-	-	41,243	41,243
Solid waste	-	-	-	74,925	74,925
Development contracts	-	-	-	899,923	899,923
Community development	-	-	-	12,092	12,092
Committed:					
Cemetery	-	-	-	94,106	94,106
Budget stabilization	3,709,776	-	-	-	3,709,776
Assigned - Capital improvements	-	-	-	1,692,331	1,692,331
Unassigned	2,706,294	-	-	-	2,706,294
Total fund balances	6,635,057	10,526	398,247	5,864,196	12,908,026
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,451,745	\$ 1,670,526	\$ 428,843	\$ 6,485,364	\$ 17,036,478

City of Wixom, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2016

Fund Balance Reported in Governmental Funds	\$ 12,908,026
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	36,010,455
Net pension liability is not due and payable in current period and is not reported in the funds	(15,257,723)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds	3,233,817
Special assessments and other receivables that are not collected within 60 days of year end are not available to pay for bills outstanding as of year end, and are not recognized as revenue in the funds	1,555,000
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	9,437
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(5,904,870)
Accrued interest is not due and payable in the current period and is not reported in the funds	(42,446)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(765,349)
Net OPEB asset is not reported in the funds	<u>589,434</u>
Net Position of Governmental Activities	<u>\$ 32,335,781</u>

City of Wixom, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2016

	General Fund	Special Assessment	Local Road Capital Program	Nonmajor Funds	Total
Revenue					
Property taxes	\$ 7,632,049	\$ -	\$ 762,547	\$ 204,512	\$ 8,599,108
Licenses and permits	56,150	-	-	-	56,150
Federal grants	5,301	-	-	18,863	24,164
State-shared revenue and grants	1,233,978	-	-	944,871	2,178,849
Charges for services	1,353,473	-	-	916,809	2,270,282
Fines and forfeitures	29,973	-	-	14,782	44,755
Investment income	38,930	125	2,241	13,034	54,330
Rental income	31,754	-	-	-	31,754
Other revenue	412,930	232,412	-	206,512	851,854
Total revenue	<u>10,794,538</u>	<u>232,537</u>	<u>764,788</u>	<u>2,319,383</u>	<u>14,111,246</u>
Expenditures					
Current:					
General government	2,675,945	613	-	1,711	2,678,269
Public safety	4,584,150	-	-	12,440	4,596,590
Public works	297,849	8,874	-	1,271,373	1,578,096
Community and economic development	93,380	-	-	429,135	522,515
Recreation and culture	625,980	-	-	-	625,980
Capital outlay	-	-	1,492,105	994,801	2,486,906
Debt service	-	220,478	-	423,190	643,668
Total expenditures	<u>8,277,304</u>	<u>229,965</u>	<u>1,492,105</u>	<u>3,132,650</u>	<u>13,132,024</u>
Excess of Revenue Over (Under) Expenditures	2,517,234	2,572	(727,317)	(813,267)	979,222
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	42,820	-	-	248,758	291,578
Transfers in (Note 6)	7,000	-	-	1,365,106	1,372,106
Transfers out (Note 6)	(1,255,906)	-	-	(116,200)	(1,372,106)
Total other financing (uses) sources	<u>(1,206,086)</u>	<u>-</u>	<u>-</u>	<u>1,497,664</u>	<u>291,578</u>
Net Change in Fund Balances	1,311,148	2,572	(727,317)	684,397	1,270,800
Fund Balances - Beginning of year	<u>5,323,909</u>	<u>7,954</u>	<u>1,125,564</u>	<u>5,179,799</u>	<u>11,637,226</u>
Fund Balances - End of year	<u>\$ 6,635,057</u>	<u>\$ 10,526</u>	<u>\$ 398,247</u>	<u>\$ 5,864,196</u>	<u>\$12,908,026</u>

The Notes to Financial Statements are an Integral Part of This Statement.

City of Wixom, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 1,270,800

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	2,401,315
Depreciation expense	(3,062,699)
Net book value of assets disposed of	(122,875)

Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(150,000)
---	-----------

Repayment of bond principal is an expenditure in the governmental funds, but not the statement of activities	446,097
--	---------

Change in accrued interest payable and other	3,073
--	-------

Changes in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	(48,546)
---	----------

Governmental funds report expenditures for pension and other postemployment benefits as they make contributions; in the statement of activities, the OPEB cost is recognized as contributions are required and the change in net pension liability does not require the use of current financial resources	<u>(1,085,416)</u>
--	--------------------

Change in Net Position of Governmental Activities \$ (348,251)

City of Wixom, Michigan

Proprietary Funds Statement of Net Position June 30, 2016

	Enterprise Funds		
	Water	Sewer	Total
Assets			
Current assets:			
Cash and cash equivalents (Note 4)	\$ 1,260,678	\$ 6,273,343	\$ 7,534,021
Receivables:			
Receivables from sales to customers on account	894,495	559,074	1,453,569
Other receivables	5,816	575,987	581,803
Due from other funds (Note 6)	-	553,218	553,218
Inventory	101,849	44,574	146,423
Total current assets	2,262,838	8,006,196	10,269,034
Noncurrent assets:			
Advances to other funds (Note 6)	-	177,066	177,066
Capital assets	33,047,678	18,272,614	51,320,292
Total noncurrent assets	33,047,678	18,449,680	51,497,358
Total assets	35,310,516	26,455,876	61,766,392
Liabilities			
Current liabilities:			
Accounts payable	604,733	73,817	678,550
Due to other funds (Note 6)	459,819	-	459,819
Accrued interest payable	29,964	-	29,964
Current portion of long-term debt (Note 7)	1,081,868	-	1,081,868
Total current liabilities	2,176,384	73,817	2,250,201
Noncurrent liabilities:			
Refundable escrow deposits	-	536,326	536,326
Long-term debt (Note 7)	3,358,803	-	3,358,803
Total noncurrent liabilities	3,358,803	536,326	3,895,129
Total liabilities	5,535,187	610,143	6,145,330
Net Position			
Net investment in capital assets	28,607,007	18,272,614	46,879,621
Unrestricted	1,168,322	7,573,119	8,741,441
Total net position	\$ 29,775,329	\$ 25,845,733	\$ 55,621,062

City of Wixom, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2016

	Enterprise Funds		
	Water	Sewer	Total
Operating Revenue			
Sale of water	\$ 2,291,985	\$ -	\$ 2,291,985
Sewage disposal charges	-	1,367,215	1,367,215
Interest and penalty charges	81,249	72,552	153,801
Other miscellaneous charges	315,055	230,391	545,446
Total operating revenue	2,688,289	1,670,158	4,358,447
Operating Expenses			
Cost of water	2,363,855	-	2,363,855
Cost of sewage treatment	-	915,235	915,235
Other operating and maintenance costs	365,469	59,979	425,448
Billing and administrative costs	180,899	223,430	404,329
Utilities	-	196,559	196,559
Other miscellaneous charges	-	35,457	35,457
Depreciation	718,369	813,723	1,532,092
Total operating expenses	3,628,592	2,244,383	5,872,975
Operating Loss	(940,303)	(574,225)	(1,514,528)
Nonoperating Revenue (Expenses)			
Property tax revenue	1,197,956	-	1,197,956
Investment income	11,217	47,570	58,787
Interest expense	(129,451)	-	(129,451)
Total nonoperating revenue	1,079,722	47,570	1,127,292
Income (Loss) - Before contributions	139,419	(526,655)	(387,236)
Capital Contributions			
Capital grants	-	549,171	549,171
Benefit fees	73,928	617,567	691,495
Lines donated by developers	1,238,020	351,210	1,589,230
Total capital contributions	1,311,948	1,517,948	2,829,896
Change in Net Position	1,451,367	991,293	2,442,660
Net Position - Beginning of year	28,323,962	24,854,440	53,178,402
Net Position - End of year	\$ 29,775,329	\$ 25,845,733	\$ 55,621,062

City of Wixom, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2016

	Enterprise Funds		
	Water	Sewer	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 2,593,209	\$ 1,588,437	\$ 4,181,646
Payments to suppliers	(2,801,501)	(1,189,406)	(3,990,907)
Internal activity - Receipts from other funds	283,441	(648,038)	(364,597)
Other receipts	1,632	-	1,632
Net cash provided by (used in) operating activities	76,781	(249,007)	(172,226)
Cash Flows from Noncapital Financing Activities -			
Repayments of loans made to other funds	-	88,532	88,532
Cash Flows from Capital and Related Financing Activities			
Receipt of capital grants	-	39,071	39,071
Special assessment collections	-	3,468	3,468
Benefit fees	73,928	617,567	691,495
Property taxes (restricted for capital or capital debt)	1,197,956	-	1,197,956
Purchase of capital assets	(103,594)	(566,372)	(669,966)
Principal and interest paid on capital debt	(1,193,649)	-	(1,193,649)
Net cash (used in) provided by capital and related financing activities	(25,359)	93,734	68,375
Cash Flows from Investing Activities - Interest received on investments	11,217	47,569	58,786
Net Increase (Decrease) in Cash and Cash Equivalents	62,639	(19,172)	43,467
Cash and Cash Equivalents - Beginning of year	1,198,039	6,292,515	7,490,554
Cash and Cash Equivalents - End of year	<u>\$ 1,260,678</u>	<u>\$ 6,273,343</u>	<u>\$ 7,534,021</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (940,303)	\$ (574,225)	\$ (1,514,528)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	718,369	813,723	1,532,092
Changes in assets and liabilities:			
Receivables	(93,448)	(81,722)	(175,170)
Inventories	(75,909)	17,040	(58,869)
Accounts payable	3,732	785	4,517
Due to others	464,340	(424,608)	39,732
Net cash provided by (used in) operating activities	<u>\$ 76,781</u>	<u>\$ (249,007)</u>	<u>\$ (172,226)</u>

City of Wixom, Michigan

Fiduciary Fund Statement of Fiduciary Assets and Liabilities - Agency Fund Trust and Agency June 30, 2016

Assets

Cash and cash equivalents	\$ 983,150
Receivables - Due from other governmental units - Net	<u>117,002</u>
Total assets	<u>\$ 1,100,152</u>

Liabilities

Due to other governmental units	\$ 196,828
Refundable deposits, bonds, etc.	<u>903,324</u>
Total liabilities	<u>\$ 1,100,152</u>

This page intentionally left blank.

City of Wixom, Michigan

Component Units Statement of Net Position June 30, 2016

	Downtown Development Authority	Local Development Finance Authority	Total
Assets			
Cash and cash equivalents	\$ 13,141	\$ 3,083,140	\$ 3,096,281
Capital assets	263,308	-	263,308
Total assets	276,449	3,083,140	3,359,589
Liabilities			
Accounts payable	134	1,682	1,816
Due to primary government	1,753	-	1,753
Total liabilities	1,887	1,682	3,569
Net Position			
Net investment in capital assets	263,308	-	263,308
Unrestricted	11,254	3,081,458	3,092,712
Total net position	\$ 274,562	\$ 3,081,458	\$ 3,356,020

City of Wixom, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority	\$ 230,762	\$ -	\$ -	\$ -
Local Development Finance Authority	3,480	-	-	-
Total component units	\$ 234,242	\$ -	\$ -	\$ -
General revenue:				
	Property taxes			
	State-shared revenue			
	Investment income			
	Other miscellaneous income			
	Total general revenue			
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

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

Net (Expense) Revenue and Changes in Net Position

<u>Downtown Development Authority</u>	<u>Local Development Finance Authority</u>	<u>Total</u>
\$ (230,762)	\$ -	\$ (230,762)
-	(3,480)	(3,480)
(230,762)	(3,480)	(234,242)
199,859	-	199,859
5,518	-	5,518
95	27,665	27,760
1,450	-	1,450
<u>206,922</u>	<u>27,665</u>	<u>234,587</u>
(23,840)	24,185	345
<u>298,402</u>	<u>3,057,273</u>	<u>3,355,675</u>
<u>\$ 274,562</u>	<u>\$ 3,081,458</u>	<u>\$ 3,356,020</u>

This page intentionally left blank.

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of Wixom, Michigan (the "City"):

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

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

Discretely Presented Component Units - The component unit columns in the government-wide financial statements include the financial data of the City's other component units. They are reported in separate columns to emphasize that they are legally separate from the City. The following component units are included in the reporting entity because the primary government is financially accountable and is able to impose its will on the organization. Financial statements are not issued separately for the component units for the DDA or LDFA.

Downtown Development Authority - The Downtown Development Authority (the "Authority" or DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 11 individuals, is selected by the City Council. The City Council approves the development plans and must approve all modifications to the plan. The City maintains all accounting records for the DDA, whose primary source of funding is from tax increment financing revenue.

Local Development Finance Authority - The Local Development Finance Authority (LDFA) was created to improve the public infrastructure within the central business district of the City. This has included primarily the improvement or construction of roads, drains, and water and sewer transmission lines. The primary source of funding has been the capture of incremental tax revenue of the various taxing units (city, county, community college, and others); however, the Authority is no longer capturing taxes. The board is currently in the process of a comprehensive review of the Authority's current plan. The LDFA's governing body, which consists of 11 individuals, is selected by the City Council or appointed by other governmental agencies.

Note I - Summary of Significant Accounting Policies (Continued)

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

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

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

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

Note I - Summary of Significant Accounting Policies (Continued)

Fund Accounting

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

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

- **General Fund** - The General Fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **Special Assessment Fund** - This fund was established to account for the payment of annual principal and interest on bonds for the construction and improvement of the tribute drain. These annual requirements are met from annual special assessments to specific property owners.
- **Local Road Capital Program Fund** - This fund was established to account for the payment for local road maintenance and repair. Financing is provided from an elected millage.

Proprietary funds include enterprise funds, which provide goods or services to users in exchange for charges or fees. The City reports the following funds as “major” enterprise funds:

- **Water Fund** - The Water Fund accounts for the operation and maintenance of the water supply system, capital additions, and retirement of revenue bonds. Financing is provided by user charges and a dedicated debt service millage.
- **Sewer Fund** - The Sewer Fund accounts for the operation and maintenance of the sewage disposal system, capital additions and improvements, and retirement of revenue bonds. Financing is provided by user charges.

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. The City has an agency fund that accounts for assets held by the City. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Note I - Summary of Significant Accounting Policies (Continued)

Interfund Activity - During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

Basis of Accounting

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

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

Specific Balances and Transactions

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

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

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

<u>Capital Asset Class</u>	<u>Years</u>
Roads and sidewalks	20-30
Water and sewer distribution systems	50-75
Water and sewer treatment facilities	40-50
Buildings and improvements	40-50
Vehicles	3-5
Office furnishings	5-7
Other tools and equipment	3-7
Drain improvements	50
Stormwater improvements	30

Note I - Summary of Significant Accounting Policies (Continued)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category, which is the deferred outflows of resources related to the defined benefit pension plan. The deferred outflows of resources related to the defined benefit pension plan are reported in the government-wide financial statements. The deferred outflows of resources result from four transactions: contributions to the defined benefit pension plan subsequent to the plan's year end through the City's fiscal year end and the variances resulting from the plan's actual investment earnings compared to the plan's assumed investment earnings, changes in actuarial assumptions and differences between expected and actual experience.

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. The government has one item that qualifies for reporting in this category, deferred inflows of resources related to unavailable revenue. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Note I - Summary of Significant Accounting Policies (Continued)

Net Position Flow Assumption

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

Fund Balance Flow Assumption

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

Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Note I - Summary of Significant Accounting Policies (Continued)

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council has, by resolution, authorized the finance director to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The City Council has adopted, by ordinance, a Budget Stabilization Fund under Michigan's Public Act 30 of 1978. The board of directors may, with a 2/3 vote, set aside General Fund surplus, up to a maximum of 15 percent of the most recent General Fund budget (or average of the five most recent budgets, if less). An appropriation from the Budget Stabilization Fund, which also requires a 2/3 vote of the board of directors, may only occur to correct a budget shortfall, or in the case of a natural disaster. The balance at June 30, 2016 of the stabilization amount, which is reported in the General Fund, is \$3,709,776.

Property Tax Revenue

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

The City's 2015 tax is levied and collectible on July 1, 2015 and is recognized as revenue in the year ended June 30, 2016, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2015 taxable valuation of the City totaled \$663.2 million (a portion of which is abated and a portion of which is captured by the LDFA and DDA). Taxes were levied as follows:

Purpose	Millage Rate	Revenue
General Fund - Operating	11.0429	\$ 7,246,000
Local Road Capital Program Fund - Capital	1.1500	755,000
Safety Path Fund - Capital	.3000	197,000
Water Fund - Debt	1.7900	1,191,000
DDA Special Millage	1.7478	11,000
Total	<u>16.0307</u>	<u>\$ 9,400,000</u>

Note I - Summary of Significant Accounting Policies (Continued)

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

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

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits and compensatory time. Vacation pay is fully vested when earned, and sick pay is conditionally vested upon completion of a certain number of years of service. Upon retirement, employees are paid accumulated vacation and 35 percent of unused sick days at their hourly rate as of their retirement date. A liability for the entire amount, current and long-term, is accrued in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only for employee terminations or retirements as of year end. Compensated absences will be liquidated by the General Fund.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Note 2 - Change in Accounting

During the year, the City adopted GASB Statement No. 72, *Fair Value Measurement and Application*. As a result, the notes to the financial statements now include enhanced disclosures about fair value measurement, the level of fair value hierarchy, and valuation techniques. Investments that were previously valued under amortized costs that are now reported at fair value include the local government investment pool.

Note 3 - Stewardship, Compliance, and Accountability

Construction Code Fees - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at July 1, 2015	\$ (1,741,221)
Current year permit revenue	947,494
Less related costs	<u>717,086</u>
Current year surplus	<u>230,408</u>
Cumulative shortfall at June 30, 2016	<u>\$ (1,510,813)</u>

Note 4 - Deposits and Investments

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

The City has designated four banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the items described above. The City's deposits and investment policies are in accordance with statutory authority.

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$3,377,307 of bank deposits (certificates of deposit and checking and savings accounts), of which \$1,984,203 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 funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities other than commercial paper, which limits purchases to those that mature more than 270 days after the date of purchase.

Note 4 - Deposits and Investments (Continued)

At year end, the average maturities of investments are as follows:

Investment	Recorded Value	Weighted Average Maturity (Days)
Primary Government		
Certificates of deposit	\$ 572,862	184
U.S. government agency securities	1,301,655	262
U.S. Treasury bonds	531,835	323
Municipal bonds	2,816,841	380
Local government investment pool	<u>2,688,228</u>	389
Total	<u>\$ 7,911,421</u>	
Component Units		
Certificates of deposit	\$ 177,473	184
U.S. government agency securities	403,254	262
U.S. Treasury bonds	164,763	323
Municipal bonds	872,661	380
Local government investment pool	<u>1,051,816</u>	389
Total	<u>\$ 2,669,967</u>	

City of Wixom, Michigan

Notes to Financial Statements June 30, 2016

Note 4 - Deposits and Investments (Continued)

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

Investment	Fair Value	Rating	Rating Organization
Primary Government			
Local government investment pool	\$ 2,688,228	N/R	
Certificates of deposit	572,862	N/R	S&P
U.S. Treasury	531,835	AA+	S&P
U.S. government agency	1,301,655	AA+	S&P
Municipal bond	103,779	AA+	S&P
Municipal bond	96,227	A+	S&P
Municipal bond	396,669	AA	S&P
Municipal bond	57,354	A	S&P
Municipal bond	1,002,519	AA-	S&P
Municipal bond	190,133	AAA	S&P
Municipal bond	528,604	N/R	S&P
Municipal bond	250,358	SP-I	N/A
Municipal bond	191,198	SPI+	S&P
Total	<u>\$ 7,911,421</u>		
Component Units			
Local government investment pool	\$ 1,051,815	N/R	
U.S. Treasury	164,763	AA+	S&P
Certificates of deposit	177,473	N/R	S&P
U.S. government agency	403,254	AA+	S&P
Municipal bond	122,889	AA	S&P
Municipal bond	17,768	A	S&P
Municipal bond	310,582	AA-	S&P
Municipal bond	32,151	AA+	S&P
Municipal bond	58,903	AAA	S&P
Municipal bond	163,762	N/R	S&P
Municipal bond	77,561	SP-I	S&P
Municipal bond	59,234	SPI+	S&P
Municipal bond	29,812	A+	S&P
Total	<u>\$ 2,669,967</u>		

Note 4 - Deposits and Investments (Continued)

Concentration of Credit Risk - The City places no limit on the amount it may invest in any one issuer. More than 5 percent of the City's investments are in the Oakland County Local Government Investment Pool (the "LGIP") at 35 percent. The LGIP is not registered with the SEC and does not issue a separate report. The LGIP is managed as a 2(a)(7) fund with its net asset value maintained at \$1. Fair value of the position in the pool is the same as the value of the pool shares.

Pooled Investments that are 2a7-like - At year end, the City had investments in a government investment fund that is operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The fund is fully liquid for withdrawal at any time and the price per share does not fluctuate with interest earned according to the amount and duration of the investment.

At June 30, 2016, the City had \$12,057,032 in such a fund at Comerica Bank (J Fund, which has a A1/P1/F1 rating). The Comerica J Fund is recorded at amortized cost. There is no limitation or restriction on participant withdrawals for the Comerica J Fund investment pool.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 4 - Deposits and Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2016:

Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
U.S. Treasury securities	\$ 696,598	\$ 696,598	\$ -	\$ -
Agency bonds	2,391,416	2,391,416	-	-
Municipal bonds	3,906,898	-	3,906,898	-
Total investments by fair value level	<u>\$ 6,994,912</u>	<u>\$ 3,088,014</u>	<u>\$ 3,906,898</u>	<u>\$ -</u>

U.S. Treasury and agency securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of municipal bonds at June 30, 2016 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost.

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

Investments in Entities that Calculate Net Asset Value per Share

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

At the year ended June 30, 2016, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Oakland County Government Investment Pool	<u>\$ 3,740,043</u>	<u>\$ -</u>	No restrictions	None

Note 4 - Deposits and Investments (Continued)

The Oakland County Local Government Investment Pool (LGIP) is not registered with the SEC and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares, since the pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized costs.

Note 5 - Capital Assets

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

	Balance July 1, 2015	Additions	Disposals	Balance June 30, 2016
Governmental Activities				
Capital assets not being depreciated - Land	\$ 5,028,786	\$ -	\$ (122,875)	\$ 4,905,911
Capital assets being depreciated:				
Roads and sidewalks	63,054,617	1,541,201	-	64,595,818
Buildings, drains, and improvements	20,860,181	126,684	-	20,986,865
Vehicles	4,600,470	487,130	(258,751)	4,828,849
Machinery and equipment	3,455,321	214,193	(1,285)	3,668,229
Furniture and fixtures	960,696	32,107	(5,893)	986,910
Subtotal	92,931,285	2,401,315	(265,929)	95,066,671
Accumulated depreciation:				
Roads and sidewalks	45,911,954	2,009,378	-	47,921,332
Buildings, drains, and improvements	8,738,379	543,278	-	9,281,657
Vehicles	2,960,774	288,082	(258,751)	2,990,105
Machinery and equipment	2,689,857	201,872	(1,285)	2,890,444
Furniture and fixtures	864,393	20,089	(5,893)	878,589
Subtotal	61,165,357	3,062,699	(265,929)	63,962,127
Net capital assets being depreciated	31,765,928	(661,384)	-	31,104,544
Net capital assets	\$ 36,794,714	\$ (661,384)	\$ (122,875)	\$ 36,010,455

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2015	Reclassifications	Additions	Disposals	Balance June 30, 2016
Capital assets being depreciated:					
Water and sewer lines	\$ 52,671,606	\$ -	\$ 2,255,711	\$ -	\$ 54,927,317
Buildings and improvements	22,634,301	-	3,485	-	22,637,786
Machinery and equipment	1,760,672	-	-	-	1,760,672
Office furnishings	68,670	-	-	-	68,670
Information technology	62,693	-	-	-	62,693
Subtotal	77,197,942	-	2,259,196	-	79,457,138
Accumulated depreciation:					
Water and sewer lines	14,743,569	-	948,256	-	15,691,825
Buildings and improvements	10,130,804	-	552,343	-	10,683,147
Machinery and equipment	1,600,825	-	31,357	-	1,632,182
Office furnishings	68,670	-	-	-	68,670
Information technology	60,886	-	136	-	61,022
Subtotal	26,604,754	-	1,532,092	-	28,136,846
Net capital assets being depreciated	50,593,188	-	727,104	-	51,320,292
Net capital assets	<u>\$ 50,593,188</u>	<u>\$ -</u>	<u>\$ 727,104</u>	<u>\$ -</u>	<u>\$ 51,320,292</u>
Component Units	Balance July 1, 2015	Additions	Disposals	Balance June 30, 2016	
Capital assets not being depreciated -					
Land	\$ 154,296	\$ -	\$ -	\$ -	\$ 154,296
Capital assets being depreciated:					
Buildings and improvements	499,892	-	-	-	499,892
Other tools and equipment	60,913	-	-	-	60,913
Subtotal	560,805	-	-	-	560,805
Accumulated depreciation:					
Buildings and improvements	368,132	22,748	-	-	390,880
Other tools and equipment	60,913	-	-	-	60,913
Subtotal	429,045	22,748	-	-	451,793
Net capital assets being depreciated	131,760	(22,748)	-	-	109,012
Net capital assets	<u>\$ 286,056</u>	<u>\$ (22,748)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 263,308</u>

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

Governmental activities:	
General government	\$ 289,408
Public safety	354,257
Public works	2,207,273
Economic development	144,241
Recreation and culture	67,520
Total governmental activities	<u>\$ 3,062,699</u>

City of Wixom, Michigan

Notes to Financial Statements June 30, 2016

Note 5 - Capital Assets (Continued)

Business-type activities:		
Water		\$ 718,369
Sewer		<u>813,723</u>
	Total business-type activities	<u>\$ 1,532,092</u>

Construction Commitments - The City has active construction projects at year end. At year end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Street project	<u>\$ 2,772,231</u>	<u>\$ 104,880</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Payable Fund</u>	<u>Receivable</u>	<u>Amount</u>
Due to/from Other Funds		
General Fund	Sewer Fund	\$ 553,218
	Local Road Capital Improvement Fund	2,471
	Nonmajor governmental funds:	
	Major Road Fund	242,321
	Cemetery Fund	4
	Safety Path Fund	1,040
	Solid Waste Collection	651
	Forfeiture funds	34,020
	Community Development Fund	17,414
	Major Road Bond Fund	400
	Fire & DPW Bond Fund	85
	Capital Improvement Fund	<u>308,983</u>
	Total General Fund	1,160,607
Special Assessment Fund	General Fund	8,500
Water Fund	General Fund	459,819
Nonmajor governmental funds	General Fund	<u>70,582</u>
	Total	<u>\$ 1,699,508</u>

City of Wixom, Michigan

Notes to Financial Statements June 30, 2016

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Receivable Fund	Payable Fund	Amount
Advances from/to Other Funds		
Sewer Fund	Capital Improvement Fund (a nonmajor governmental fund)	\$ <u>177,066</u>
Payable Fund	Receivable Fund	Amount
Due to/from Primary Government and Component Units		
Downtown Development Authority	General Fund	\$ <u>1,753</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. The advance from the Sewer Fund to the Capital Improvement Fund was for the purchase of a fire truck in fiscal year 2009. The advance, plus interest, is being repaid over 10 years.

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

Transfer Out	Transfer In	Amount
General Fund	Nonmajor governmental funds:	
	Development debt service fund	\$ 214,617
	Capital Improvement Fund	<u>1,041,289</u>
	Total General Fund	1,255,906
Major Road Fund (a nonmajor governmental fund)	Local Road fund (a nonmajor governmental fund)	<u>116,200</u>
	Total	<u>\$ 1,372,106</u>

The General Fund transfers represented the use of unrestricted resources into the funds where they will be spent. The Major Fund transfer to the Local Street Fund was intended to re-allocate the use of Act 51 proceeds, within the amounts allowable by law.

City of Wixom, Michigan

Notes to Financial Statements June 30, 2016

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. The Special Assessment Tribute Drain Bonds are issued by Oakland County.

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
DDA/VCA refunding bonds 2015	4.00%	\$265,000 - \$450,000	\$ 4,185,000	\$ -	\$ 250,000	\$ 3,935,000	\$ 265,000
Issuance premiums			460,967	-	46,097	414,870	46,097
Contractual obligation with Oakland County - Special assessment bonds	3.75% - 4.40%	\$150,000 - \$200,000	1,705,000	-	150,000	1,555,000	150,000
Total bonds payable			6,350,967	-	446,097	5,904,870	461,097
Accumulated compensated absences			716,803	710,961	662,415	765,349	112,679
Total governmental activities			<u>\$ 7,067,770</u>	<u>\$ 710,961</u>	<u>\$ 1,108,512</u>	<u>\$ 6,670,219</u>	<u>\$ 573,776</u>

The compensated absences will be liquidated by the resources of the General Fund. That fund will finance the payment of those claims by charging the other funds based on management's assessment of the relative insurance risk that should be assumed by individual funds.

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
General obligation bonds:							
Water SRF Series 1	2.50%	\$216,869 - \$231,327	\$ 1,049,389	\$ -	\$ 212,049	\$ 837,340	\$ 216,868
Water SRF Series 2	2.50%	\$360,000 - \$390,000	1,850,000	-	350,000	1,500,000	360,000
Water SRF Series 3	2.50%	\$420,000 - \$453,331	2,173,331	-	410,000	1,763,331	420,000
Water Series 4	5.05% - 5.15%	\$85,000	425,000	-	85,000	340,000	85,000
Total business-type activities			<u>\$ 5,497,720</u>	<u>\$ -</u>	<u>\$ 1,057,049</u>	<u>\$ 4,440,671</u>	<u>\$ 1,081,868</u>

Note 7 - Long-term Debt (Continued)

Total interest expense for the year was approximately \$531,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 461,097	\$ 222,253	\$ 683,350	\$ 1,081,868	\$ 107,397	\$ 1,189,265
2018	476,097	205,653	681,750	1,121,508	77,686	1,199,194
2019	496,097	188,453	684,550	1,146,327	47,169	1,193,496
2020	541,097	170,453	711,550	1,090,968	16,953	1,107,921
2021	561,097	150,565	711,662	-	-	-
2022-2026	2,919,385	419,130	3,338,515	-	-	-
2027	450,000	18,000	468,000	-	-	-
Total	<u>\$ 5,904,870</u>	<u>\$ 1,374,507</u>	<u>\$ 7,279,377</u>	<u>\$ 4,440,671</u>	<u>\$ 249,205</u>	<u>\$ 4,689,876</u>

Note 8 - Risk Management

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

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

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the authority itself.

Note 9 - Regional Authority Cooperative Ventures

The City is a member of the Western Oakland County Cable Communication Authority (the "Authority"), a cooperative venture of western Oakland County communities. The City appoints one member to the Authority's governing board, which then approves the annual budget. The Authority receives a management fee from the cable television company and currently does not receive a subsidy from the City. Complete financial statements for the Authority can be obtained from the administrative offices at 3978 Chanda Court, Highland, Michigan 48031.

The City is also a member of the Resource Recovery and Recycling Authority of Southwest Oakland County (the "Recycling Authority"). The Recycling Authority is incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, Wixom, and the Charter City of Lyon. The City appoints one member to the Recycling Authority's governing board, which then approves the annual budget.

The Recycling Authority receives its operating revenue from member contributions and miscellaneous income. During the year, the City contributed approximately \$16,900 for its operations. Complete financial statements for the Recycling Authority can be obtained from the administrative offices at 2000 West Eight Mile, Southfield, Michigan 48375.

For both the Western Oakland County Cable Communication Authority and the Resource Recovery and Recycling Authority of Southwest Oakland County, the City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Note 10 - Defined Benefit Pension Plan

Plan Description - The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees Retirement System of Michigan (MERS), which covers substantially all employees of the City. 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 which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits 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.

Note 10 - Defined Benefit Pension Plan (Continued)

Retirement benefits for employees are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service, up to a maximum of 80 percent. Normal retirement age is 60, with early retirement at 50 with 25 years of service. The vesting period is 10 years. Employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are 2.5 percent, non-compounding.

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 employees' benefit terms may be subject to binding arbitration in certain circumstances.

Employees Covered by Benefit Terms - At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	49
Inactive plan members entitled to but not yet receiving benefits	15
Active plan members	<u>31</u>
Total employees covered by MERS	<u><u>95</u></u>

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, 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.

Note 10 - Defined Benefit Pension Plan (Continued)

For the year ended June 30, 2016, the average active employee contribution rate ranged from 2.0 percent to 6.26 percent of annual pay and the City's flat-rate contribution rate was \$83,812 per month of covered payroll.

Net Pension Liability

The net pension liability reported at June 30, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at January 1, 2015	\$ 29,057,032	\$ 17,540,041	\$ 11,516,991
Service cost	324,794	-	324,794
Interest	2,369,133	-	2,369,133
Differences between expected and actual experience	274,618	-	274,618
Changes in assumptions	1,525,285	-	1,525,285
Contributions - Employer	-	962,726	(962,726)
Contributions - Employee	-	91,089	(91,089)
Net investment loss	-	(260,265)	260,265
Benefit payments, including refunds	(1,527,178)	(1,527,178)	-
Administrative expenses	-	(40,452)	40,452
Net changes	2,966,652	(774,080)	3,740,732
Balance at December 31, 2015	<u>\$ 32,023,684</u>	<u>\$ 16,765,961</u>	<u>\$ 15,257,723</u>

Assumption Changes - From the time of the last measurement date at December 31, 2014 to December 31, 2015, the actuary modified significant assumptions that affect the measurement of the total pension liability. The mortality table was updated from the 1994 Group Mortality Table to the RP-2014 Group Mortality Table. The actuary also adjusted the asset smoothing from 10 to 5 years.

Note 10 - Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2016, the City recognized pension expense of \$2,217,092. All pension costs are recognized in the governmental activities, and none are allocated to the business-type activities. This is because no employees have been specifically allocated to the enterprise funds; all DPW employees are charged to the General Fund, which provides services on behalf of the Major Streets, Local Streets, and Water and Sewer Funds. The General Fund does charge an administrative charge intended to cover some of the DPW costs.

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 183,079	\$ -
Changes in assumptions	1,016,852	-
Net difference between projected and actual earnings on pension plan investments	<u>1,536,307</u>	<u>-</u>
Employer contributions to the plan subsequent to the measurement date	<u>497,579</u>	<u>-</u>
Total	<u>\$ 3,233,817</u>	<u>\$ -</u>

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

2017	\$ 999,662
2018	999,662
2019	399,694
2020	337,220
2021	-
Thereafter	<u>-</u>
Total	<u>\$ 2,736,238</u>

Note 10 - Defined Benefit Pension Plan (Continued)

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

Inflation	2.50 %	
Salary increases	3.75 %	In the long term, 3.75 percent plus a percentage based on an age-related scale to reflect merit, longevity and promotional pay increases, ranging from 0 to 11 percent
Investment rate of return	8.00 %	Net of pension plan investment expense, including inflation

Mortality rates were based on the RF-2014 Group Annuity Mortality Table of a 50 percent male and 50 percent female blend. For disabled retirees, the rates were based on the RP-2014 Disabled Retiree Mortality Tables of a 50 percent male and 50 percent female blend.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the most recent actuarial experience study in 2015 covering the period from January 1, 2009 through December 31, 2013.

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 employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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.

Note 10 - Defined Benefit Pension Plan (Continued)

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. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	58 %	5.0 %
Global fixed income	20 %	2.1 %
Real assets	12 %	4.2 %
Diversifying strategies	10 %	6.6 %

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 8.0 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net pension liability of the City	\$ 19,360,159	\$ 15,257,723	\$ 11,839,152

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position has been determined on the same basis as they are report by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 11 - Other Postemployment Benefits

Plan Description - The City provides retiree healthcare benefits to eligible employees and their spouses. Currently, the plan has 55 members (including City and library employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits). This is a single-employer defined benefit plan administered by the Municipal Employees Retirement System (MERS). The benefits are provided under collective bargaining agreements or executive directives approved by the City Council. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions. The City has allowed the Wixom Public Library, a separate governmental entity, to also participate in this plan.

Funding Policy - The collective bargaining agreements require a contribution of 1 percent of payroll from employees. Retiree healthcare costs are recognized when paid by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, as shown below, the City has made contributions to advance-fund these benefits, as determined by the City Council through annual budget resolutions.

Funding Progress - For the year ended June 30, 2016, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2014. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 569,089
Interest saved on the prior year's net OPEB asset	(31,704)
Plus adjustment to the annual required contribution	<u>21,330</u>
Annual OPEB cost	558,715
Amounts contributed:	
Payments of current premiums, at face value	(341,339)
Implicit rate subsidy on retiree premiums	(276,485)
Advance funding of the retiree health funding vehicle	(308,165)
Adjustment to the ARC	<u>230,753</u>
Increase in net OPEB asset	(136,521)
OPEB asset - Beginning of year	<u>(452,913)</u>
OPEB asset - End of year	<u>\$ (589,434)</u>

Note 11 - Other Postemployment Benefits (Continued)

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and three preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (Asset)
6/30/13	\$ 662,564	93.5 %	\$ 708,051
6/30/14	666,440	211.3	315,302
6/30/15	545,427	240.8	(452,913)
6/30/16	558,715	316.4	(589,434)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/11	\$ 3,419,519	\$ 7,495,267	\$ 4,075,748	45.6	\$ 3,620,780	112.6
6/30/12	3,580,413	9,435,886	5,855,473	37.9	3,481,219	168.2
6/30/14	5,509,798	10,380,016	4,870,218	53.1	2,441,102	199.5

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

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

Note 11 - Other Postemployment Benefits (Continued)

In the June 30, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.0 percent investment rate of return (net of administrative expenses). The UAAL is being amortized as a level percentage of projected payroll on an open basis for 30 years.

The following simplifying assumptions were made:

Marital Status - Marital status of members at the calculation date was assumed to be 70 percent of males and 70 percent of females for the purpose of death-in-service benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.

Mortality - Life expectancies were based on RP2000 Mortality Tables for males and females projected 20 years.

Healthcare Cost Trend Rate - Healthcare cost trend rates used in the analysis were a combined rate for healthcare and pharmacy costs of 9.0 percent initially, reduced to an ultimate rate of 4.0 percent after 10 years, was used.

Health Insurance Premiums - Fiscal year 2012 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Payroll Growth Rate - The expected long-term payroll growth rate was assumed to be 4.0 percent.

Note 12 - Deferred Compensation Plan

The City offers an employee-only contributing deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent City employees, permits each employee to defer a portion of their salary until future years. The deferred compensation is not available for distribution to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan with VALIC or MERS, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of the plan participants and their beneficiaries. The assets shall not be diverted for any other purpose. All provisions of the plan and trust are in conformance with Internal Revenue Code Section 457.

The plan's funds are excluded from the financial statements in conformance with the reporting and disclosure requirements in GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

Note 13 - Brownfield Redevelopment Authority

The Brownfield Redevelopment Authority was established pursuant to Public Act 381 of 1996 and is governed by the Oakland County Brownfield Redevelopment Authority. Upon completion of its purpose, the authority may be dissolved by resolution of the City Council. The City only collects property tax revenue and remits it to the Oakland County Brownfield Redevelopment Authority. The Oakland County Brownfield Redevelopment Authority is responsible for the disbursement and accounting for all monies received. The City collected and remitted \$25,409 in captured revenue for the Brownfield Redevelopment Authority during fiscal year 2016.

Note 14 - Upcoming Accounting Pronouncements

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

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the MERS plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2018.

This page intentionally left blank.

Required Supplemental Information

This page intentionally left blank.

City of Wixom, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 7,614,956	\$ 7,545,960	\$ 7,632,049	\$ 86,089
Licenses and permits	74,336	74,336	56,150	(18,186)
Federal grants	-	-	5,301	5,301
State-shared revenue and grants	1,158,639	1,270,664	1,233,978	(36,686)
Charges for services	749,336	1,180,194	1,353,473	173,279
Fines and forfeitures	25,000	25,000	29,973	4,973
Investment income	25,500	25,500	28,150	2,650
Rental income	33,548	33,548	31,754	(1,794)
Other revenue	326,967	341,286	412,930	71,644
Total revenue	10,008,282	10,496,488	10,783,758	287,270
Expenditures - Current				
General government:				
Legislative	14,876	14,876	14,703	173
City Manager	348,881	354,033	273,787	80,246
Financial administration	346,715	356,027	339,396	16,631
Information systems	130,621	137,756	134,323	3,433
Assessing	181,155	204,409	194,739	9,670
Board of review	1,196	1,398	1,192	206
Clerk	176,619	191,013	183,298	7,715
Building maintenance	66,300	67,200	55,088	12,112
Legal counsel and assistance	54,000	93,800	86,325	7,475
OPEB contribution	625,000	625,000	625,000	-
General operating	910,653	825,681	768,094	57,587
Total general government	2,856,016	2,871,193	2,675,945	195,248
Public safety:				
Police	3,158,677	3,246,399	3,033,629	212,770
Fire	974,459	983,125	926,815	56,310
Building	358,091	662,074	623,706	38,368
Total public safety	4,491,227	4,891,598	4,584,150	307,448
DPW	381,877	490,037	297,849	192,188
Community and economic development - Planning, zoning, and related	99,000	100,885	93,380	7,505
Recreation and culture:				
Community service	316,633	339,135	301,507	37,628
Cultural center	291,215	289,563	272,002	17,561
Senior citizen committee	60,142	60,142	52,471	7,671
Total recreation and culture	667,990	688,840	625,980	62,860
Total expenditures	8,496,110	9,042,553	8,277,304	765,249
Excess of Revenue Over Expenditures	1,512,172	1,453,935	2,506,454	1,052,519
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	24,000	24,000	42,820	18,820
Transfers in	-	7,000	7,000	-
Transfers out	(1,860,716)	(2,313,850)	(2,308,550)	5,300
Total other financing uses	(1,836,716)	(2,282,850)	(2,258,730)	24,120
Net Change in Fund Balance	(324,544)	(828,915)	247,724	1,076,639
Fund Balance - Beginning of year	2,677,557	2,677,557	2,677,557	-
Fund Balance - End of year	<u>\$ 2,353,013</u>	<u>\$ 1,848,642</u>	<u>\$ 2,925,281</u>	<u>\$ 1,076,639</u>

City of Wixom, Michigan

Note to Required Supplemental Information Year Ended June 30, 2016

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end. At the first City Council 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 proposed expenditures and the means of financing them. Financial plans for all other funds are also submitted at this time. Budget sessions and public hearings are conducted by the City Council to review the proposed City Manager's budget/financial plans and to obtain taxpayer comments. If required, a Truth-In-Taxation Public Hearing is held at the second City Council meeting in May. The budget must be formally adopted no later than the second City Council meeting in May when the budget is legally enacted through passage of a City Council resolution.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level. All other funds' budgets have been adopted on an aggregate basis by function or department.

Formal budgetary integration is employed as a management control device during the year for all funds at a line-item level. Administrative control is maintained through the establishment of more detailed line-item budgets. Budget transfers between budgetary categories, functions, or from fund balance are periodically approved by the City Council. Supplemental appropriations for additional expenditures, which require an appropriation of available fund balance, must be approved by the City Council. Appropriations for operations lapse at year end. Appropriations for continuing projects are incorporated in the budget of the ensuing year.

Department heads with City Manager approval may make transfers of appropriations annually within a department up to an aggregate of \$20,000. The City closely monitors spending by reviewing monthly budget reports and, if necessary, will perform periodic budget amendments to reflect significant changes in the budget. In addition, the City Manager informs the City Council of any changes in the financial plan for the capital project funds, debt service funds, and enterprise funds.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. During the year, the budget was amended in a legally permissible manner. Budgets have been prepared on a basis consistent with generally accepted accounting principles (GAAP).

City of Wixom, Michigan

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

A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Total Financing Uses</u>
Amounts per operating statement	\$10,794,538	\$ 8,277,304	\$ (1,206,086)
Budget Stabilization Fund revenue	(10,780)	-	-
General Fund operating transfer to Budget Stabilization Fund	-	-	(1,052,644)
Amounts per budget statement	<u>\$10,783,758</u>	<u>\$ 8,277,304</u>	<u>\$ (2,258,730)</u>

The City did not have any expenditure budget overruns.

City of Wixom, Michigan

Required Supplemental Information OPEB System Schedule of Funding Progress Year Ended June 30, 2016

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/11	\$ 3,419,519	\$ 7,495,267	\$ 4,075,748	45.6	\$ 3,620,780	112.6
6/30/12	3,580,413	9,435,886	5,855,473	37.9	3,481,219	168.2
6/30/14	5,509,798	10,380,016	4,870,218	53.1	2,441,102	199.5

City of Wixom, Michigan

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

	2016	2015
Total Pension Liability		
Service cost	\$ 324,794	\$ 355,067
Interest	2,369,133	2,254,647
Changes in benefit terms	-	-
Differences between expected and actual experience	274,618	-
Changes in assumptions	1,525,285	-
Benefit payments, including refunds	<u>(1,527,178)</u>	<u>(1,408,417)</u>
Net Change in Total Pension Liability	2,966,652	1,201,297
Total Pension Liability - Beginning of year	<u>29,057,032</u>	<u>27,855,735</u>
Total Pension Liability - End of year	<u>\$ 32,023,684</u>	<u>\$ 29,057,032</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 962,726	\$ 833,137
Contributions - Member	91,089	197,700
Net investment (loss) income	(260,265)	1,064,105
Administrative expenses	(40,452)	(39,048)
Benefit payments, including refunds	(1,527,178)	(1,408,417)
Other	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	(774,080)	647,477
Plan Fiduciary Net Position - Beginning of year	<u>17,540,041</u>	<u>16,892,564</u>
Plan Fiduciary Net Position - End of year	<u>\$ 16,765,961</u>	<u>\$ 17,540,041</u>
City's Net Pension Liability - Ending	<u>\$ 15,257,723</u>	<u>\$ 11,516,991</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	52.35 %	60.36 %
Covered Employee Payroll	\$ 2,185,701	\$ 2,394,251
City's Net Pension Liability as a Percentage of Covered Employee Payroll	698.1 %	481.0 %

City of Wixom, Michigan

Required Supplemental Informations Schedule of Pension Contributions Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 962,726	\$ 833,137	\$ 783,319	\$ 772,277	\$ 784,321	\$ 895,324	\$ 757,748	\$ 736,460	\$ 712,551	\$ 686,304
Contributions in relation to the actuarially determined contribution	962,726	833,137	783,319	772,277	784,321	895,324	757,748	736,460	712,551	686,304
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 2,185,701	\$ 2,368,906	\$ 2,410,014	\$ 2,818,735	\$ 3,239,998	\$ 3,376,512	\$ 3,371,441	\$ 3,345,733	\$ 3,280,117	\$ 3,178,096
	44.0 %	35.2 %	32.5 %	27.4 %	24.2 %	26.5 %	22.5 %	22.0 %	21.7 %	21.6 %

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date December 31, 2013 (contribution rates are calculated as of December 31, 18 months prior to the start of the fiscal year in which the contributions are required)

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed
Inflation	2.5 percent
Salary increases	3.75 percent
Investment rate of return	8.0 percent
Retirement age	Various
Mortality	50% female/50% male RF-2014 Group Annuity Mortality Table
Other information	None

Other Supplemental Information

City of Wixom, Michigan

	Special Revenue Funds					
	Special Agency	Community Development	Major Roads	Local Roads	Land Acquisition	Safety Path Road Program
Assets						
Cash and investments	\$ 1,201,895	\$ -	\$ -	\$ -	\$ 1,429,704	\$ 430,369
Receivables - Net:						
Property taxes receivable	-	-	-	-	-	-
Due from other governmental units	-	3,957	115,759	49,542	-	-
Due from other funds	-	17,414	242,321	-	-	1,040
Total assets	\$ 1,201,895	\$ 21,371	\$ 358,080	\$ 49,542	\$ 1,429,704	\$ 431,409
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 43,075	\$ 80	\$ -	\$ -	\$ 1,980	\$ 377
Due to other funds	10,541	9,199	-	49,542	-	-
Advances from other funds	-	-	-	-	-	-
Refundable deposits, bonds, etc.	211	-	-	-	-	-
Accrued salaries and other	-	-	-	-	-	-
Unearned revenue	248,145	-	-	-	-	-
Total liabilities	301,972	9,279	-	49,542	1,980	377
Fund Balances						
Nonspendable:						
Restricted:						
Roads and bike paths	-	-	358,080	-	-	431,032
Debt service	-	-	-	-	-	-
Land acquisition	-	-	-	-	1,427,724	-
Police forfeitures	-	-	-	-	-	-
Solid waste	-	-	-	-	-	-
Development contracts	899,923	-	-	-	-	-
Community development	-	12,092	-	-	-	-
Committed - Cemetery	-	-	-	-	-	-
Assigned - Capital Improvement	-	-	-	-	-	-
Total fund balances	899,923	12,092	358,080	-	1,427,724	431,032
Total liabilities and fund balances	\$ 1,201,895	\$ 21,371	\$ 358,080	\$ 49,542	\$ 1,429,704	\$ 431,409

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016**

Special Revenue Funds			Debt Service Funds			Capital Projects Funds		Total
Solid Waste Collection	Forfeiture Funds	Cemetery	Fire & DPW Bond Fund	Development Bonds	Major Road Bond	Capital Improvement	Major Road Capital Program	Nonmajor Governmental Funds
\$ 112,770	\$ 7,223	\$ 95,022	\$ 48,629	\$ 23,348	\$ 3,785	\$ 1,594,452	\$ 763,785	\$ 5,710,982
-	-	-	70	-	136	-	-	206
-	-	-	-	-	-	-	-	169,258
651	34,020	4	85	-	400	308,983	-	604,918
\$ 113,421	\$ 41,243	\$ 95,026	\$ 48,784	\$ 23,348	\$ 4,321	\$ 1,903,435	\$ 763,785	\$ 6,485,364
\$ 38,496	\$ -	\$ 920	\$ -	\$ -	\$ -	\$ 34,038	\$ 5,000	\$ 123,966
-	-	-	-	1,300	-	-	-	70,582
-	-	-	-	-	-	177,066	-	177,066
-	-	-	-	-	-	-	-	211
-	-	-	441	-	757	-	-	1,198
-	-	-	-	-	-	-	-	248,145
38,496	-	920	441	1,300	757	211,104	5,000	621,168
-	-	-	-	-	-	-	758,785	1,547,897
-	-	-	48,343	22,048	3,564	-	-	73,955
-	-	-	-	-	-	-	-	1,427,724
-	41,243	-	-	-	-	-	-	41,243
74,925	-	-	-	-	-	-	-	74,925
-	-	-	-	-	-	-	-	899,923
-	-	-	-	-	-	-	-	12,092
-	-	94,106	-	-	-	-	-	94,106
-	-	-	-	-	-	1,692,331	-	1,692,331
74,925	41,243	94,106	48,343	22,048	3,564	1,692,331	758,785	5,864,196
\$ 113,421	\$ 41,243	\$ 95,026	\$ 48,784	\$ 23,348	\$ 4,321	\$ 1,903,435	\$ 763,785	\$ 6,485,364

City of Wixom, Michigan

Special Revenue Funds

	Special Agency	Community Development	Major Roads	Local Roads	Land Acquisition	Safety Path Road Program
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 203,218
Federal grants	-	18,863	-	-	-	-
State-shared revenue and grants	3,562	-	659,189	282,120	-	-
Charges for services	413,623	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Investment income	118	-	-	-	2,375	968
Other revenue	539	-	-	-	-	-
Total revenue	417,842	18,863	659,189	282,120	2,375	204,186
Expenditures						
Current:						
General government	48	-	-	-	744	-
Public safety	2,902	-	-	-	-	-
Public works	-	-	347,841	398,320	-	-
Community and economic development	410,272	18,863	-	-	-	-
Capital outlay	-	-	-	-	18,686	139,946
Debt service	-	-	-	-	-	-
Total expenditures	413,222	18,863	347,841	398,320	19,430	139,946
Excess of Revenue Over (Under) Expenditures	4,620	-	311,348	(116,200)	(17,055)	64,240
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	-	-	-	-	248,758	-
Transfers in	-	-	-	116,200	-	-
Transfers out	-	-	(116,200)	-	-	-
Total other financing (uses) sources	-	-	(116,200)	116,200	248,758	-
Net Change in Fund Balances	4,620	-	195,148	-	231,703	64,240
Fund Balances - Beginning of year	895,303	12,092	162,932	-	1,196,021	366,792
Fund Balances - End of year	\$ 899,923	\$ 12,092	\$ 358,080	\$ -	\$ 1,427,724	\$ 431,032

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2016

Special Revenue Funds			Debt Service Funds			Capital Projects Funds		Total
Solid Waste Collection	Forfeiture Funds	Cemetery	Fire & DPW Bond	Development Bonds	Major Road Bond	Capital Improvement	Major Road Capital Program	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 940	\$ -	\$ 354	\$ -	\$ -	\$ 204,512
-	-	-	-	-	-	-	-	18,863
-	-	-	-	-	-	-	-	944,871
495,786	-	7,400	-	-	-	-	-	916,809
-	14,782	-	-	-	-	-	-	14,782
821	23	185	95	-	-	6,914	1,535	13,034
1,749	-	-	-	204,215	9	-	-	206,512
<u>498,356</u>	<u>14,805</u>	<u>7,585</u>	<u>1,035</u>	<u>204,215</u>	<u>363</u>	<u>6,914</u>	<u>1,535</u>	<u>2,319,383</u>
-	-	306	-	613	-	-	-	1,711
-	9,538	-	-	-	-	-	-	12,440
514,395	-	10,817	-	-	-	-	-	1,271,373
-	-	-	-	-	-	-	-	429,135
-	-	-	-	-	-	826,948	9,221	994,801
-	-	-	350	418,215	-	4,625	-	423,190
<u>514,395</u>	<u>9,538</u>	<u>11,123</u>	<u>350</u>	<u>418,828</u>	<u>-</u>	<u>831,573</u>	<u>9,221</u>	<u>3,132,650</u>
(16,039)	5,267	(3,538)	685	(214,613)	363	(824,659)	(7,686)	(813,267)
-	-	-	-	-	-	-	-	248,758
-	(7,000)	-	-	214,617	-	1,041,289	-	1,365,106
-	-	-	-	-	-	-	-	(116,200)
<u>-</u>	<u>(7,000)</u>	<u>-</u>	<u>-</u>	<u>214,617</u>	<u>-</u>	<u>1,041,289</u>	<u>-</u>	<u>1,497,664</u>
(16,039)	(1,733)	(3,538)	685	4	363	216,630	(7,686)	684,397
90,964	42,976	97,644	47,658	22,044	3,201	1,475,701	766,471	5,179,799
<u>\$ 74,925</u>	<u>\$ 41,243</u>	<u>\$ 94,106</u>	<u>\$ 48,343</u>	<u>\$ 22,048</u>	<u>\$ 3,564</u>	<u>\$ 1,692,331</u>	<u>\$ 758,785</u>	<u>\$ 5,864,196</u>

City of Wixom, Michigan

Other Supplemental Information Local Development Finance Authority Balance Sheet June 30, 2016

	LDFA Capital Fund
Assets - Cash and investments	<u>\$ 3,083,140</u>
Liabilities - Accounts payable	\$ 1,682
Equity - Restricted	<u>3,081,458</u>
Net Position	<u>\$ 3,083,140</u>

City of Wixom, Michigan

Other Supplemental Information Local Development Finance Authority Schedule of Revenue and Expenditures Year Ended June 30, 2016

	LDFA Capital Fund
Revenue - Investment income	\$ 27,665
Expenditures (Except PR, capital, and debt)	<u>3,480</u>
Change in Fund Balance	24,185
Fund Balance - Beginning of year	<u>3,057,273</u>
Fund Balance - End of year	<u><u>\$ 3,081,458</u></u>

This page intentionally left blank.