

City of Wixom, Michigan

**Financial Report
with Supplemental Information
June 30, 2013**

City of Wixom, Michigan

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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, 2013 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, 2013 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.

To the City Council
City of Wixom, Michigan

Emphasis of Matter

The City of Wixom, Michigan has elected to change its method of accounting for the City's participation in the other postemployment benefits (retiree health care) plan administered by the Municipal Employees' Retirement System (MERS). Previously, the City's account with MERS was reported in the City's financial statements as a fiduciary trust fund. This year, the City has re-evaluated its interpretation of GASB Statement No. 34, paragraph 69, and removed the trust fund from the statements. The plan continues to be disclosed in Note 12. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the major fund budgetary comparison 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 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

December 4, 2013

City of Wixom, Michigan

Management's Discussion and Analysis

The purpose of this section of the City of Wixom, Michigan's financial report for the fiscal year ended June 30, 2013 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, 2013:

- Property taxes continued to decline, driven primarily by reductions in commercial and industrial properties; however, the City was able to reduce its cost of providing governmental services by 6 percent, or approximately \$800,000 (current modified-accrual spending reduced even further, by 10 percent or \$1.2 million).
- The City's governmental net position continued to decline, but only by \$1.05 million, which is lower in comparison to \$1.5 million in each of the last two years. In other words, it appears that the rate of decline is slowing.
- The City increased its governmental funds fund balance by \$359,000 this year, a reversal of the prior two years (\$1.2 million reduction in 2012 and \$1.8 million reduction in 2011). 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).

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			
	2011	2012	2013	Change
Assets				
Cash and investments	\$ 10,175,736	\$ 9,421,769	\$ 9,589,640	\$ 167,871
Receivables and other current assets	2,462,126	2,151,495	1,874,375	(277,120)
Capital assets	42,796,883	41,684,011	39,541,166	(2,142,845)
Total assets	55,434,745	53,257,275	51,005,181	(2,252,094)
Liabilities				
Current liabilities	1,182,034	1,165,039	836,301	(328,738)
Long-term liabilities	10,927,793	10,327,456	9,458,803	(868,653)
Total liabilities	12,109,827	11,492,495	10,295,104	(1,197,391)
Net Position				
Net investment in capital assets	32,746,883	32,649,011	31,541,166	(1,107,845)
Restricted	7,374,394	6,340,723	6,471,929	131,206
Unrestricted	3,203,641	2,775,046	2,696,982	(78,064)
Total net position	<u>\$ 43,324,918</u>	<u>\$ 41,764,780</u>	<u>\$ 40,710,077</u>	<u>\$ (1,054,703)</u>

The governmental net position decreased 2.5 percent from a year ago - from \$41.8 million to \$40.7 million. This indicates that the cost of government (approximately \$12.5 million annually) exceeds the resources available (approximately \$11.4 million). It should be noted that the cost of government includes the cost of capital assets (roads, drains, buildings, etc.) as they are used (which represents approximately \$2.9 million of depreciation), rather than as they are acquired. Because of the recent economic downturn, the City has reduced its capital replacement program and, as discussed below, the modified accrual basis resulted in an increase in fund balance. However, the cost of assets acquired in prior years continues to be included in depreciation expense and results in continued declines in net position. Over the long run, this also indicates that the City is not generating sufficient resources to enable it to replace its capital assets in the future.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, decreased by \$78,000, although this was offset by an increase in the restricted net position (the portion that is spendable for specified purposes) by \$131,000.

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:

	Governmental Activities			
	2011	2012	2013	Change
Revenue				
Program revenue:				
Charges for services	\$ 1,886,233	\$ 1,925,185	\$ 1,860,629	\$ (64,556)
Operating grants	757,355	806,922	874,225	67,303
Capital grants	225,125	188,950	487,752	298,802
General revenue:				
Property taxes	7,576,257	7,395,492	6,840,138	(555,354)
State-shared revenue	923,211	1,026,116	1,050,421	24,305
Investment earnings	73,164	36,069	28,490	(7,579)
Other revenue	285,612	356,112	294,217	(61,895)
Total revenue	11,726,957	11,734,846	11,435,872	(298,974)
Program Expenses				
General government	2,631,376	2,595,424	1,724,570	(870,854)
Public safety	4,511,511	4,524,324	4,696,939	172,615
Public works	4,373,501	4,492,307	4,490,133	(2,174)
Community and economic development	470,194	472,241	392,212	(80,029)
Recreation and cultural	857,384	837,189	832,218	(4,971)
Interest on long-term debt	445,809	373,499	354,503	(18,996)
Total expenses	13,289,775	13,294,984	12,490,575	(804,409)
Change in Net Position	<u>\$ (1,562,818)</u>	<u>\$ (1,560,138)</u>	<u>\$ (1,054,703)</u>	<u>\$ 505,435</u>

The City's property tax revenue continued to reflect a reduction due to the continued decline of property tax values. Offsetting this decline was an increase in capital grants (primarily due to a \$180,000 increase in capital contributions from the DDA), which included approximately \$35,000 in hazardous materials cleanup reimbursement and \$115,000 of revenue from an agreement enforcement due to the tribute development.

The cost of providing governmental services decreased by about \$800,000 compared to the prior year. This was due primarily to an approximate \$200,000 decrease in police and fire expenditures, which was due to three authorized but unfilled police sergeant's positions, approximately \$500,000 less in road projects, and \$100,000 due to an overall reduction of staff in various departments.

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			
	2011	2012	2013	Change
Assets				
Cash and investments	\$ 9,535,212	\$ 7,469,411	\$ 7,699,145	\$ 229,734
Receivables and other current assets	1,850,722	2,355,077	2,039,754	(315,323)
Capital assets	54,314,667	54,221,735	52,930,853	(1,290,882)
Total assets	65,700,601	64,046,223	62,669,752	(1,376,471)
Liabilities				
Current liabilities	703,983	1,108,118	563,779	(544,339)
Long-term liabilities	10,027,403	8,529,953	8,077,581	(452,372)
Total liabilities	10,731,386	9,638,071	8,641,360	(996,711)
Net Position				
Net investment in capital assets	44,821,942	46,095,049	45,388,492	(706,557)
Unrestricted	10,147,273	8,313,103	8,639,900	326,797
Total net position	<u>\$ 54,969,215</u>	<u>\$ 54,408,152</u>	<u>\$ 54,028,392</u>	<u>\$ (379,760)</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 in excellent financial health, with unrestricted net position approximately 2.5 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			
	2011	2012	2013	Change
Water				
Charges for services	\$ 1,848,491	\$ 2,048,031	\$ 2,213,713	\$ 165,682
Grants and contributions	32,063	203,301	94,265	(109,036)
Program expenses	<u>(2,807,231)</u>	<u>(3,053,293)</u>	<u>(3,263,456)</u>	<u>(210,163)</u>
Net program expense	(926,677)	(801,961)	(955,478)	(153,517)
Sewer				
Charges for services	1,055,579	1,225,820	1,332,229	106,409
Grants and contributions	51,877	109,389	132,364	22,975
Program expenses	<u>(2,026,902)</u>	<u>(2,094,247)</u>	<u>(2,110,158)</u>	<u>(15,911)</u>
Net program expense	(919,446)	(759,038)	(645,565)	113,473
General Revenues				
Property taxes	900,066	955,421	1,185,629	230,208
Investment income	<u>73,545</u>	<u>44,517</u>	<u>35,654</u>	<u>(8,863)</u>
Change in Net Position	<u>\$ (872,512)</u>	<u>\$ (561,061)</u>	<u>\$ (379,760)</u>	<u>\$ 181,301</u>

Over the past several years, the City has allowed its sewer rates to be set lower than its cost to provide services. This has been due primarily to the strong financial position of the Sewer Fund. During 2013, the City completed 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 2013 include the General Fund and the Special Assessment Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenditures of approximately \$4.2 million in 2013, and general government, which incurred expenditures of approximately \$2.3 million. The General Fund ended the year with approximately \$2.8 million of unrestricted fund balance, which represents 37 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. The actual costs came in lower than the amounts assessed, so the City has not billed the 2012 or 2013 assessments. It intends to begin billing the annual assessments again in 2014.

City of Wixom, Michigan

Management's Discussion and Analysis (Continued)

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 approximately \$400,000 due to the demolition permits for the Ford property. This was a one-time event. City departments overall stayed below budget, resulting in total expenditures \$680,000 below budget.

Capital Asset and Debt Administration

At the end of 2013, the City had \$87.5 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 new dump truck. In addition, the City has invested significantly in roads within the City. The debt balances related to the acquisition and construction of these assets at June 30, 2013 were approximately \$15.5 million. Additional information regarding capital assets and related debt is available in the notes to the financial statements.

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 38 percent of the 2013 tax roll is residential, including single family and multi-family homes. The remaining 62 percent is nonresidential, composed of 30 percent commercial, 13 percent industrial, and 19 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 14.3 percent of all people employed in Michigan (2003). More than 784,000 people work in Oakland County's 44,512 business establishments and government agencies, with 35 percent of Global Fortune 500 companies having business locations 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. As discussed with City Council, the five-year action plan will need modification to assist in softening the impact of this trend on the City's budget.

City of Wixom, Michigan

Management's Discussion and Analysis (Continued)

Efforts continue to bring about the repurposing of the Wixom Ford Assembly Plant's 318 acre site. Menards, a Wisconsin-based home improvement retailer, has purchased 45 acres. The 45 acres were part of the plant, which occupied 318 acres. Menards has estimated opening the store, creating approximately 100 jobs, by fall 2014. It is anticipated that along with Menards, multiple retailers, gas stations, and retail services would occupy the adjacent properties. General RV has also begun construction on the site, which will represent a relocated showroom and corporate headquarters, with an anticipated opening in spring 2014.

Contacting the City's Management

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

City of Wixom, Michigan

Statement of Net Position June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 9,589,640	\$ 7,699,145	\$ 17,288,785	\$ 3,061,659
Receivables - Net (Note 4)	2,441,048	1,130,547	3,571,595	-
Due from component units	21,428	-	21,428	-
Due from primary government	-	-	-	45
Internal balances	(780,985)	780,985	-	-
Inventory	66,465	128,222	194,687	-
Prepaid expenses and other assets	126,419	-	126,419	-
Capital assets:				
Assets not subject to depreciation (Note 5)	5,078,786	-	5,078,786	154,296
Assets subject to depreciation (Note 5)	34,462,380	52,930,853	87,393,233	177,258
Total assets	51,005,181	62,669,752	113,674,933	3,393,258
Liabilities				
Accounts payable	494,268	512,867	1,007,135	-
Due to component units	45	-	45	-
Due to primary government	-	-	-	21,428
Accrued liabilities and other	219,988	50,912	270,900	-
Deferred revenue	122,000	-	122,000	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	600,602	-	600,602	-
Current portion of long-term debt (Note 7)	1,145,000	1,012,411	2,157,411	-
Due in more than one year:				
Compensated absences (Note 7)	150,150	-	150,150	-
Other noncurrent liabilities	-	535,220	535,220	-
Net OPEB obligation (Note 12)	708,051	-	708,051	-
Long-term debt (Note 7)	6,855,000	6,529,950	13,384,950	-
Total liabilities	10,295,104	8,641,360	18,936,464	21,428
Net Position				
Net investment in capital assets	31,541,166	45,388,492	76,929,658	331,554
Restricted for:				
Streets and highways	2,268,517	-	2,268,517	-
Debt service	2,041,380	-	2,041,380	-
Land acquisition	979,567	-	979,567	-
Public safety	31,665	-	31,665	-
Safety path construction	113,946	-	113,946	-
Solid waste	108,880	-	108,880	-
Building and development	927,974	-	927,974	-
Unrestricted	2,696,982	8,639,900	11,336,882	3,040,276
Total net position	\$ 40,710,077	\$ 54,028,392	\$ 94,738,469	\$ 3,371,830

City of Wixom, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,724,570	\$ 182,016	\$ 21,744	\$ 371,162
Public safety	4,696,939	65,104	29,365	-
Public works	4,490,133	519,532	808,860	116,590
Health and welfare	-	-	5,348	-
Community and economic development	392,212	806,959	-	-
Recreation and culture	832,218	287,018	8,908	-
Interest on long-term debt	354,503	-	-	-
Total governmental activities	12,490,575	1,860,629	874,225	487,752
Business-type activities:				
Water	3,263,456	2,213,713	-	94,265
Sewer	2,110,158	1,332,229	-	132,364
Total business-type activities	5,373,614	3,545,942	-	226,629
Total primary government	\$ 17,864,189	\$ 5,406,571	\$ 874,225	\$ 714,381
Component units:				
Downtown Development Authority	\$ 394,924	\$ -	\$ -	\$ -
Local Development Finance Authority	3,622	-	-	-
Total component units	\$ 398,546	\$ -	\$ -	\$ -

General revenues:

Property taxes
 State-shared revenue
 Investment income
 Cable franchise fees
 Other miscellaneous income
 Gain on sale of fixed assets

Total general revenues

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

**Statement of Activities
Year Ended June 30, 2013**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,149,648)	\$ -	\$ (1,149,648)	\$ -
(4,602,470)	-	(4,602,470)	-
(3,045,151)	-	(3,045,151)	-
5,348	-	5,348	-
414,747	-	414,747	-
(536,292)	-	(536,292)	-
(354,503)	-	(354,503)	-
(9,267,969)	-	(9,267,969)	-
-	(955,478)	(955,478)	-
-	(645,565)	(645,565)	-
-	(1,601,043)	(1,601,043)	-
(9,267,969)	(1,601,043)	(10,869,012)	-
-	-	-	(394,924)
-	-	-	(3,622)
-	-	-	(398,546)
6,840,138	1,185,629	8,025,767	154,024
1,050,421	-	1,050,421	-
28,490	35,654	64,144	14,832
215,691	-	215,691	-
39,226	-	39,226	44,000
39,300	-	39,300	-
8,213,266	1,221,283	9,434,549	212,856
(1,054,703)	(379,760)	(1,434,463)	(185,690)
41,764,780	54,408,152	96,172,932	3,557,520
\$ 40,710,077	\$ 54,028,392	\$ 94,738,469	\$ 3,371,830

City of Wixom, Michigan

Governmental Funds Balance Sheet June 30, 2013

	General Fund	Special Assessment	Nonmajor Funds	Total
Assets				
Cash and investments (Note 3)	\$ 3,942,446	\$ 156,908	\$ 5,490,286	\$ 9,589,640
Receivables	261,811	2,052,000	127,237	2,441,048
Due from component units	21,428	-	-	21,428
Due from other funds (Note 6)	584,999	-	890,408	1,475,407
Inventory	66,465	-	-	66,465
Prepaid expenses and other assets	126,419	-	-	126,419
Total assets	\$ 5,003,568	\$ 2,208,908	\$ 6,507,931	\$ 13,720,407
Liabilities				
Accounts payable	\$ 391,284	\$ -	\$ 102,984	\$ 494,268
Due to component units (Note 6)	45	-	-	45
Due to other funds (Note 6)	1,497,850	51,000	264,880	1,813,730
Advances from other funds	-	-	442,662	442,662
Accrued salaries	145,011	-	16,672	161,683
Deferred revenue (Note 4)	-	2,052,000	-	2,052,000
Total liabilities	2,034,190	2,103,000	827,198	4,964,388
Fund Balances				
Nonspendable:				
Inventory	66,465	-	-	66,465
Prepays	113,038	-	-	113,038
Restricted:				
Roads	-	-	2,382,463	2,382,463
Debt service	-	105,908	5,472	111,380
Land acquisition	-	-	979,567	979,567
Police forfeitures	-	-	31,665	31,665
Solid waste	-	-	108,880	108,880
Development contracts	-	-	927,974	927,974
Committed:				
Cemetery	-	-	95,036	95,036
Budget stabilization	522,898	-	-	522,898
Assigned - Capital improvements	-	-	1,149,676	1,149,676
Unassigned	2,266,977	-	-	2,266,977
Total fund balances	2,969,378	105,908	5,680,733	8,756,019
Total liabilities and fund balances	\$ 5,003,568	\$ 2,208,908	\$ 6,507,931	\$ 13,720,407

City of Wixom, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2013

Fund Balance Reported in Governmental Funds	\$ 8,756,019
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	39,541,166
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	1,930,000
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(8,000,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(58,305)
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	(750,752)
The liabilities for other postemployment benefits are not reported in the funds	<u>(708,051)</u>
Net Position of Governmental Activities	<u>\$ 40,710,077</u>

City of Wixom, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2013

	General Fund	Special Assessment	Nonmajor Funds	Total
Revenue				
Property taxes	\$ 5,041,429	\$ -	\$ 1,798,709	\$ 6,840,138
Licenses and permits	63,620	-	-	63,620
Federal grants	-	-	69,608	69,608
State-shared revenue and grants	1,085,420	-	739,918	1,825,338
Charges for services	1,170,119	-	555,424	1,725,543
Fines and forfeitures	23,415	-	16,945	40,360
Investment income	25,229	114	3,147	28,490
Rental income	60,386	-	-	60,386
Other revenue	391,363	-	512,316	903,679
Total revenue	7,860,981	114	3,696,067	11,557,162
Expenditures				
Current:				
General government	2,269,733	520	13,017	2,283,270
Public safety	4,170,895	-	25,504	4,196,399
Public works	257,067	51,275	1,215,151	1,523,493
Community and economic development	70,046	-	206,088	276,134
Recreation and culture	740,886	-	-	740,886
Capital outlay	-	-	827,341	827,341
Debt service	-	84,665	1,305,672	1,390,337
Total expenditures	7,508,627	136,460	3,592,773	11,237,860
Excess of Revenue Over (Under)				
Expenditures	352,354	(136,346)	103,294	319,302
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	35,888	-	3,412	39,300
Transfers in (Note 6)	-	-	453,603	453,603
Transfers out (Note 6)	(364,249)	-	(89,354)	(453,603)
Total other financing (uses) sources	(328,361)	-	367,661	39,300
Net Change in Fund Balances	23,993	(136,346)	470,955	358,602
Fund Balances - Beginning of year	2,945,385	242,254	5,209,778	8,397,417
Fund Balances - End of year	<u>\$ 2,969,378</u>	<u>\$ 105,908</u>	<u>\$ 5,680,733</u>	<u>\$ 8,756,019</u>

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, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 358,602
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	848,286
Depreciation expense	(2,971,469)
Loss on disposal of assets	(19,663)
Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	(139,953)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,035,000
Change in accrued interest payable and other	841
Increase 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	(28,145)
Change in OPEB liability	<u>(138,202)</u>
Change in Net Position of Governmental Activities	<u>\$ (1,054,703)</u>

City of Wixom, Michigan

Proprietary Funds Statement of Net Position June 30, 2013

	Enterprise Funds		
	Water	Sewer	Total
Assets			
Current assets:			
Cash and investments (Note 3)	\$ 1,261,582	\$ 6,437,563	\$ 7,699,145
Receivables - Net	707,185	423,362	1,130,547
Due from other funds (Note 6)	607,442	-	607,442
Inventory	19,842	108,380	128,222
Total current assets	2,596,051	6,969,305	9,565,356
Noncurrent assets:			
Advances to other funds (Note 6)	-	442,662	442,662
Capital assets	33,395,856	19,534,997	52,930,853
Total noncurrent assets	33,395,856	19,977,659	53,373,515
Total assets	35,991,907	26,946,964	62,938,871
Liabilities			
Current liabilities:			
Accounts payable	479,351	33,516	512,867
Due to other funds	-	269,119	269,119
Accrued interest payable	50,912	-	50,912
Current portion of long-term debt	1,012,411	-	1,012,411
Total current liabilities	1,542,674	302,635	1,845,309
Noncurrent liabilities:			
Customer deposits	-	535,220	535,220
Long-term debt	6,529,950	-	6,529,950
Total noncurrent liabilities	6,529,950	535,220	7,065,170
Total liabilities	8,072,624	837,855	8,910,479
Net Position			
Net investment in capital assets	25,853,495	19,534,997	45,388,492
Unrestricted	2,065,788	6,574,112	8,639,900
Total net position	<u>\$ 27,919,283</u>	<u>\$ 26,109,109</u>	<u>\$ 54,028,392</u>

City of Wixom, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2013

	Enterprise Funds		
	Water	Sewer	Total
Operating Revenue			
Sale of water	\$ 2,061,536	\$ -	\$ 2,061,536
Sewage disposal charges	-	1,175,989	1,175,989
Interest and penalty charges	111,956	80,349	192,305
Other miscellaneous charges	40,221	75,891	116,112
Total operating revenue	2,213,713	1,332,229	3,545,942
Operating Expenses			
Cost of water	1,764,952	-	1,764,952
Cost of sewage treatment	-	781,160	781,160
Other operating and maintenance costs	443,895	68,404	512,299
Billing and administrative costs	175,630	214,500	390,130
Utilities	-	230,647	230,647
Other miscellaneous charges	-	19,719	19,719
Depreciation	666,319	795,728	1,462,047
Total operating expenses	3,050,796	2,110,158	5,160,954
Operating Loss	(837,083)	(777,929)	(1,615,012)
Nonoperating Revenue (Expenses)			
Property tax revenue	1,185,629	-	1,185,629
Investment income	7,403	28,251	35,654
Interest expense	(212,660)	-	(212,660)
Total nonoperating revenue	980,372	28,251	1,008,623
Income (Loss) - Before contributions	143,289	(749,678)	(606,389)
Capital Contributions			
Benefit fees	25,080	132,364	157,444
Lines donated by developers	69,185	-	69,185
Total capital contributions	94,265	132,364	226,629
Change in Net Position	237,554	(617,314)	(379,760)
Net Position - Beginning of year	27,681,729	26,726,423	54,408,152
Net Position - End of year	<u>\$ 27,919,283</u>	<u>\$ 26,109,109</u>	<u>\$ 54,028,392</u>

City of Wixom, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2013

	Enterprise Funds		
	Water	Sewer	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 2,258,505	\$ 1,319,983	\$ 3,578,488
Disbursements from interfund services	(222,758)	-	(222,758)
Payments to suppliers	(2,381,430)	(1,321,130)	(3,702,560)
Internal activity - Receipts from other funds	-	14,953	14,953
Net cash (used in) provided by operating activities	(345,683)	13,806	(331,877)
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			
Benefit fees	25,080	132,364	157,444
Property taxes (restricted for capital or capital debt)	1,185,629	-	1,185,629
Purchase of capital assets	(65,615)	(36,364)	(101,979)
Principal and interest paid on capital debt	(1,206,935)	-	(1,206,935)
Net cash (used in) provided by capital and related financing activities	(61,841)	96,000	34,159
Cash Flows from Investing Activities - Interest received on investments	7,403	28,251	35,654
Net (Decrease) Increase in Cash and Cash Equivalents	(400,121)	226,589	(173,532)
Cash and Cash Equivalents - Beginning of year	1,661,703	6,210,974	7,872,677
Cash and Cash Equivalents - End of year	<u>\$ 1,261,582</u>	<u>\$ 6,437,563</u>	<u>\$ 7,699,145</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (837,083)	\$ (777,929)	\$ (1,615,012)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	666,319	795,728	1,462,047
Changes in assets and liabilities:			
Receivables	44,792	(12,246)	32,546
Due from others	(222,758)	-	(222,758)
Inventories	(829)	(388)	(1,217)
Accounts payable	3,876	(6,312)	(2,436)
Due to others	-	14,953	14,953
Net cash (used in) provided by operating activities	<u>\$ (345,683)</u>	<u>\$ 13,806</u>	<u>\$ (331,877)</u>

City of Wixom, Michigan

Fiduciary Fund Statement of Fiduciary Net Position - Agency Fund Trust and Agency June 30, 2013

Assets

Cash and cash equivalents	\$ 458,012
Receivables:	
Other receivables	29,239
Due from other governmental units	<u>81,354</u>
Total assets	<u><u>\$ 568,605</u></u>

Liabilities

Due to other governmental units	\$ 152,206
Refundable deposits and bonds	<u>416,399</u>
Total liabilities	<u><u>\$ 568,605</u></u>

City of Wixom, Michigan

Component Units Statement of Net Position June 30, 2013

	Downtown Development Authority	Local Development Finance Authority	Total
Assets			
Cash and investments	\$ 27,552	\$ 3,034,107	\$ 3,061,659
Due from primary government	-	45	45
Capital assets	331,554	-	331,554
Total assets	359,106	3,034,152	3,393,258
Liabilities - Due to primary government			
	21,428	-	21,428
Net Position			
Net investment in capital assets	331,554	-	331,554
Unrestricted	6,124	3,034,152	3,040,276
Total net position	<u>\$ 337,678</u>	<u>\$ 3,034,152</u>	<u>\$ 3,371,830</u>

City of Wixom, Michigan

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority	\$ 394,924	\$ -	\$ -	\$ -
Local Development Finance Authority	3,622	-	-	-
Total component units	\$ 398,546	\$ -	\$ -	\$ -
General revenues:				
Property taxes				
Investment income				
Other miscellaneous income				
Total general revenues				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Component Units
Statement of Activities
Year Ended June 30, 2013**

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
Downtown Development Authority	Local Development Finance Authority	Total
\$ (394,924)	\$ -	\$ (394,924)
<u>-</u>	<u>(3,622)</u>	<u>(3,622)</u>
(394,924)	(3,622)	(398,546)
154,024	-	154,024
69	14,763	14,832
44,000	-	44,000
<u>198,093</u>	<u>14,763</u>	<u>212,856</u>
(196,831)	11,141	(185,690)
<u>534,509</u>	<u>3,023,011</u>	<u>3,557,520</u>
<u>\$ 337,678</u>	<u>\$ 3,034,152</u>	<u>\$ 3,371,830</u>

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

The City of Wixom, Michigan is governed by an elected seven-member council. The accompanying financial statements present the government 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.

- a. **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 eleven 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 revenues.

Note I - Summary of Significant Accounting Policies (Continued)

- b. **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 is the capture of incremental tax revenues of the various taxing units (city, county, community college, and others). The LDFA's governing body, which consists of 22 individuals, is selected by the City Council or appointed by other governmental agencies.

Government-wide and Fund Financial Statements

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

Note I - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, 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 revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following 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.

The City reports the following major proprietary 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.

Additionally, the City reports the following fiduciary activities:

The Agency Fund accounts for assets held by the City in a trustee capacity. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Note I - Summary of Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial 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 revenues reported for the various functions concerned.

Amounts reported as program revenue include: (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. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Funds also recognizes the portion of tap fees intended to recover current costs (i.e., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary 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.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 1, at which time penalties and interest are assessed.

The City's 2012 tax is levied and collectible on July 1, 2012 and is recognized as revenue in the year ended June 30, 2013, when the proceeds of the levy are budgeted and available for the financing of operations.

City of Wixom, Michigan

Notes to Financial Statements June 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2012 adjusted taxable valuation of the City totaled \$632.3 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	7.5429	\$ 4,773,000
Local Road Capital Program Fund - Capital	1.1500	747,000
Safety Path Fund - Capital	.3000	190,000
Major Road Program Fund - Debt	.9000	579,000
Water Fund - Debt	1.8600	1,193,000
DPW and Fire Building Fund - Debt	.4930	317,000
Total	12.2459	\$ 7,799,000

Assets, Liabilities, and Net Position or Equity

Bank Deposits 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.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

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.

Note I - Summary of Significant Accounting Policies (Continued)

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 estimated fair market value at the date of donation.

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

Roads and sidewalks	20 to 30 years
Water and sewer distribution systems	50 to 75 years
Water and sewer treatment facilities	40 to 50 years
Buildings and building improvements	40 to 50 years
Vehicles	3 to 5 years
Office furnishings	5 to 7 years
Other tools and equipment	3 to 7 years
Drain improvements	50 years
Stormwater improvements	30 years

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.

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, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Pension and Other Postemployment Benefit Costs - The City offers both pension and 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, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

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

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Council.
- **Assigned:** Intent to spend resources on specific purposes expressed by the City Council

Note 1 - Summary of Significant Accounting Policies (Continued)

- **Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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.

Implementation of GASB Statement No. 63 - In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The City of Wixom, Michigan implemented this statement during the year ended June 30, 2013.

Note 2 - 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, 2012	\$ (2,112,649)
Current year permit revenue	720,781
Less related costs	<u>533,733</u>
Current year surplus	<u>187,048</u>
Cumulative shortfall at June 30, 2013	<u>\$ (1,925,601)</u>

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

Fund Deficits - At June 30, 2013, the City had no deficits in any of the funds of the City.

Note 3 - Deposits and Investments

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

The 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 \$2,062,081 of bank deposits (certificates of deposit, checking, and savings accounts) of which \$708,599 were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

City of Wixom, Michigan

Notes to Financial Statements June 30, 2013

Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Value	Weighted Average Maturity (Days)
Primary Government		
Certificates of deposit	\$ 563,026	112
U.S. government agency securities	1,990,727	452
Commercial paper	457,546	96
Municipal bonds	2,693,693	201
Local government investment pool	<u>2,587,377</u>	721
Total	<u>\$ 8,292,369</u>	
Component Units		
Certificates of deposit	\$ 174,883	112
U.S. government agency securities	618,345	452
Commercial paper	142,120	96
Municipal bonds	836,695	201
Local government investment pool	<u>1,012,357</u>	721
Total	<u>\$ 2,784,400</u>	

City of Wixom, Michigan

Notes to Financial Statements June 30, 2013

Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Value	Rating	Rating Organization
Primary Government			
Local government investment pool	\$ 2,587,377	N/R	
Commercial paper	457,546	A-I, A-I+	Moody's
Certificates of deposit	563,026	A-I	Moody's
U.S. government agency	1,990,727	AA+	Moody's
Municipal bond	207,811	A	Moody's
Municipal bond	194,112	A+	Moody's
Municipal bond	828,770	AA	Moody's
Municipal bond	634,955	AA-	Moody's
Municipal bond	333,631	AA+	Moody's
Municipal bond	494,414	AAA	Moody's
Total	<u>\$ 8,292,369</u>		
Component Units			
Pooled funds	\$ 1,012,357	N/R	
Commercial paper	142,120	A-I	Moody's
Certificates of deposit	174,883	A-I+	Moody's
U.S. government agency	618,345	AA+	Moody's
Municipal bond	64,549	A	Moody's
Municipal bond	60,294	A+	Moody's
Municipal bond	257,426	AA	Moody's
Municipal bond	197,225	AA-	Moody's
Municipal bond	103,630	AA+	Moody's
Municipal bond	153,571	AAA	Moody's
Total	<u>\$ 2,784,400</u>		

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 (31 percent).

City of Wixom, Michigan

Notes to Financial Statements June 30, 2013

Note 4 - Receivables and Deferred Revenue

The City's receivables, net of allowances for doubtful accounts, are as follows:

	General Fund	Special Assessment	Nonmajor Funds	Total	Business- type Activities	Component Units
Receivables:						
Special assessments receivable	\$ -	\$ 2,052,000	\$ -	\$ 2,052,000	\$ -	\$ -
Receivables from sales to customers on account	-	-	-	-	1,124,341	-
Other receivables	21,270	-	5,268	26,538	6,206	45
Due from other governmental units	240,541	-	121,969	362,510	-	-
Net receivables	<u>\$ 261,811</u>	<u>\$ 2,052,000</u>	<u>\$ 127,237</u>	<u>\$ 2,441,048</u>	<u>\$ 1,130,547</u>	<u>\$ 45</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds	
	Unavailable	Unearned
Special assessments	<u>\$ 2,052,000</u>	<u>\$ 149,000</u>

City of Wixom, Michigan

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets

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

Governmental Activities	Balance July 1, 2012	Additions	Disposals	Balance June 30, 2013
Capital assets not being depreciated - Land	\$ 5,078,786	\$ -	\$ -	\$ 5,078,786
Capital assets being depreciated:				
Roads and sidewalks	60,843,932	528,317	-	61,372,249
Buildings, drains, and improvements	20,823,866	29,677	-	20,853,543
Vehicles	4,261,589	121,742	(116,424)	4,266,907
Machinery and equipment	2,990,379	124,402	-	3,114,781
Furniture and fixtures	902,052	44,148	-	946,200
Subtotal	89,821,818	848,286	(116,424)	90,553,680
Accumulated depreciation:				
Roads and sidewalks	40,080,153	1,954,927	-	42,035,080
Buildings, drains, and improvements	7,306,550	535,200	-	7,841,750
Vehicles	2,823,195	294,644	(96,761)	3,021,078
Machinery and equipment	2,181,582	170,916	-	2,352,498
Furniture and fixtures	825,112	15,782	-	840,894
Subtotal	53,216,592	2,971,469	(96,761)	56,091,300
Net capital assets being depreciated	36,605,226	(2,123,183)	(19,663)	34,462,380
Net capital assets	\$ 41,684,012	\$ (2,123,183)	\$ (19,663)	\$ 39,541,166

City of Wixom, Michigan

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance	Additions	Disposals	Balance
	July 1, 2012			June 30, 2013
Capital assets being depreciated:				
Water and sewer lines	\$ 51,934,218	\$ 161,562	\$ -	\$ 52,095,780
Buildings and improvements	22,634,301	-	-	22,634,301
Machinery and equipment	1,749,209	9,604	-	1,758,813
Office furnishings	68,670	-	-	68,670
Information technology	62,693	-	-	62,693
Subtotal	76,449,091	171,166	-	76,620,257
Accumulated depreciation:				
Water and sewer lines	12,131,463	867,818	-	12,999,281
Buildings and improvements	8,464,422	561,695	-	9,026,117
Machinery and equipment	1,503,510	32,003	-	1,535,513
Office furnishings	68,670	-	-	68,670
Information technology	59,292	531	-	59,823
Subtotal	22,227,357	1,462,047	-	23,689,404
Net capital assets being depreciated	54,221,734	(1,290,881)	-	52,930,853
Net capital assets	<u>\$ 54,221,734</u>	<u>\$ (1,290,881)</u>	<u>\$ -</u>	<u>\$ 52,930,853</u>
Component Units	Balance	Additions	Disposals	Balance
	July 1, 2012			June 30, 2013
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	299,885	22,749	-	322,634
Other tools and equipment	60,913	-	-	60,913
Subtotal	360,798	22,749	-	383,547
Net capital assets being depreciated	200,007	(22,749)	-	177,258
Net capital assets	<u>\$ 354,303</u>	<u>\$ (22,749)</u>	<u>\$ -</u>	<u>\$ 331,554</u>

City of Wixom, Michigan

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 207,066
Public safety		377,542
Public works		2,200,908
Economic development		101,858
Recreation and culture		<u>84,095</u>
	Total governmental activities	<u>\$ 2,971,469</u>
Business-type activities:		
Water		\$ 666,319
Sewer		<u>795,728</u>
	Total business-type activities	<u>\$ 1,462,047</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	Water Fund	\$ 607,442
	Nonmajor governmental funds	<u>890,408</u>
	Total General Fund	1,497,850
Special Assessment Fund	General Fund	51,000
Sewer Fund	General Fund	269,119
Nonmajor governmental funds	General Fund	<u>264,880</u>
	Total	<u>\$ 2,082,849</u>
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Advances from/to Other Funds		
Sewer Fund	Nonmajor governmental funds	<u>\$ 442,662</u>

City of Wixom, Michigan

Notes to Financial Statements June 30, 2013

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

Receivable Fund	Payable Fund	Amount
Due to/from Primary Government and Component Units		
General Fund	Downtown Development Authority	\$ 21,428
Local Development Authority	General Fund	<u>45</u>
	Total	<u>\$ 21,473</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	Capital Improvement Fund (a nonmajor governmental fund)	\$ 364,249
Nonmajor governmental fund - Major Road Fund	Local Road Fund (a nonmajor governmental fund)	<u>89,354</u>
	Total	<u>\$ 453,603</u>

The General Fund transferred \$364,249 to the Capital Improvement Fund for various capital purchases and projects. The Major Road Fund transferred \$89,354 to the Local Road Fund for maintenance of local roads.

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 the Oakland County.

City of Wixom, Michigan

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

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							
General obligations:							
2009 refunding bonds	2.75% - 3.00%	\$250,000 - \$815,000	\$ 1,890,000	\$ -	\$ 825,000	\$ 1,065,000	\$ 815,000
DDA/VCA development bonds	4.00% - 4.15%	\$210,000 - \$450,000	5,215,000	-	210,000	5,005,000	230,000
Contractual obligation with Oakland County - Special assessment bonds	3.50% - 4.40%	\$100,000 - \$200,000	1,930,000	-	-	1,930,000	100,000
Total bonds payable			9,035,000	-	1,035,000	8,000,000	1,145,000
Accumulated compensated absences			722,607	561,461	533,316	750,752	600,602
Total governmental activities			<u>\$ 9,757,607</u>	<u>\$ 561,461</u>	<u>\$ 1,568,316</u>	<u>\$ 8,750,752</u>	<u>\$ 1,745,602</u>

Total 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%	\$162,637 - \$207,230	\$ 1,656,622	\$ -	\$ 197,592	\$ 1,459,030	\$ 202,411
Water SRF Series 2	2.50%	\$335,000 - \$390,000	2,850,000	-	325,000	2,525,000	335,000
Water SRF Series 3	2.50%	\$453,331	3,343,331	-	380,000	2,963,331	390,000
Water Series 4	4.90% - 5.15%	\$85,000	680,000	-	85,000	595,000	85,000
Total business-type activities			<u>\$ 8,529,953</u>	<u>\$ -</u>	<u>\$ 987,592</u>	<u>\$ 7,542,361</u>	<u>\$ 1,012,411</u>

City of Wixom, Michigan

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

Total interest expense for the year was approximately \$563,000. 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
2014	\$ 1,145,000	\$ 311,439	\$ 1,456,439	\$ 1,012,411	\$ 192,054	\$ 1,204,465
2015	625,000	275,450	900,450	1,032,230	164,456	1,196,686
2016	420,000	253,388	673,388	1,057,049	136,300	1,193,349
2017	435,000	236,963	671,963	1,081,869	107,396	1,189,265
2018	455,000	219,563	674,563	1,121,507	77,866	1,199,373
2019-2023	2,725,000	801,850	3,526,850	2,237,295	64,123	2,301,418
2024-2027	2,195,000	211,612	2,406,612	-	-	-
Total	<u>\$ 8,000,000</u>	<u>\$ 2,310,265</u>	<u>\$ 10,310,265</u>	<u>\$ 7,542,361</u>	<u>\$ 742,195</u>	<u>\$ 8,284,556</u>

No Commitment Debt - Excluded from the recorded debt are bonds issued under the Industrial Development Revenue Bond Act of 1963, as amended, which authorizes municipalities to acquire and lease industrial sites, buildings, and equipment. Also excluded are revenue bonds issued by the Economic Development Corporation to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements.

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.

Note 8 - Risk Management (Continued)

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 \$16,700 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 the Michigan Municipal Employees' Retirement System (the "System"), an agent multiple-employer defined benefit pension plan that covers substantially all employees of the City. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Note 10 - Defined Benefit Pension Plan (Continued)

Funding Policy - The obligation to contribute to and maintain the System for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees ranging from 0 percent to 6.26 percent.

Annual Pension Cost - For the year ended June 30, 2013, the City's annual pension cost of \$772,277 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2010, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.50 percent per year, and (c) 2.50 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 1 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 26 years.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2013	2012	2011
Annual pension cost (APC)	\$ 772,277	\$ 784,321	\$ 895,324
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -

	Fiscal Year Ended June 30		
	2012	2011	2010
Actuarial value of assets	\$ 17,544,959	\$ 16,733,415	\$ 15,626,627
Actuarial accrued liability (AAL) (entry age)	\$ 26,569,541	\$ 24,753,941	\$ 22,994,104
Unfunded AAL (UAAL)	\$ 9,014,582	\$ 8,020,526	\$ 7,367,487
Funded ratio	66.0 %	67.6 %	68.0 %
Covered payroll	\$ 2,909,364	\$ 3,330,365	\$ 3,509,348
UAAL as a percentage of covered payroll	309.8 %	240.8 %	209.9 %

Note 11 - 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 12 - Other Postemployment Benefits

Plan Description - The City provides retiree healthcare benefits to eligible employees and their spouses. Currently, the plan has 61 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. However, as shown below, the City has made contributions to advance-fund these benefits, as determined by the City Council through annual budget resolutions.

City of Wixom, Michigan

Notes to Financial Statements June 30, 2013

Note 12 - Other Postemployment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer. The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC 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 (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the net OPEB obligation:

Annual required contribution (recommended)	\$ 651,658
Interest on the prior year's net OPEB obligation	<u>10,906</u>
Annual OPEB cost	662,564
Amounts contributed:	
Payments of current premiums	(114,991)
Advance funding	<u>(409,371)</u>
Increase in net OPEB obligation	138,202
OPEB obligation - Beginning of year	<u>569,849</u>
OPEB obligation - End of year	<u>\$ 708,051</u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
6/30/11	\$ 623,623	54.6 %	\$ 155,398
6/30/12	652,942	26.0	578,037
6/30/13	662,564	79.1	708,051

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

Note 12 - Other Postemployment Benefits (Continued)

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.

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.

In the June 30, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets. 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:

Retirement Age for Active Employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62 or at the first subsequent year in which the member would qualify for benefits.

Marital Status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on RP2000 Mortality Tables for males and females projected 10 years.

Turnover - Standard turnover assumptions were used from GASB Statement No. 45 paragraph 35b.

Healthcare Cost Trend Rate - Healthcare cost trend rates used in the analysis were developed consistent with the Getzen model promulgated by the Society of Actuaries for use in long-term trend projections. A rate for healthcare costs of 7.0 percent and pharmacy costs of 8.0 percent initially, reduced to an ultimate rate of 4.7 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.

Note 12 - Other Postemployment Benefits (Continued)

Payroll Growth Rate - The expected long-term payroll growth rate was assumed to be 2.0 percent.

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 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 \$16,746 in captured revenue for the Brownfield Redevelopment Authority during fiscal year 2013.

Note 14 - Upcoming Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the City as of fiscal year 2014.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. 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 financial statements for the year ending June 30, 2015.

Required Supplemental Information

City of Wixom, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,192,228	\$ 5,192,228	\$ 5,041,429	\$ (150,799)
Licenses and permits	73,600	73,600	63,620	(9,980)
State-shared revenue and grants	1,043,035	1,057,306	1,085,420	28,114
Charges for services	723,630	1,125,286	1,170,119	44,833
Fines and forfeitures	35,000	35,000	23,415	(11,585)
Investment income	50,000	50,000	21,087	(28,913)
Rental income	40,500	40,500	60,386	19,886
Other revenue	333,649	346,883	391,363	44,480
Total revenue	7,491,642	7,920,803	7,856,839	(63,964)
Expenditures - Current				
General government:				
Legislative	15,876	15,876	12,216	3,660
City Manager	492,381	488,230	474,979	13,251
Financial administration	412,282	404,601	386,167	18,434
Information systems	125,474	115,247	111,282	3,965
Assessing	160,979	164,973	158,984	5,989
Board of Review	1,150	1,650	5,162	(3,512)
Clerk	173,635	181,633	191,940	(10,307)
Building maintenance	61,410	61,410	39,461	21,949
Legal counsel and assistance	58,900	78,900	61,698	17,202
OPEB contribution	-	409,371	409,371	-
General operating	557,591	472,012	418,473	53,539
Total general government	2,059,678	2,393,903	2,269,733	124,170
Public safety:				
Police	3,119,687	3,107,101	2,910,728	196,373
Fire	867,430	871,053	796,477	74,576
Building	406,871	472,507	463,690	8,817
Total public safety	4,393,988	4,450,661	4,170,895	279,766
DPW	427,517	445,213	257,067	188,146
Community and economic development -				
Planning, zoning, and related	39,500	73,483	70,046	3,437
Recreation and culture:				
Community service	450,049	458,862	419,146	39,716
Cultural center	305,778	307,292	265,886	41,406
Senior citizen committee	60,391	60,392	55,854	4,538
Total recreation and culture	816,218	826,546	740,886	85,660
Total expenditures	7,736,901	8,189,806	7,508,627	681,179
Excess of Revenue (Under) Over Expenditures	(245,259)	(269,003)	348,212	617,215
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	9,000	9,000	35,888	26,888
Transfers in	600,508	600,508	600,508	-
Transfers out	(364,249)	(392,886)	(364,249)	28,637
Total other financing sources	245,259	216,622	272,147	55,525
Net Change in Fund Balance	-	(52,381)	620,359	672,740
Fund Balance - Beginning of year	1,826,122	1,826,122	1,826,122	-
Fund Balance - End of year	<u>\$ 1,826,122</u>	<u>\$ 1,773,741</u>	<u>\$ 2,446,481</u>	<u>\$ 672,740</u>

City of Wixom, Michigan

Note to Required Supplemental Information Year Ended June 30, 2013

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 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, 2013

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

	Total Revenue	Total Expenditures	Operating Transfers In
Amounts per operating statement	\$ 7,860,981	\$ 7,508,627	\$ -
Budget Stabilization Fund revenue	(4,142)	-	-
Budget Stabilization Fund operating transfer to General Fund	-	-	600,508
Amounts per budget statement	\$ 7,856,839	\$ 7,508,627	\$ 600,508

The City did not have significant expenditure budget variances except for:

	Budget	Actual	Variance
Board of Review	\$ 1,650	\$ 5,162	\$ (3,512)
Clerk	181,633	191,940	(10,307)

Other Supplemental Information

City of Wixom, Michigan

Special Revenue Funds						
	Community Development	Major Road Act 51	Local Road Act 51	Land Acquisition	Forfeiture	Safety Path
Assets						
Cash and investments	\$ -	\$ -	\$ -	\$ 979,567	\$ 32,465	\$ 119,743
Receivables:						
Other receivables	-	-	-	-	-	-
Due from other governmental units	-	85,566	36,403	-	-	-
Due from other funds	-	-	-	-	600	-
Total assets	\$ -	\$ 85,566	\$ 36,403	\$ 979,567	\$ 33,065	\$ 119,743
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,400	\$ 2,024
Due to other funds	-	85,566	36,403	-	-	3,773
Advances from other funds	-	-	-	-	-	-
Accrued liabilities and other	-	-	-	-	-	-
Total liabilities	-	85,566	36,403	-	1,400	5,797
Fund Balances						
Nonspendable:						
Restricted:						
Roads and bike paths	-	-	-	-	-	113,946
Debt service	-	-	-	-	-	-
Land acquisition	-	-	-	979,567	-	-
Police forfeitures	-	-	-	-	31,665	-
Solid waste	-	-	-	-	-	-
Development contracts	-	-	-	-	-	-
Committed - Cemetery	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Total fund balances	-	-	-	979,567	31,665	113,946
Total liabilities and fund balances	\$ -	\$ 85,566	\$ 36,403	\$ 979,567	\$ 33,065	\$ 119,743

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

Special Revenue Funds			Debt Service Funds			Capital Projects Funds			Total
Solid Waste	Special Agency	Cemetery	Major Road Debt	DPW and Fire Building	Development Debt	Capital Improvement	Major Road Capital Program	Local Road Capital Program	Nonmajor Governmental Funds
\$ 141,116	\$ 53,143	\$ 94,436	\$ 28,452	\$ 12,904	\$ 11	\$ 1,716,168	\$ 764,635	\$ 1,547,646	\$ 5,490,286
5,268	-	-	-	-	-	-	-	-	5,268
-	888,955	600	-	-	253	-	-	-	121,969
<u>\$ 146,384</u>	<u>\$ 942,098</u>	<u>\$ 95,036</u>	<u>\$ 28,452</u>	<u>\$ 12,904</u>	<u>\$ 264</u>	<u>\$ 1,716,168</u>	<u>\$ 764,635</u>	<u>\$ 1,547,646</u>	<u>\$ 6,507,931</u>
\$ 37,443	\$ 14,124	\$ -	\$ -	\$ -	\$ -	\$ 25,999	\$ -	\$ 21,994	\$ 102,984
61	-	-	22,560	4,577	-	97,831	-	14,109	264,880
-	-	-	-	-	-	442,662	-	-	442,662
-	-	-	5,892	3,119	-	-	-	7,661	16,672
37,504	14,124	-	28,452	7,696	-	566,492	-	43,764	827,198
-	-	-	-	-	-	-	764,635	1,503,882	2,382,463
-	-	-	-	5,208	264	-	-	-	5,472
-	-	-	-	-	-	-	-	-	979,567
-	-	-	-	-	-	-	-	-	31,665
108,880	-	-	-	-	-	-	-	-	108,880
-	927,974	-	-	-	-	-	-	-	927,974
-	-	95,036	-	-	-	-	-	-	95,036
-	-	-	-	-	-	1,149,676	-	-	1,149,676
<u>108,880</u>	<u>927,974</u>	<u>95,036</u>	<u>-</u>	<u>5,208</u>	<u>264</u>	<u>1,149,676</u>	<u>764,635</u>	<u>1,503,882</u>	<u>5,680,733</u>
<u>\$ 146,384</u>	<u>\$ 942,098</u>	<u>\$ 95,036</u>	<u>\$ 28,452</u>	<u>\$ 12,904</u>	<u>\$ 264</u>	<u>\$ 1,716,168</u>	<u>\$ 764,635</u>	<u>\$ 1,547,646</u>	<u>\$ 6,507,931</u>

City of Wixom, Michigan

	Special Revenue Funds					
	Community Development	Major Road Act 51	Local Road Act 51	Land Acquisition	Forfeiture	Safety Path
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 187,701
Federal grants	67,864	-	-	-	-	-
State-shared revenue and grants	-	516,786	219,858	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	16,945	-
Investment income	-	-	-	573	24	81
Other revenue	-	-	-	100	-	-
Total revenue	67,864	516,786	219,858	673	16,969	187,782
Expenditures						
Current:						
General government	-	-	-	622	-	-
Public safety	-	-	-	-	22,984	-
Public works	-	427,432	309,212	-	-	-
Community and economic development	67,864	-	-	-	-	-
Capital outlay	-	-	-	2,759	-	73,836
Debt service	-	-	-	-	-	-
Total expenditures	67,864	427,432	309,212	3,381	22,984	73,836
Excess of Revenue Over (Under) Expenditures	-	89,354	(89,354)	(2,708)	(6,015)	113,946
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	-	-	-	3,412	-	-
Transfers in	-	-	89,354	-	-	-
Transfers out	-	(89,354)	-	-	-	-
Total other financing (uses) sources	-	(89,354)	89,354	3,412	-	-
Net Change in Fund Balances	-	-	-	704	(6,015)	113,946
Fund Balances - Beginning of year	-	-	-	978,863	37,680	-
Fund Balances - End of year	\$ -	\$ -	\$ -	\$ 979,567	\$ 31,665	\$ 113,946

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013

Special Revenue Funds			Debt Service Funds			Capital Projects Funds			Total
Solid Waste	Special Agency	Cemetery	Major Road Debt	DPW and Fire Building	Development Debt	Capital Improvement	Major Road Capital Program	Local Road Capital Program	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 574,387	\$ 314,160	\$ -	\$ -	\$ -	\$ 722,461	\$ 1,798,709
-	-	-	-	-	-	1,744	-	-	69,608
-	3,274	-	-	-	-	-	-	-	739,918
474,455	75,869	5,100	-	-	-	-	-	-	555,424
-	-	-	-	-	-	-	-	-	16,945
168	31	51	206	114	1	604	444	850	3,147
6,214	15,250	-	-	-	371,162	-	3,000	116,590	512,316
<u>480,837</u>	<u>94,424</u>	<u>5,151</u>	<u>574,593</u>	<u>314,274</u>	<u>371,163</u>	<u>2,348</u>	<u>3,444</u>	<u>839,901</u>	<u>3,696,067</u>
-	61	260	11,035	520	519	-	-	-	13,017
-	2,520	-	-	-	-	-	-	-	25,504
475,535	-	2,972	-	-	-	-	-	-	1,215,151
-	138,224	-	-	-	-	-	-	-	206,088
-	-	-	563,558	312,080	420,735	197,082	13,696	539,968	827,341
-	-	-	-	-	-	9,299	-	-	1,305,672
<u>475,535</u>	<u>140,805</u>	<u>3,232</u>	<u>574,593</u>	<u>312,600</u>	<u>421,254</u>	<u>206,381</u>	<u>13,696</u>	<u>539,968</u>	<u>3,592,773</u>
5,302	(46,381)	1,919	-	1,674	(50,091)	(204,033)	(10,252)	299,933	103,294
-	-	-	-	-	-	-	-	-	3,412
-	-	-	-	-	-	364,249	-	-	453,603
-	-	-	-	-	-	-	-	-	(89,354)
-	-	-	-	-	-	364,249	-	-	367,661
5,302	(46,381)	1,919	-	1,674	(50,091)	160,216	(10,252)	299,933	470,955
<u>103,578</u>	<u>974,355</u>	<u>93,117</u>	<u>-</u>	<u>3,534</u>	<u>50,355</u>	<u>989,460</u>	<u>774,887</u>	<u>1,203,949</u>	<u>5,209,778</u>
<u>\$ 108,880</u>	<u>\$ 927,974</u>	<u>\$ 95,036</u>	<u>\$ -</u>	<u>\$ 5,208</u>	<u>\$ 264</u>	<u>\$ 1,149,676</u>	<u>\$ 764,635</u>	<u>\$ 1,503,882</u>	<u>\$ 5,680,733</u>