

# **City of Wixom, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2017**

# City of Wixom, Michigan

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## Contents

<b>Report Letter</b>	1-2
<b>Management's Discussion and Analysis</b>	3-9
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11-12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13
Reconciliation of the Balance Sheet to the Statement of Net Position	14
Statement of Revenue, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Proprietary Funds:	
Statement of Net Position	17
Statement of Revenue, Expenses, and Changes in Net Position	18
Statement of Cash Flows	19
Fiduciary Funds - Statement of Fiduciary Assets and Liabilities - Agency Fund - Trust and Agency	20
Component Units:	
Statement of Net Position	21
Statement of Activities	22-23
Notes to Financial Statements	24-56
<b>Required Supplemental Information</b>	57
Budgetary Comparison Schedule - General Fund	58
Note to Required Supplemental Information	59-60
OPEB System Schedule of Funding Progress	61
Pension System Schedules:	
Schedule of Changes in the City Net Pension Liability and Related Ratios	62
Schedule of City Contributions	63

# City of Wixom, Michigan

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## Contents (Continued)

<b>Other Supplemental Information</b>	64
Nonmajor Governmental Funds:	
Combining Balance Sheet	65-66
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	67-68
Local Development Finance Authority:	
Balance Sheet	69
Schedule of Revenue, Expenditures, and Changes in Fund Balance	70

## 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, 2017 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, 2017 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

**Other Matters**

*Required Supplemental Information*

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

*Other Information*

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

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

*Plante & Moran, PLLC*

November 21, 2017

# City of Wixom, Michigan

## Management's Discussion and Analysis

The purpose of this section of the City of Wixom, Michigan's (the "City") financial report for the fiscal year ended June 30, 2017 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

The following represents the most significant financial highlights for the year ended June 30, 2017:

- The City's governmental net position increased by \$542,296.
- Property tax revenue decreased, primarily due to the results of the 2014 election which reduced or eliminated personal property taxes for certain businesses in Michigan. This revenue decrease was partially offset by a reimbursement from the Local Community Stabilization Authority, reflected in the increase to State-shared revenue.
- The City increased its General Fund fund balance by \$904,629 this year. This result is in line with additions to fund balance over the past four years (\$1.27 million increase in 2016, \$1.3 million increase in 2015, \$1.5 million increase in 2014, and a \$.3 million increase in 2013). This increase in fund balance was positively impacted by prudent cost-cutting measures in all departments which have included outsourcing and attrition. The City also continued its practice of making contributions to the Budget Stabilization Fund in preparation for negative, unforeseen events and/or to address needed capital improvements.

### 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 taxpayer 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			
	2015	2016	2017	Change
<b>Assets</b>				
Cash and investments	\$ 12,341,238	\$ 13,577,790	\$ 15,327,452	\$ 1,749,662
Receivables and other current assets	2,452,298	2,631,367	3,469,516	838,149
Capital assets	<u>36,794,714</u>	<u>36,010,455</u>	<u>34,774,994</u>	<u>(1,235,461)</u>
Total assets	51,588,250	52,219,612	53,571,962	1,352,350
<b>Deferred Outflows of Resources -</b>				
Pension costs	715,022	3,233,817	1,915,865	(1,317,952)
<b>Liabilities</b>				
Current liabilities	1,034,479	1,763,482	1,393,593	(369,889)
Long-term liabilities	<u>18,584,761</u>	<u>21,354,166</u>	<u>21,216,157</u>	<u>(138,009)</u>
Total liabilities	<u>19,619,240</u>	<u>23,117,648</u>	<u>22,609,750</u>	<u>(507,898)</u>
<b>Net Position</b>				
Net investment in capital assets	30,443,747	30,105,585	29,331,221	(774,364)
Restricted	6,970,265	5,097,041	6,410,776	1,313,735
Unrestricted	<u>(4,729,980)</u>	<u>(2,866,845)</u>	<u>(2,863,920)</u>	<u>2,925</u>
Total net position	<u>\$ 32,684,032</u>	<u>\$ 32,335,781</u>	<u>\$ 32,878,077</u>	<u>\$ 542,296</u>

The governmental net position increased approximately 1.6 percent from a year ago, from \$32.3 million to \$32.8 million. Unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased by \$2,925.

# 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			Change
	2015	2016	2017	
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 2,340,370	\$ 2,793,373	\$ 3,033,739	\$ 240,366
Operating grants	944,256	1,226,419	2,599,283	1,372,864
Capital grants	254,647	82,412	77,075	(5,337)
General revenue:				
Property taxes	8,598,606	8,614,108	8,494,226	(119,882)
State-shared revenue	1,087,013	1,221,050	1,485,853	264,803
Investment earnings	18,470	54,330	89,646	35,316
Other revenue	898,754	694,930	1,353,163	658,233
Total revenue	14,142,116	14,686,622	17,132,985	2,446,363
<b>Program Expenses</b>				
General government	1,110,358	2,686,572	3,802,924	1,116,352
Public safety	4,995,556	5,592,193	5,839,747	247,554
Public works	4,693,844	5,091,041	5,075,317	(15,724)
Community and economic development	646,895	691,669	790,721	99,052
Recreation and cultural	617,092	778,900	905,224	126,324
Interest on long-term debt	317,804	194,498	176,756	(17,742)
Total expenses	12,381,549	15,034,873	16,590,689	1,555,816
<b>Change in Net Position</b>	<b>\$ 1,760,567</b>	<b>\$ (348,251)</b>	<b>\$ 542,296</b>	<b>\$ 890,547</b>

The City's property tax revenue decreased primarily due to the phase out of a portion of personal property taxes, while State-shared revenue reflects an increase due to the partially offsetting reimbursement from the Local Community Stabilization Fund (both items were previously mentioned in the financial highlights section). The City continues to collect an additional 3.5 mill supplemental operating millage. This millage collection was separately approved by voters in November 2012 and renewed in November 2016 for up to 3.5 mills. Additional revenue collected over expenditures is allocated to budget stabilization to be utilized for future unforeseen expenses or to make needed capital improvements. The City continues to evaluate and implement cost-cutting measures and develop and implement a City-wide, 10-year capital improvement plan.

The cost of providing governmental services increased by approximately \$1.6 million compared to the prior year. This can generally be attributed to overall cost of service increases, personnel cost increases, an increase to the recording of the GASB pension and depreciation expenses, and activity related to the trailway purchase which was offset by incoming grant revenue.



# 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			
	2015	2016	2017	Change
<b>Assets</b>				
Cash and investments	\$ 7,490,554	\$ 7,534,021	\$ 7,163,155	\$ (370,866)
Receivables and other current assets	1,839,849	2,452,260	2,132,037	(320,223)
Capital assets	<u>50,593,189</u>	<u>51,320,292</u>	<u>53,265,847</u>	<u>1,945,555</u>
Total assets	<u>59,923,592</u>	<u>61,306,573</u>	<u>62,561,039</u>	<u>1,254,466</u>
<b>Liabilities</b>				
Current liabilities	711,953	1,790,382	2,215,736	425,354
Long-term liabilities	<u>6,033,237</u>	<u>3,895,129</u>	<u>2,775,835</u>	<u>(1,119,294)</u>
Total liabilities	<u>6,745,190</u>	<u>5,685,511</u>	<u>4,991,571</u>	<u>(693,940)</u>
<b>Net Position</b>				
Net investment in capital assets	45,095,469	46,879,621	49,907,045	3,027,424
Unrestricted	<u>8,082,933</u>	<u>8,741,441</u>	<u>7,662,423</u>	<u>(1,079,018)</u>
Total net position	<u><b>\$ 53,178,402</b></u>	<u><b>\$ 55,621,062</b></u>	<u><b>\$ 57,569,468</b></u>	<u><b>\$ 1,948,406</b></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 Great Lakes Water Authority and provides sewage treatment through a City-owned wastewater treatment plant. The Water and Sewer Funds are healthy, with unrestricted net position approximately 1.25 times annual program expenses.

# City of Wixom, Michigan

## Management's Discussion and Analysis (Continued)

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

	Business-type Activities			Change
	2015	2016	2017	
<b>Water</b>				
Charges for services	\$ 2,316,442	\$ 2,688,289	\$ 3,274,695	\$ 586,406
Grants and contributions	45,385	1,311,948	355,173	(956,775)
State-shared revenue and grants	-	-	-	-
Program expenses	<u>(3,278,319)</u>	<u>(3,758,043)</u>	<u>(3,985,245)</u>	<u>(227,202)</u>
Net program expense	(916,492)	242,194	(355,377)	(597,571)
<b>Sewer</b>				
Charges for services	1,352,302	1,670,158	1,921,124	250,966
Grants and contributions	233,065	1,517,948	1,088,719	(429,229)
Program expenses	<u>(2,260,467)</u>	<u>(2,244,383)</u>	<u>(2,167,173)</u>	<u>77,210</u>
Net program expense	(675,100)	943,723	842,670	(101,053)
<b>General Revenue</b>				
Property taxes	1,226,402	1,197,956	1,149,069	(48,887)
Investment income	35,207	58,787	54,659	(4,128)
Other misc income	-	-	257,385	257,385
<b>Change in Net Position</b>	<b><u>\$ (329,983)</u></b>	<b><u>\$ 2,442,660</u></b>	<b><u>\$ 1,948,406</u></b>	<b><u>\$ (494,254)</u></b>

Over several years, the City set its sewer rates lower than its cost to provide services. This was due primarily to the strong financial position of the Sewer Fund. During 2017, the City entered its fourth year of implementation of a financial master plan for the water and sewer system. This plan will allow the City to evaluate and set its rates in line with its cost to provide services.

The fund financial statements provide detailed information about the most significant funds of the City. 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 2017 include the General Fund, the Special Assessment Fund, and the Local Road Capital 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 \$4.9 million in 2017, and general government, which incurred expenditures of approximately \$2.8 million. The General Fund ended the year with approximately \$2.5 million of unrestricted fund balance, which represents 27 percent of annual expenditures excluding transfers.

# **City of Wixom, Michigan**

## **Management's Discussion and Analysis (Continued)**

The Special Assessment Fund accounts for the Tribute drain improvements in the Village Center Area completed in 2006 and the related special assessment on property owners that is intended to fund a portion of those improvements. Fiscal year 2017 was the fourth year the City has been billing the annual assessments since the reinstatement of charges to properties. For fiscal year 2008 through fiscal year 2012, the City utilized unspent bond proceeds to make the annual bond payments.

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

### **General Fund Budgetary Highlights**

Over the course of the year, the City amended the budget to address actual results during the year. The most significant changes were a \$534,600 increase to estimated building permit revenue and an associated \$357,500 increase to building official contract expense to reflect increased activity in the City. Local Community Stabilization Fund appropriations were increased by \$150,459 to account for reimbursements from the State of Michigan for decreases in personal property taxes. Total expenditures overall were \$549,607 below the amended budget.

### **Capital Asset and Debt Administration**

At the end of 2017, the City had \$88 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 City Hall carpeting, a City-wide phone system, police vehicles, and a loader for the DPW department. In addition, significant investments were allocated to roads within the City. The debt balances related to the acquisition and construction of these assets at June 30, 2017 were approximately \$8.8 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 City is home to a strong mix of residential, manufacturing, office, service, technology, and retail/recreational centers. This rich, diverse tax base allows the City to provide an attractive, stable environment for new investment and also reduces the impact of adverse economic cycles. A total of 41 percent of the 2017 tax roll is residential, including single family and multi-family homes. The remaining 59 percent is nonresidential, comprised of 43 percent commercial and industrial and 16 percent personal property. The City is approximately 82 percent developed.

The region, which includes the City of Wixom and the surrounding area of Oakland County, has 14.57 percent of all people employed in Michigan. More than 626,000 people work in Oakland County's business establishments and government agencies, with 57 percent of Global Fortune 500 companies having at least one business location in Oakland County. The City continues to attract businesses of national and international importance.

# **City of Wixom, Michigan**

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## **Management's Discussion and Analysis (Continued)**

It is estimated that future taxable values will continue to rise as new developments are constructed. The estimated increase in taxable value over the next two years is budgeted at approximately 7 percent and is a conservative estimate. The five-year budget plan is continually updated to reflect the most accurate projections and facilitate effective planning for future needs.

During fiscal year 2016-2017, new construction, commercial and residential developments, build-outs, and full-scale commercial remodeling continued at a brisk pace. This is strong, real-world evidence of the high level of confidence that businesses and developers have in Wixom. A total of 73 new single-family residential homes and condominium units were started in the VCA-Anthem at Tribute development by Robertson Homes LLC. This project will support additional future development within the downtown. Several Wixom businesses, including Adept Plastics, ALDI's Food Store, ANCA, At-Home Retail Store, BKG Ryan LLC - TREMEC, Hampton Inn, Alpha Drive multi-tenant retail complex, Sears Home Improvement, SMJ International, Style-Rite, Uber, and Zimmerman, began construction on either needed expansions or new buildings. These expansions and new construction will create additional jobs within the City.

### **Contacting the City's Management**

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

# City of Wixom, Michigan

## Statement of Net Position June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 15,327,452	\$ 7,163,155	\$ 22,490,607	\$ 2,636,155
Receivables - Net	2,017,997	2,360,204	4,378,201	-
Due from component units	50,291	-	50,291	-
Internal balances (Note 5)	361,476	(361,476)	-	-
Inventory	65,250	133,309	198,559	-
Prepaid expenses and other assets	144,744	-	144,744	-
Net OPEB asset (Note 10)	829,758	-	829,758	-
Capital assets (Note 4):				
Assets not subject to depreciation	4,698,574	-	4,698,574	154,296
Assets subject to depreciation	30,076,420	53,265,847	83,342,267	100,355
Total assets	53,571,962	62,561,039	116,133,001	2,890,806
<b>Deferred Outflows of Resources -</b>				
Deferred pension costs (Note 9)	1,915,865	-	1,915,865	-
<b>Liabilities</b>				
Accounts payable	716,535	1,071,568	1,788,103	431,923
Due to primary government	-	-	-	50,291
Refundable deposits, bonds, etc.	61	-	61	-
Accrued salaries and other	259,034	22,661	281,695	-
Unearned revenue	417,963	-	417,963	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	81,826	-	81,826	-
Current portion of long-term debt (Note 6)	476,097	1,121,507	1,597,604	-
Due in more than one year:				
Compensated absences (Note 6)	716,339	-	716,339	-
Refundable escrow deposits	-	538,540	538,540	-
Net pension liability (Note 9)	14,974,219	-	14,974,219	-
Long-term debt	4,967,676	2,237,295	7,204,971	-
Total liabilities	22,609,750	4,991,571	27,601,321	482,214
<b>Net Position</b>				
Net investment in capital assets	29,331,221	49,907,045	79,238,266	254,651
Restricted for:				
Roads and bike paths	3,029,195	-	3,029,195	-
Debt service	40,064	-	40,064	-
Land acquisition	1,466,021	-	1,466,021	-
Police forfeitures	80,559	-	80,559	-
Solid waste	84,356	-	84,356	-
Building and development	861,777	-	861,777	-
PEG fees	19,046	-	19,046	-
Retiree health care	829,758	-	829,758	-
Unrestricted	(2,863,920)	7,662,423	4,798,503	2,153,941
Total net position	<u>\$ 32,878,077</u>	<u>\$ 57,569,468</u>	<u>\$ 90,447,545</u>	<u>\$ 2,408,592</u>

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

# City of Wixom, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 3,802,924	\$ 587,488	\$ 1,256,143	\$ -
Public safety	5,839,747	74,424	5,408	-
Public works	5,075,317	788,232	1,036,312	77,075
Community and economic development:				
Redevelopment and housing	556,477	1,415,582	-	-
Planning, zoning, and related	119,499	-	-	-
Other community and economic development	114,745	589	110,558	-
Recreation and culture	905,224	167,424	14,106	-
Interest on long-term debt	176,756	-	176,756	-
<b>Total governmental activities</b>	<b>16,590,689</b>	<b>3,033,739</b>	<b>2,599,283</b>	<b>77,075</b>
Business-type activities:				
Water	3,985,245	3,274,695	-	355,173
Wastewater	2,167,173	1,921,124	-	1,088,719
<b>Total business-type activities</b>	<b>6,152,418</b>	<b>5,195,819</b>	<b>-</b>	<b>1,443,892</b>
<b>Total primary government</b>	<b>\$ 22,743,107</b>	<b>\$ 8,229,558</b>	<b>\$ 2,599,283</b>	<b>\$ 1,520,967</b>
<b>Component units:</b>				
Downtown Development Authority	\$ 300,195	\$ -	\$ -	\$ -
Local Development Finance Authority	965,699	-	-	-
<b>Total component units</b>	<b>\$ 1,265,894</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>General revenue:</b>				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Gain on sale of fixed assets				
<b>Total general revenue</b>				
<b>Special Items</b>				
<b>Transfers</b>				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

## Statement of Activities Year Ended June 30, 2017

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,959,293)	\$ -	\$ (1,959,293)	\$ -
(5,759,915)	-	(5,759,915)	-
(3,173,698)	-	(3,173,698)	-
859,105	-	859,105	-
(119,499)	-	(119,499)	-
(3,598)	-	(3,598)	-
(723,694)	-	(723,694)	-
-	-	-	-
(10,880,592)	-	(10,880,592)	-
-	(355,377)	(355,377)	-
-	842,670	842,670	-
-	487,293	487,293	-
(10,880,592)	487,293	(10,393,299)	-
-	-	-	(300,195)
-	-	-	(965,699)
-	-	-	(1,265,894)
8,494,226	1,149,069	9,643,295	269,144
1,485,853	-	1,485,853	3,678
89,646	54,659	144,305	19,106
250,568	-	250,568	-
154,398	208,712	363,110	26,538
38,195	-	38,195	-
10,512,886	1,412,440	11,925,326	318,466
958,675	-	958,675	-
(48,673)	48,673	-	-
542,296	1,948,406	2,490,702	(947,428)
32,335,781	55,621,062	87,956,843	3,356,020
<b>\$ 32,878,077</b>	<b>\$ 57,569,468</b>	<b>\$ 90,447,545</b>	<b>\$ 2,408,592</b>

# City of Wixom, Michigan

## Governmental Funds Balance Sheet June 30, 2017

	General Fund	Special Assessment Fund	Local Road Capital Program Fund	Nonmajor Funds	Total
<b>Assets</b>					
Cash and investments (Note 3)	\$ 7,864,323	\$ 23,980	\$ 871,963	\$ 6,567,186	\$ 15,327,452
Receivables	294,625	1,495,534	54,585	173,253	2,017,997
Due from component units	50,291	-	-	-	50,291
Due from other funds (Note 5)	465,175	-	31,033	729,163	1,225,371
Inventory	65,250	-	-	-	65,250
Prepaid expenses and other assets	144,744	-	-	-	144,744
<b>Total assets</b>	<b>\$ 8,884,408</b>	<b>\$ 1,519,514</b>	<b>\$ 957,581</b>	<b>\$ 7,469,602</b>	<b>\$ 18,831,105</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 365,717	\$ -	\$ 57,252	\$ 293,566	\$ 716,535
Due to other funds (Note 5)	760,196	5,966	-	9,199	775,361
Advances from other funds	-	-	-	88,534	88,534
Refundable deposits, bonds, etc.	-	-	-	61	61
Accrued salaries and other	218,809	-	1,045	-	219,854
Unearned revenue	-	88,000	-	339,400	427,400
<b>Total liabilities</b>	<b>1,344,722</b>	<b>93,966</b>	<b>58,297</b>	<b>730,760</b>	<b>2,227,745</b>
<b>Deferred Inflows of Resources -</b>					
Unavailable revenue	-	1,407,534	-	-	1,407,534
<b>Fund Balances</b>					
Nonspendable:					
Inventory	65,250	-	-	-	65,250
Prepays	133,825	-	-	-	133,825
Restricted:					
Roads and bike paths	-	-	899,284	2,129,911	3,029,195
Debt service	-	18,014	-	22,050	40,064
PEG fees	19,046	-	-	-	19,046
Land acquisition	-	-	-	1,466,021	1,466,021
Police forfeiture	-	-	-	80,559	80,559
Solid waste	-	-	-	84,356	84,356
Development contracts	-	-	-	851,872	851,872
Community development	-	-	-	9,905	9,905
Committed:					
Cemetery	-	-	-	91,668	91,668
Budget stabilization	4,826,975	-	-	-	4,826,975
Assigned - Capital improvements	-	-	-	2,002,500	2,002,500
Unassigned	2,494,590	-	-	-	2,494,590
<b>Total fund balances</b>	<b>7,539,686</b>	<b>18,014</b>	<b>899,284</b>	<b>6,738,842</b>	<b>15,195,826</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 8,884,408</b>	<b>\$ 1,519,514</b>	<b>\$ 957,581</b>	<b>\$ 7,469,602</b>	<b>\$ 18,831,105</b>

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



# City of Wixom, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2017

<b>Fund Balance Reported in Governmental Funds</b>	\$ 15,195,826
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	34,774,994
Net pension liability is not due and payable in current period and is not reported in the funds	(14,974,219)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds	1,915,865
Special assessments and other receivables that are not collected within 60 days of year end are not available to pay for bills outstanding as of year end and are not recognized as revenue in the funds	1,407,534
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	9,437
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(5,443,773)
Accrued interest is not due and payable in the current period and is not reported in the funds	(39,180)
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	(798,165)
Net OPEB asset is not reported in the funds	<u>829,758</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 32,878,077</u></b>

# City of Wixom, Michigan

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2017

	General Fund	Special Assessment Fund	Local Road Capital Program Fund	Nonmajor Funds	Total
<b>Revenue</b>					
Property taxes	\$ 7,471,184	\$ -	\$ 810,416	\$ 212,626	\$ 8,494,226
Licenses and permits	56,324	-	-	-	56,324
Federal grants	766	-	-	110,558	111,324
State-shared revenue and grants	1,514,209	-	296,553	1,827,277	3,638,039
Charges for services	1,403,835	-	-	868,311	2,272,146
Fines and forfeitures	38,993	-	-	57,096	96,089
Investment income	46,864	7,300	5,135	30,347	89,646
Rental income	203,996	-	-	-	203,996
Other revenue	431,882	224,541	-	294,003	950,426
Total revenue	<u>11,168,053</u>	<u>231,841</u>	<u>1,112,104</u>	<u>3,400,218</u>	<u>15,912,216</u>
<b>Expenditures</b>					
Current:					
General government	2,871,501	625	-	939,997	3,812,123
Public safety	4,947,474	-	-	20,398	4,967,872
Public works	591,387	8,875	256,040	808,968	1,665,270
Community and economic development	102,524	-	-	542,274	644,798
Recreation and culture	623,950	-	-	-	623,950
Capital outlay	-	-	355,027	903,779	1,258,806
Debt service	-	214,853	-	426,266	641,119
Total expenditures	<u>9,136,836</u>	<u>224,353</u>	<u>611,067</u>	<u>3,641,682</u>	<u>13,613,938</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	2,031,217	7,488	501,037	(241,464)	2,298,278
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	750	-	-	37,445	38,195
Transfers in (Note 5)	-	-	-	1,131,680	1,131,680
Transfers out (Note 5)	(1,127,338)	-	-	(53,015)	(1,180,353)
Total other financing (uses) sources	<u>(1,126,588)</u>	<u>-</u>	<u>-</u>	<u>1,116,110</u>	<u>(10,478)</u>
<b>Net Change in Fund Balances</b>	904,629	7,488	501,037	874,646	2,287,800
<b>Fund Balances - Beginning of year</b>	<u>6,635,057</u>	<u>10,526</u>	<u>398,247</u>	<u>5,864,196</u>	<u>12,908,026</u>
<b>Fund Balances - End of year</b>	<u>\$ 7,539,686</u>	<u>\$ 18,014</u>	<u>\$ 899,284</u>	<u>\$ 6,738,842</u>	<u>\$15,195,826</u>

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

# City of Wixom, Michigan

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2017

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 2,287,800</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	2,060,353
Depreciation expense	(3,054,796)
Net book value of assets disposed of	(241,018)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(147,466)
Repayment of bond principal is an expenditure in the governmental funds, but not the statement of activities	461,097
Change in accrued interest payable and other	3,266
Changes in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	(32,816)
Governmental funds report expenditures for pension and other postemployment benefits as they make contributions; in the statement of activities, the OPEB cost is recognized as contributions are required and the change in net pension liability does not require the use of current financial resources	(794,124)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 542,296</u></b>

# City of Wixom, Michigan

## Proprietary Funds Statement of Net Position June 30, 2017

	Enterprise Funds		
	Water	Sewer	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 1,362,075	\$ 5,801,080	\$ 7,163,155
Receivables:			
Receivables from sales to customers on account	1,105,673	678,963	1,784,636
Other receivables	24,697	550,871	575,568
Due from other funds (Note 5)	-	790	790
Inventory	88,665	44,644	133,309
Total current assets	2,581,110	7,076,348	9,657,458
Noncurrent assets:			
Advances to other funds (Note 5)	-	88,534	88,534
Capital assets	32,701,692	20,564,155	53,265,847
Total noncurrent assets	32,701,692	20,652,689	53,354,381
Total assets	35,282,802	27,729,037	63,011,839
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	614,504	457,064	1,071,568
Due to other funds (Note 5)	450,800	-	450,800
Accrued interest payable	22,661	-	22,661
Current portion of long-term debt (Note 6)	1,121,507	-	1,121,507
Total current liabilities	2,209,472	457,064	2,666,536
Noncurrent liabilities:			
Refundable escrow deposits	-	538,540	538,540
Long-term debt (Note 6)	2,237,295	-	2,237,295
Total noncurrent liabilities	2,237,295	538,540	2,775,835
Total liabilities	4,446,767	995,604	5,442,371
<b>Net Position</b>			
Net investment in capital assets	29,342,890	20,564,155	49,907,045
Unrestricted	1,493,145	6,169,278	7,662,423
Total net position	<u>\$ 30,836,035</u>	<u>\$ 26,733,433</u>	<u>\$ 57,569,468</u>

# City of Wixom, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2017

	Enterprise Funds		
	Water	Sewer	Total
<b>Operating Revenue</b>			
Sale of water	\$ 2,660,603	\$ -	\$ 2,660,603
Sewage disposal charges	-	1,580,403	1,580,403
Interest and penalty charges	129,776	91,955	221,731
Other miscellaneous charges	484,316	248,766	733,082
Total operating revenue	3,274,695	1,921,124	5,195,819
<b>Operating Expenses</b>			
Cost of water	2,506,678	-	2,506,678
Cost of sewage treatment	-	842,030	842,030
Other operating and maintenance costs	463,384	21,081	484,465
Billing and administrative costs	180,899	225,038	405,937
Utilities	-	211,532	211,532
Other miscellaneous charges	-	33,306	33,306
Depreciation	733,891	834,186	1,568,077
Total operating expenses	3,884,852	2,167,173	6,052,025
<b>Operating Loss</b>	(610,157)	(246,049)	(856,206)
<b>Nonoperating Revenue (Expenses)</b>			
Property tax revenue	1,149,069	-	1,149,069
Investment income	9,629	45,030	54,659
Interest expense	(100,393)	-	(100,393)
Other nonoperating general revenue	208,712	-	208,712
Total nonoperating revenue	1,267,017	45,030	1,312,047
<b>Income (Loss) - Before contributions</b>	656,860	(201,019)	455,841
<b>Capital Contributions</b>			
Capital grants	-	663,464	663,464
Benefit fees	119,903	425,255	545,158
Lines donated by developers	235,270	-	235,270
Total capital contributions	355,173	1,088,719	1,443,892
<b>Transfers in</b>	48,673	-	48,673
<b>Change in Net Position</b>	1,060,706	887,700	1,948,406
<b>Net Position - Beginning of year</b>	29,775,329	25,845,733	55,621,062
<b>Net Position - End of year</b>	<u>\$ 30,836,035</u>	<u>\$ 26,733,433</u>	<u>\$ 57,569,468</u>

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

# City of Wixom, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2017

	Enterprise Funds		
	Water	Sewer	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 3,063,517	\$ 1,826,351	\$ 4,889,868
Payments to suppliers	(2,947,107)	(722,558)	(3,669,665)
Internal activity - Receipts from (payments to) other funds	(189,918)	327,390	137,472
Other payments	(18,881)	-	(18,881)
Net cash (used in) provided by operating activities	(92,389)	1,431,183	1,338,794
<b>Cash Flows from Noncapital Financing Activities</b>			
Operating grants and subsidies	208,712	-	208,712
Transfers from other funds	48,673	-	48,673
Repayments of loans made to other funds	-	88,532	88,532
Net cash provided by noncapital financing activities	257,385	88,532	345,917
<b>Cash Flows from Capital and Related Financing Activities</b>			
Receipt of capital grants	-	663,464	663,464
Benefit fees	119,903	425,255	545,158
Property taxes (restricted for capital or capital debt)	1,149,069	-	1,149,069
Purchase of capital assets	(152,635)	(3,125,727)	(3,278,362)
Principal and interest paid on capital debt	(1,189,565)	-	(1,189,565)
Net cash used in capital and related financing activities	(73,228)	(2,037,008)	(2,110,236)
<b>Cash Flows from Investing Activities - Interest received on investments</b>	9,629	45,030	54,659
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	101,397	(472,263)	(370,866)
<b>Cash and Cash Equivalents - Beginning of year</b>	1,260,678	6,273,343	7,534,021
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 1,362,075</u>	<u>\$ 5,801,080</u>	<u>\$ 7,163,155</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>			
Operating loss	\$ (610,157)	\$ (246,049)	\$ (856,206)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	733,891	834,186	1,568,077
Changes in assets and liabilities:			
Receivables	(230,059)	(94,773)	(324,832)
Inventories	13,184	(70)	13,114
Accounts payable and escrow deposits	9,771	385,461	395,232
Due (from) to others	(9,019)	552,428	543,409
Net cash (used in) provided by operating activities	<u>\$ (92,389)</u>	<u>\$ 1,431,183</u>	<u>\$ 1,338,794</u>

# City of Wixom, Michigan

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## Fiduciary Fund Statement of Fiduciary Assets and Liabilities - Agency Fund Trust and Agency June 30, 2017

<b>Assets</b>	
Cash and cash equivalents	\$ 568,233
Receivables - Due from other governmental units - Net	<u>117,741</u>
Total assets	<u><b>\$ 685,974</b></u>
<b>Liabilities</b>	
Due to other governmental units	\$ 197,696
Refundable deposits, bonds, etc.	<u>488,278</u>
Total liabilities	<u><b>\$ 685,974</b></u>

# City of Wixom, Michigan

## Component Units Statement of Net Position June 30, 2017

	Downtown Development Authority	Local Development Finance Authority	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 70,323	\$ 2,565,832	\$ 2,636,155
Capital assets	254,651	-	254,651
Total assets	324,974	2,565,832	2,890,806
<b>Liabilities</b>			
Accounts payable	1,755	430,168	431,923
Due to primary government	49,384	907	50,291
Total liabilities	51,139	431,075	482,214
<b>Net Position</b>			
Net investment in capital assets	254,651	-	254,651
Unrestricted	19,184	2,134,757	2,153,941
Total net position	<b>\$ 273,835</b>	<b>\$ 2,134,757</b>	<b>\$ 2,408,592</b>



# City of Wixom, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority	\$ 300,195	\$ -	\$ -	\$ -
Local Development Finance Authority	965,699	-	-	-
<b>Total component units</b>	<b>\$ 1,265,894</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

General revenue:

Property taxes

State-shared revenue

Investment income

Other miscellaneous income

Total general revenue

**Change in Net Position**

**Net Position** - Beginning of year

**Net Position** - End of year

**Component Units  
Statement of Activities  
Year Ended June 30, 2017**

Net (Expense) Revenue and Changes in Net Position		
Downtown Development Authority	Local Development Finance Authority	Total
\$ (300,195)	\$ -	\$ (300,195)
<u>-</u>	<u>(965,699)</u>	<u>(965,699)</u>
(300,195)	(965,699)	(1,265,894)
269,144	-	269,144
3,678	-	3,678
108	18,998	19,106
<u>26,538</u>	<u>-</u>	<u>26,538</u>
<u>299,468</u>	<u>18,998</u>	<u>318,466</u>
(727)	(946,701)	(947,428)
<u>274,562</u>	<u>3,081,458</u>	<u>3,356,020</u>
<b><u>\$ 273,835</u></b>	<b><u>\$ 2,134,757</u></b>	<b><u>\$ 2,408,592</u></b>

### Note 1 - Summary of Significant Accounting Policies

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

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

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

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

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

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

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **Accounting and Reporting Principles**

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

#### **Report Presentation**

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

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

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

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

### Note I - Summary of Significant Accounting Policies (Continued)

#### Fund Accounting

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

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

- **General Fund** - The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **Special Assessment Fund** - This fund was established to account for the payment of annual principal and interest on bonds for the construction and improvement of the tribute drain. These annual requirements are met from annual special assessments to specific property owners.
- **Local Road Capital Program Fund** - This fund was established to account for the payment for local road maintenance and repair. Financing is provided from an elected millage and ACT 51 state distributions.

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

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

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

### Note I - Summary of Significant Accounting Policies (Continued)

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

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

#### **Basis of Accounting**

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

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

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

### Note I - Summary of Significant Accounting Policies (Continued)

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

#### Specific Balances and Transactions

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

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

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

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

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

### **Note I - Summary of Significant Accounting Policies (Continued)**

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

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

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

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item that qualifies for reporting in this category, deferred inflows of resources related to unavailable revenue. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.



### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **Net Position Flow Assumption**

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

#### **Fund Balance Flow Assumption**

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

#### **Fund Balance Policies**

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

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

# City of Wixom, Michigan

## Notes to Financial Statements June 30, 2017

### Note 1 - Summary of Significant Accounting Policies (Continued)

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

The City Council has adopted, by ordinance, a Budget Stabilization Fund under Michigan's Public Act 30 of 1978. The board of directors may, with a 2/3 vote, set aside General Fund surplus, up to a maximum of 15 percent of the most recent General Fund budget (or average of the five most recent budgets, if less). An appropriation from the Budget Stabilization Fund, which also requires a 2/3 vote of the board of directors, may only occur to correct a budget shortfall or in the case of a natural disaster. The balance at June 30, 2017 of the stabilization amount, which is reported in the General Fund, is \$4,826,975.

#### Property Tax Revenue

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

The City's 2016 tax is levied and collectible on July 1, 2016 and is recognized as revenue in the year ended June 30, 2017, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2016 taxable valuation of the City totaled \$652.8 million (a portion of which is abated and a portion of which is captured by the LDFA and DDA). Taxes were levied as follows:

<u>Purpose</u>	<u>Millage Rate</u>	<u>Revenue</u>
General Fund - Operating	11.0429	\$ 7,103,000
Local Road Capital Program Fund - Capital	1.1500	740,000
Safety Path Fund - Capital	.3000	193,000
Water Fund - Debt	1.7460	1,145,000
DDA Special Millage	1.6667	11,000
Total	<u>15.9056</u>	<u>\$ 9,192,000</u>

### **Note I - Summary of Significant Accounting Policies (Continued)**

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

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

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

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

# City of Wixom, Michigan

## Notes to Financial Statements June 30, 2017

### Note 1 - Summary of Significant Accounting Policies (Continued)

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

### Note 2 - 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, 2016	\$ (1,510,813)
Current year permit revenue	1,060,572
Less related costs	<u>835,681</u>
Current year surplus	<u>224,891</u>
Cumulative shortfall at June 30, 2017	<u>\$ (1,285,922)</u>

### 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 \$3,159,844 of bank deposits (certificates of deposit and checking and savings accounts), of which \$1,659,844 was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

# City of Wixom, Michigan

## Notes to Financial Statements June 30, 2017

### Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Value	Weighted Average Maturity (Days)
<b>Primary Government</b>		
Certificates of deposit	\$ 918,323	178
U.S. government agency securities	893,849	246
U.S. Treasury bonds	76,147	335
Commercial paper	190,691	35
FNMA mortgage	563,591	619
FHLMC mortgage	161,397	311
Municipal bonds	2,915,014	523
Local government investment pool	3,046,547	484
Total	<u>\$ 8,765,559</u>	
<b>Component Units</b>		
Certificates of deposit	\$ 284,507	178
U.S. government agency securities	276,924	246
U.S. Treasury bonds	23,591	335
Commercial paper	59,078	35
FNMA mortgage	174,607	619
FHLMC mortgage	50,003	311
Municipal bonds	903,103	523
Local government investment pool	711,009	484
Total	<u>\$ 2,482,822</u>	

# City of Wixom, Michigan

## Notes to Financial Statements June 30, 2017

### 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
<b>Primary Government</b>			
Local government investment pool	\$ 3,046,547	N/R	
Certificates of deposit	918,323	N/R	S&P
U.S. Treasury	76,147	AA+	S&P
U.S. government agency	893,849	AA+	S&P
FHLMC mortgage	161,397	AA+	S&P
FNMA mortgage	563,591	AA+	S&P
Commercial paper	76,297	A-I	S&P
Commercial paper	114,394	A-I +	S&P
Municipal bond	90,008	A+	S&P
Municipal bond	184,989	AA	S&P
Municipal bond	1,437,233	AA-	S&P
Municipal bond	170,322	AA+	S&P
Municipal bond	352,258	AAA	S&P
Municipal bond	680,204	N/R	S&P
Total	<u>\$ 8,765,559</u>		
<b>Component Units</b>			
Local government investment pool	\$ 711,009	N/R	
Certificates of deposit	284,507	N/R	S&P
U.S. Treasury	23,591	AA+	S&P
U.S. government agency	276,924	AA+	S&P
FHLMC mortgage	50,003	AA+	S&P
FNMA mortgage	174,607	AA+	S&P
Commercial paper	23,638	A-I	S&P
Commercial paper	35,440	A-I +	S&P
Municipal bond	27,885	A+	S&P
Municipal bond	57,312	AA	S&P
Municipal bond	445,270	AA-	S&P
Municipal bond	52,768	AA+	S&P
Municipal bond	109,132	AAA	S&P
Municipal bond	210,736	N/R	S&P
Total	<u>\$ 2,482,822</u>		

### Note 3 - Deposits and Investments (Continued)

**Concentration of Credit Risk** - The City places no limit on the amount it may invest in any one issuer. More than 5 percent of the City's investments are in the Oakland County Local Government Investment Pool (the "LGIP") at 33 percent. The LGIP is not registered with the SEC and does not issue a separate report. The LGIP is managed as a 2(a)(7) fund with its net asset value maintained at \$1. Fair value of the position in the pool is the same as the value of the pool shares.

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

At June 30, 2017, the City had \$12,802,805 in such a fund at Comerica Bank (J Fund, which has a A1/PI/FI rating). The Comerica J Fund is recorded at amortized cost. There is no limitation or restriction on participant withdrawals for the Comerica J Fund investment pool.

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

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



# City of Wixom, Michigan

## Notes to Financial Statements June 30, 2017

### Note 3 - Deposits and Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2017:

	Balance at June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
U.S. Treasury securities	\$ 99,738	\$ 99,738	\$ -	\$ -
Residential mortgage-backed securities	949,598	949,598	-	-
Agency bonds	2,654,693	2,654,693	-	-
Municipal bonds	3,930,170	-	3,930,170	-
Total investments by fair value level	<u>\$ 7,634,198</u>	<u>\$ 3,704,029</u>	<u>\$ 3,930,170</u>	<u>\$ -</u>

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

The fair value of municipal bonds at June 30, 2017 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost.

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

#### Investments in Entities that Calculate Net Asset Value per Share

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

At June 30, 2017, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Oakland County Government Investment Pool	\$ 3,757,556	\$ -	No restrictions	None

# City of Wixom, Michigan

## Notes to Financial Statements June 30, 2017

### Note 3 - Deposits and Investments (Continued)

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

### Note 4 - Capital Assets

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

	Balance July 1, 2016	Additions	Disposals	Balance June 30, 2017
<b>Governmental Activities</b>				
Capital assets not being depreciated - Land	\$ 4,905,911	\$ -	\$ (207,337)	\$ 4,698,574
Capital assets being depreciated:				
Roads and sidewalks	64,595,818	1,271,569	-	65,867,387
Buildings, drains, and improvements	20,986,865	376,321	(35,178)	21,328,008
Vehicles	4,828,849	217,827	(27,387)	5,019,289
Machinery and equipment	3,668,229	178,195	(11,955)	3,834,469
Furniture and fixtures	986,910	16,441	(19,735)	983,616
Subtotal	95,066,671	2,060,353	(94,255)	97,032,769
Accumulated depreciation:				
Roads and sidewalks	47,921,332	1,990,661	-	49,911,993
Buildings, drains, and improvements	9,281,657	553,084	(22,613)	9,812,128
Vehicles	2,990,105	304,591	(6,925)	3,287,771
Machinery and equipment	2,890,444	186,533	(11,303)	3,065,674
Furniture and fixtures	878,589	19,927	(19,733)	878,783
Subtotal	63,962,127	3,054,796	(60,574)	66,956,349
Net capital assets being depreciated	31,104,544	(994,443)	(33,681)	30,076,420
Net capital assets	\$ 36,010,455	\$ (994,443)	\$ (241,018)	\$ 34,774,994

# City of Wixom, Michigan

## Notes to Financial Statements June 30, 2017

### Note 4 - Capital Assets (Continued)

<b>Business-type Activities</b>	Balance July 1, 2016	Reclassifications	Additions	Disposals	Balance June 30, 2017
Capital assets being depreciated:					
Water and sewer lines	\$ 54,927,317	\$ -	\$ 3,513,632	\$ -	\$ 58,440,949
Buildings and improvements	22,637,786	-	-	-	22,637,786
Machinery and equipment	1,760,672	-	-	-	1,760,672
Office furnishings	68,670	-	-	-	68,670
Information technology	62,693	-	-	-	62,693
Subtotal	79,457,138	-	3,513,632	-	82,970,770
Accumulated depreciation:					
Water and sewer lines	15,691,825	-	998,468	-	16,690,293
Buildings and improvements	10,683,147	-	548,175	-	11,231,322
Machinery and equipment	1,632,182	-	21,298	-	1,653,480
Office furnishings	68,670	-	-	-	68,670
Information technology	61,022	-	136	-	61,158
Subtotal	28,136,846	-	1,568,077	-	29,704,923
Net capital assets being depreciated	51,320,292	-	1,945,555	-	53,265,847
Net capital assets	\$ 51,320,292	\$ -	\$ 1,945,555	\$ -	\$ 53,265,847
<b>Component Units</b>	Balance July 1, 2016	Additions	Disposals	Balance June 30, 2017	
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	390,880	8,657	-	399,537	
Other tools and equipment	60,913	-	-	60,913	
Subtotal	451,793	8,657	-	460,450	
Net capital assets being depreciated	109,012	(8,657)	-	100,355	
Net capital assets	\$ 263,308	\$ (8,657)	\$ -	\$ 254,651	

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

**Governmental activities:**

General government	\$ 309,735
Public safety	340,777
Public works	2,187,137
Economic development	143,923
Recreation and culture	73,224
<b>Total governmental activities</b>	<b>\$ 3,054,796</b>

# City of Wixom, Michigan

## Notes to Financial Statements June 30, 2017

### Note 4 - Capital Assets (Continued)

Business-type activities:		
Water		\$ 733,890
Sewer		<u>834,187</u>
	Total business-type activities	<u>\$ 1,568,077</u>

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

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Street projects	\$ 2,225,048	\$ 1,593,100
Sewer projects	2,231,330	167,670

### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Payable Fund</u>	<u>Receivable</u>	<u>Amount</u>
<b>Due to/from Other Funds</b>		
General Fund	Local Road Capital Improvement Fund	\$ 31,033
	Nonmajor governmental funds:	
	Major Road Fund	358,080
	Safety Path Fund	4,253
	Solid Waste Collection	7,737
	Forfeiture funds	73,296
	Community Development Fund	15,147
	Major Road Capital Program	233,348
	Agency Fund	15,988
	DDA/VCA Development Bonds	<u>21,314</u>
	Total General Fund	760,196
Special Assessment Fund	General Fund	5,966
Water Fund	General Fund	450,010
	Sewer Fund	<u>790</u>
	Total Water Fund	450,800
Nonmajor governmental funds	General Fund	<u>9,199</u>
	Total	<u>\$ 1,226,161</u>

# City of Wixom, Michigan

## Notes to Financial Statements June 30, 2017

### Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Receivable Fund	Payable Fund	Amount
<b>Advances from/to Other Funds</b>		
Sewer Fund	Capital Improvement Fund (a nonmajor governmental fund)	\$ <u>88,534</u>

Payable Fund	Receivable Fund	Amount
<b>Due to/from Primary Government and Component Units</b>		
Downtown Development Authority	General Fund	\$ <u>49,384</u>
Local Development Authority	General Fund	\$ <u>907</u>

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

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

Transfer Out	Transfer In	Amount
General Fund	Nonmajor governmental funds:	
	Development debt service fund	\$ 153,940
	Capital Improvement Fund	<u>973,398</u>
	Total General Fund	1,127,338
Major Road Fund (a nonmajor governmental fund)	Local Road Fund (a nonmajor governmental fund)	4,342
Fire and DPW Bond Fund	Water Fund	<u>48,673</u>
	Total	<u>\$ 1,180,353</u>

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

# City of Wixom, Michigan

## Notes to Financial Statements June 30, 2017

### Note 6 - Long-term Debt

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

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
DDA/VCA refunding bonds 2015	4.00%	\$280,000 - \$450,000	\$ 3,935,000	\$ -	\$ 265,000	\$ 3,670,000	\$ 280,000
Issuance premiums			414,870	-	46,097	368,773	46,097
Contractual obligation with Oakland County - Special assessment bonds	3.75% - 4.40%	\$150,000 - \$200,000	1,555,000	-	150,000	1,405,000	150,000
Total bonds payable			5,904,870	-	461,097	5,443,773	476,097
Accumulated compensated absences			765,349	63,669	30,853	798,165	81,826
Total governmental activities			<u>\$ 6,670,219</u>	<u>\$ 63,669</u>	<u>\$ 491,950</u>	<u>\$ 6,241,938</u>	<u>\$ 557,923</u>

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

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>							
General obligation bonds:							
Water SRF Series 1	2.50%	\$226,507 - \$231,327	\$ 837,340	\$ -	\$ 216,869	\$ 620,471	\$ 226,507
Water SRF Series 2	2.50%	\$370,000 - \$390,000	1,500,000	-	360,000	1,140,000	370,000
Water SRF Series 3	2.50%	\$440,000 - \$453,331	1,763,331	-	420,000	1,343,331	440,000
Water Series 4	5.05% - 5.15%	\$85,000	340,000	-	85,000	255,000	85,000
Total business-type activities			<u>\$ 4,440,671</u>	<u>\$ -</u>	<u>\$ 1,081,869</u>	<u>\$ 3,358,802</u>	<u>\$ 1,121,507</u>

# City of Wixom, Michigan

## Notes to Financial Statements June 30, 2017

### Note 6 - Long-term Debt (Continued)

Total interest expense for the year was approximately \$323,000. 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
2018	\$ 476,097	\$ 205,653	\$ 681,750	\$ 1,121,507	\$ 77,686	\$ 1,199,193
2019	496,097	188,453	684,550	1,146,327	47,169	1,193,496
2020	541,097	170,453	711,550	1,090,968	16,953	1,107,921
2021	561,097	150,565	711,662	-	-	-
2022	576,097	129,790	705,887	-	-	-
2023-2027	2,793,288	307,340	3,100,628	-	-	-
Total	<u>\$ 5,443,773</u>	<u>\$ 1,152,254</u>	<u>\$ 6,596,027</u>	<u>\$ 3,358,802</u>	<u>\$ 141,808</u>	<u>\$ 3,500,610</u>

### Note 7 - Risk Management

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

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

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

### Note 8 - Regional Authority Cooperative Ventures

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

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

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

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

### Note 9 - Defined Benefit Pension Plan

**Plan Description** - The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees Retirement System of Michigan (MERS), which covers substantially all employees of the City. MERS was established as a statewide public employee pension plan by the Michigan legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at [www.mersofmichigan.com](http://www.mersofmichigan.com) or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

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



**Note 9 - Defined Benefit Pension Plan (Continued)**

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

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

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

**Employees Covered by Benefit Terms** - At the December 31, 2016 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	54
Inactive plan members entitled to but not yet receiving benefits	13
Active plan members	<u>28</u>
Total employees covered by MERS	<u>95</u>

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

# City of Wixom, Michigan

## Notes to Financial Statements June 30, 2017

### Note 9 - Defined Benefit Pension Plan (Continued)

For the year ended June 30, 2017, the average active employee contribution rate ranged from 2.0 percent to 6.26 percent of annual pay and the City's flat-rate contribution rate was \$95,357 per month of covered payroll.

#### Net Pension Liability

The net pension liability reported at June 30, 2017 was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at January 1, 2016</b>	\$ 32,023,684	\$ 16,765,961	\$ 15,257,723
Service cost	302,865	-	302,865
Interest	2,451,660	-	2,451,660
Differences between expected and actual experience	224,572	-	224,572
Contributions - Employer	-	1,039,531	(1,039,531)
Contributions - Employee	-	85,218	(85,218)
Net investment income	-	1,848,708	(1,848,708)
Benefit payments, including refunds	(1,603,605)	(1,603,605)	-
Administrative expenses	-	(36,500)	36,500
Miscellaneous other charges	(683,478)	(357,834)	(325,644)
Net changes	692,014	975,518	(283,504)
<b>Balance at December 31, 2016</b>	<b>\$ 32,715,698</b>	<b>\$ 17,741,479</b>	<b>\$ 14,974,219</b>

# City of Wixom, Michigan

## Notes to Financial Statements June 30, 2017

### Note 9 - Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2017, the City recognized pension expense of \$2,393,150. All pension costs are recognized in the governmental activities, and none are allocated to the business-type activities. This is because no employees have been specifically allocated to the enterprise funds; all DPW employees are charged to the General Fund, which provides services on behalf of the Major Road, Local Road, and Water and Sewer Funds. The General Fund does charge an administrative charge intended to cover some of the DPW costs.

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 201,745	\$ -
Changes in assumptions	496,876	-
Net difference between projected and actual earnings on pension plan investments	663,986	-
Employer contributions to the plan subsequent to the measurement date	553,258	-
Total	<u>\$ 1,915,865</u>	<u>\$ -</u>

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

2018	\$ 977,534
2019	278,912
2020	217,862
2021	<u>(111,701)</u>
Total	<u>\$ 1,362,607</u>

### Note 9 - Defined Benefit Pension Plan (Continued)

**Actuarial Assumptions** - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the most recent actuarial experience study in 2015 covering the period from January 1, 2009 through December 31, 2013.

**Discount Rate** - The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

#### Projected Cash Flows

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

**Note 9 - Defined Benefit Pension Plan (Continued)**

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2016, the measurement date, for each major asset class are summarized in the following table:

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

The preceding target allocation was amended as of January 1, 2017 to reduce the previous allocation to global equity and global fixed income and to increase the allocation of real assets and diversifying strategies. The target allocation as of January 1, 2017 will be 55.5 percent global equity, 18.5 percent global fixed income, 13.5 percent real assets, and 12.5 percent diversifying strategies.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the City, calculated using the discount rate of 8.0 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net pension liability of the City	\$ 19,013,279	\$ 14,974,219	\$ 11,598,921

### **Note 9 - Defined Benefit Pension Plan (Continued)**

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

### **Note 10 - Other Postemployment Benefits**

**Plan Description** - The City provides retiree healthcare benefits to eligible employees and their spouses. Currently, the plan has 54 members (including city and library employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits). This is a single-employer defined benefit plan administered by the Municipal Employees' Retirement System (MERS). The benefits are provided under collective bargaining agreements or executive directives approved by the City Council. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions. The City has allowed the Wixom Public Library, a separate governmental entity, to also participate in this plan.

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

# City of Wixom, Michigan

## Notes to Financial Statements June 30, 2017

### Note 10 - Other Postemployment Benefits (Continued)

**Funding Progress** - For the year ended June 30, 2017, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2014. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 563,990
Interest saved on the prior year's net OPEB asset	(41,260)
Plus adjustment to the annual required contribution	<u>29,887</u>
Annual OPEB cost	552,617
Amounts contributed:	
Payments of current premiums, at face value	(454,911)
Implicit rate subsidy on retiree premiums	(120,965)
Advance funding of the retiree health funding vehicle	<u>(217,065)</u>
Increase in net OPEB asset	(240,324)
OPEB asset - Beginning of year	<u>(589,434)</u>
OPEB asset - End of year	<u>\$ (829,758)</u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (Asset)
6/30/13	\$ 662,564	93.5 %	\$ 708,051
6/30/14	666,440	211.3	315,302
6/30/15	545,427	240.8	(452,913)
6/30/16	558,715	165.7	(589,434)
6/30/17	552,617	143.4	(829,758)

**Note 10 - Other Postemployment Benefits (Continued)**

The funding progress of the plan is as follows:

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

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

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

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

The following simplifying assumptions were made:

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

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



### **Note 10 - Other Postemployment Benefits (Continued)**

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

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

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

### **Note 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 his or her 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 - Brownfield Redevelopment Authority**

The Brownfield Redevelopment Authority was established pursuant to Public Act 381 of 1996 and is governed by the Oakland County Brownfield Redevelopment Authority. Upon completion of its purpose, the authority may be dissolved by resolution of the City Council. The City only collects property tax revenue and remits it to the Oakland County Brownfield Redevelopment Authority. The Oakland County Brownfield Redevelopment Authority is responsible for the disbursement and accounting for all monies received. The City collected and remitted \$20,400 in captured revenue for the Brownfield Redevelopment Authority during fiscal year 2017.

### Note 13 - Tax Abatements

The City uses the Industrial Facilities Tax exemption (PA 198 of 1974) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the City grants reductions of 50 percent of the property tax bill for new property (or it can freeze taxable values for 10 years for commercial rehabilitation district) for up to 12 years.

For the fiscal year ended June 30, 2017, the City abated \$87,673 of taxes under this program. There is a job shortfall provision to recapture a portion of taxes if the certificate holder fails to maintain the additional full-time jobs stated in the letter of agreement. In addition, if the taxpayer moves the facility operation outside of the City during the period of exemption, the certificate holder is liable for an additional percentage of taxes depending on the number of years the certificate holder had remained in the City. The abatement may be eliminated if taxes are not paid timely.

Additionally, the Brownfield Redevelopment Authority, which is governed by Oakland County (see Note 12), uses Brownfield Redevelopment Agreements under PA 381 of 1996 to reimburse taxpayers that remediate environmental contamination on their properties. As a result of these agreements, the Brownfield's tax revenue is reduced. For the fiscal year ended June 30, 2017, the Authority abated \$6,287 of taxes under this program. There are no provisions to recapture taxes.

City management has represented that there are no significant abatements made by other governments that reduce the City's tax revenue.

### Note 14 - Upcoming Accounting Pronouncements

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

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

### **Note 14 - Upcoming Accounting Pronouncements (Continued)**

In March 2017, the Governmental Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2018 fiscal year.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2020 fiscal year.

## **Required Supplemental Information**

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# City of Wixom, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 7,484,706	\$ 7,391,389	\$ 7,471,184	\$ 79,795
Licenses and permits	64,000	56,000	56,324	324
Federal grants	-	-	766	766
State-shared revenue and grants	1,330,759	1,497,068	1,514,209	17,141
Charges for services	795,014	1,416,566	1,403,835	(12,731)
Fines and forfeitures	25,000	31,805	38,993	7,188
Investment income	18,000	23,300	29,665	6,365
Rental income	230,140	246,140	203,996	(42,144)
Other revenue	341,821	400,491	431,882	31,391
<b>Total revenue</b>	<b>10,289,440</b>	<b>11,062,759</b>	<b>11,150,854</b>	<b>88,095</b>
<b>Expenditures - Current</b>				
General government:				
Legislative	15,026	15,484	15,113	371
City manager	274,746	346,699	343,117	3,582
Financial administration	330,453	357,221	351,476	5,745
Information systems	109,252	114,752	104,576	10,176
Assessing	222,711	233,951	231,116	2,835
Board of review	1,196	2,944	4,735	(1,791)
Clerk	216,035	230,730	210,785	19,945
Building maintenance	74,000	74,000	63,559	10,441
Legal counsel and assistance	66,000	110,275	104,948	5,327
OPEB contribution	625,000	625,000	625,000	-
General operating	1,094,471	859,974	817,076	42,898
<b>Total general government</b>	<b>3,028,890</b>	<b>2,971,030</b>	<b>2,871,501</b>	<b>99,529</b>
Public safety:				
Police	3,274,423	3,404,406	3,227,461	176,945
Fire	1,015,115	1,039,528	986,856	52,672
Building	453,877	823,625	733,157	90,468
<b>Total public safety</b>	<b>4,743,415</b>	<b>5,267,559</b>	<b>4,947,474</b>	<b>320,085</b>
DPW	413,146	663,663	591,387	72,276
Community and economic development - Planning, zoning, and related	100,800	103,400	102,524	876
Recreation and culture:				
Community service	270,942	277,106	254,224	22,882
Cultural center	297,197	336,531	307,814	28,717
Senior citizen committee	67,154	67,154	61,912	5,242
<b>Total recreation and culture</b>	<b>635,293</b>	<b>680,791</b>	<b>623,950</b>	<b>56,841</b>
<b>Total expenditures</b>	<b>8,921,544</b>	<b>9,686,443</b>	<b>9,136,836</b>	<b>549,607</b>
<b>Excess of Revenue Over Expenditures</b>	<b>1,367,896</b>	<b>1,376,316</b>	<b>2,014,018</b>	<b>637,702</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	20,000	5,000	750	(4,250)
Transfers out	(2,224,976)	(2,280,172)	(2,227,338)	52,834
<b>Total other financing uses</b>	<b>(2,204,976)</b>	<b>(2,275,172)</b>	<b>(2,226,588)</b>	<b>48,584</b>
<b>Net Change in Fund Balance</b>	<b>(837,080)</b>	<b>(898,856)</b>	<b>(212,570)</b>	<b>686,286</b>
<b>Fund Balance - Beginning of year</b>	<b>2,925,281</b>	<b>2,925,281</b>	<b>2,925,281</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 2,088,201</b>	<b>\$ 2,026,425</b>	<b>\$ 2,712,711</b>	<b>\$ 686,286</b>

# City of Wixom, Michigan

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## Note to Required Supplemental Information Year Ended June 30, 2017

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end. At the first City Council meeting in April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Financial plans for all other funds are also submitted at this time. Budget sessions and public hearings are conducted by the City Council to review the proposed City Manager's budget/financial plans and to obtain taxpayer comments. If required, a Truth-In-Taxation Public Hearing is held at the second City Council meeting in May. The budget must be formally adopted no later than the second City Council meeting in May when the budget is legally enacted through passage of a City Council resolution.

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

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

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

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

## City of Wixom, Michigan

### Note to Required Supplemental Information (Continued) Year Ended June 30, 2017

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

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Total Financing Uses</u>
Amounts per operating statement	\$11,168,053	\$ 9,136,836	\$ (1,126,588)
Budget Stabilization Fund revenue	(17,199)	-	-
General Fund operating transfer to Budget Stabilization Fund	-	-	(1,100,000)
Amounts per budget statement	<u>\$11,150,854</u>	<u>\$ 9,136,836</u>	<u>\$ (2,226,588)</u>

The City did not have any expenditure budget overruns.

# City of Wixom, Michigan

## Required Supplemental Information OPEB System Schedule of Funding Progress Year Ended June 30, 2017

The schedule of funding progress is as follows:

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



# City of Wixom, Michigan

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

	2017	2016	2015
<b>Total Pension Liability</b>			
Service cost	\$ 302,865	\$ 324,794	\$ 355,067
Interest	2,451,660	2,369,133	2,254,647
Changes in benefit terms	-	-	-
Differences between expected and actual experience	224,572	274,618	-
Changes in assumptions	-	1,525,285	-
Miscellaneous other	(683,478)	-	-
Benefit payments, including refunds	(1,603,605)	(1,527,178)	(1,408,417)
<b>Net Change in Total Pension Liability</b>	692,014	2,966,652	1,201,297
<b>Total Pension Liability - Beginning of year</b>	32,023,684	29,057,032	27,855,735
<b>Total Pension Liability - End of year</b>	<b>\$ 32,715,698</b>	<b>\$ 32,023,684</b>	<b>\$ 29,057,032</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 1,039,531	\$ 962,726	\$ 833,137
Contributions - Member	85,218	91,089	197,700
Net investment income (loss)	1,848,708	(260,265)	1,064,105
Administrative expenses	(36,500)	(40,452)	(39,048)
Benefit payments, including refunds	(1,603,605)	(1,527,178)	(1,408,417)
Other	(357,834)	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	975,518	(774,080)	647,477
<b>Plan Fiduciary Net Position - Beginning of year</b>	16,765,961	17,540,041	16,892,564
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 17,741,479</b>	<b>\$ 16,765,961</b>	<b>\$ 17,540,041</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 14,974,219</b>	<b>\$ 15,257,723</b>	<b>\$ 11,516,991</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	54.23 %	52.35 %	60.36 %
<b>Covered Employee Payroll</b>	\$ 2,061,173	\$ 2,185,701	\$ 2,394,251
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	726.5 %	698.1 %	481.0 %

# City of Wixom, Michigan

## Required Supplemental Information Schedule of City Contributions Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 1,039,531	\$ 962,726	\$ 833,137	\$ 783,319	\$ 772,277	\$ 784,321	\$ 895,324	\$ 757,748	\$ 736,460	\$ 712,551
Contributions in relation to the actuarially determined contribution	1,039,531	962,726	833,137	783,319	772,277	784,321	895,324	757,748	736,460	712,551
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Employee Payroll</b>	<b>\$ 2,061,173</b>	<b>\$ 2,185,701</b>	<b>\$ 2,368,906</b>	<b>\$ 2,410,014</b>	<b>\$ 2,818,735</b>	<b>\$ 3,239,998</b>	<b>\$ 3,376,512</b>	<b>\$ 3,371,441</b>	<b>\$ 3,345,733</b>	<b>\$ 3,280,117</b>
	50.4 %	44.0 %	35.2 %	32.5 %	27.4 %	24.2 %	26.5 %	22.5 %	22.0 %	21.7 %

### Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date

December 31, 2014 (contribution rates are calculated as of December 31, 18 months prior to the start of the fiscal year in which the contributions are required)

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years
Asset valuation method	Five-year smoothed
Inflation	2.5 percent
Salary increases	3.75 percent
Investment rate of return	8.0 percent
Retirement age	Various
Mortality	50 percent female/50 percent male RF-2014 Group Annuity Mortality Table
Other information	None

## **Other Supplemental Information**

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# City of Wixom, Michigan

## Special Revenue Funds

Assets	Special Agency	Community Development	Major Roads	Local Roads	Land Acquisition	Safety Path Road Program
	Cash and investments	\$ 1,235,119	\$ -	\$ -	\$ -	\$ 1,424,247
Receivables - Net:						
Other receivables	-	-	-	-	41,774	-
Due from other governmental units	-	3,957	-	-	-	-
Due from other funds	15,988	15,147	358,080	-	-	4,253
<b>Total assets</b>	<b>\$ 1,251,107</b>	<b>\$ 19,104</b>	<b>\$ 358,080</b>	<b>\$ -</b>	<b>\$ 1,466,021</b>	<b>\$ 653,557</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 59,774	\$ -	\$ -	\$ -	\$ -	\$ 283
Due to other funds	-	9,199	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Refundable deposits, bonds, etc.	61	-	-	-	-	-
Unearned revenue	339,400	-	-	-	-	-
<b>Total liabilities</b>	<b>399,235</b>	<b>9,199</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>283</b>
<b>Fund Balances</b>						
Nonspendable:						
Restricted:						
Roads and bike paths	-	-	358,080	-	-	653,274
Debt service	-	-	-	-	-	-
Land acquisition	-	-	-	-	1,466,021	-
Police forfeitures	-	-	-	-	-	-
Solid waste	-	-	-	-	-	-
Development contracts	851,872	-	-	-	-	-
Community development	-	9,905	-	-	-	-
Committed - Cemetery	-	-	-	-	-	-
Assigned - Capital improvement	-	-	-	-	-	-
<b>Total fund balances</b>	<b>851,872</b>	<b>9,905</b>	<b>358,080</b>	<b>-</b>	<b>1,466,021</b>	<b>653,274</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,251,107</b>	<b>\$ 19,104</b>	<b>\$ 358,080</b>	<b>\$ -</b>	<b>\$ 1,466,021</b>	<b>\$ 653,557</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2017**

Special Revenue Funds			Debt Service Funds			Capital Projects Funds		Total Nonmajor Governmental Funds
Solid Waste Collection	Forfeiture Funds	Cemetery	Fire & DPW Bond	Development Bonds	Major Road Bond	Capital Improvement	Major Road Capital Program	
\$ 117,040	\$ 7,263	\$ 94,623	\$ -	\$ 736	\$ -	\$ 2,267,084	\$ 771,770	\$ 6,567,186
-	-	-	-	-	-	-	127,522	169,296
7,737	73,296	-	-	21,314	-	-	233,348	3,957
<u>\$ 124,777</u>	<u>\$ 80,559</u>	<u>\$ 94,623</u>	<u>\$ -</u>	<u>\$ 22,050</u>	<u>\$ -</u>	<u>\$ 2,267,084</u>	<u>\$ 1,132,640</u>	<u>\$ 7,469,602</u>
\$ 40,421	\$ -	\$ 2,955	\$ -	\$ -	\$ -	\$ 176,050	\$ 14,083	\$ 293,566
-	-	-	-	-	-	-	-	9,199
-	-	-	-	-	-	88,534	-	88,534
-	-	-	-	-	-	-	-	61
-	-	-	-	-	-	-	-	339,400
40,421	-	2,955	-	-	-	264,584	14,083	730,760
-	-	-	-	-	-	-	1,118,557	2,129,911
-	-	-	-	22,050	-	-	-	22,050
-	80,559	-	-	-	-	-	-	1,466,021
84,356	-	-	-	-	-	-	-	80,559
-	-	-	-	-	-	-	-	84,356
-	-	-	-	-	-	-	-	851,872
-	-	91,668	-	-	-	-	-	9,905
-	-	-	-	-	-	2,002,500	-	91,668
-	-	-	-	-	-	-	-	2,002,500
<u>84,356</u>	<u>80,559</u>	<u>91,668</u>	<u>-</u>	<u>22,050</u>	<u>-</u>	<u>2,002,500</u>	<u>1,118,557</u>	<u>6,738,842</u>
<u>\$ 124,777</u>	<u>\$ 80,559</u>	<u>\$ 94,623</u>	<u>\$ -</u>	<u>\$ 22,050</u>	<u>\$ -</u>	<u>\$ 2,267,084</u>	<u>\$ 1,132,640</u>	<u>\$ 7,469,602</u>

# City of Wixom, Michigan

	Special Revenue Funds					
	Special Agency	Community Development	Major Roads	Local Roads	Land Acquisition	Safety Path Road Program
<b>Revenue</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 211,399
Federal grants	-	110,558	-	-	-	-
State-shared revenue and grants	4,642	-	-	-	1,163,399	-
Charges for services	355,010	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Investment income	6,578	-	-	-	5,910	3,243
Other revenue	899	-	-	-	-	7,600
<b>Total revenue</b>	<b>367,129</b>	<b>110,558</b>	<b>-</b>	<b>-</b>	<b>1,169,309</b>	<b>222,242</b>
<b>Expenditures</b>						
Current:						
General government	48	-	-	-	939,010	-
Public safety	2,578	-	-	-	-	-
Public works	-	-	-	-	-	-
Community and economic development	412,554	112,745	-	-	-	-
Capital outlay	-	-	-	-	229,447	-
Debt service	-	-	-	-	-	-
<b>Total expenditures</b>	<b>415,180</b>	<b>112,745</b>	<b>-</b>	<b>-</b>	<b>1,168,457</b>	<b>-</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(48,051)</b>	<b>(2,187)</b>	<b>-</b>	<b>-</b>	<b>852</b>	<b>222,242</b>
<b>Other Financing Sources (Uses)</b>						
Proceeds from sale of capital assets	-	-	-	-	37,445	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,445</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(48,051)</b>	<b>(2,187)</b>	<b>-</b>	<b>-</b>	<b>38,297</b>	<b>222,242</b>
<b>Fund Balances - Beginning of year</b>	<b>899,923</b>	<b>12,092</b>	<b>358,080</b>	<b>-</b>	<b>1,427,724</b>	<b>431,032</b>
<b>Fund Balances - End of year</b>	<b>\$ 851,872</b>	<b>\$ 9,905</b>	<b>\$ 358,080</b>	<b>\$ -</b>	<b>\$ 1,466,021</b>	<b>\$ 653,274</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2017**

Special Revenue Funds			Debt Service Funds			Capital Projects Funds		Total
Solid Waste Collection	Forfeiture Funds	Cemetery	Fire & DPW Bond	Development Bonds	Major Road Bond	Capital Improvement	Major Road Capital Program	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 462	\$ -	\$ 765	\$ -	\$ -	\$ 212,626
-	-	-	-	-	-	-	-	110,558
506,501	-	6,800	-	-	-	-	659,236	1,827,277
-	57,096	-	-	-	-	-	-	868,311
2,208	40	517	93	-	-	7,571	4,187	57,096
15,491	-	500	-	269,500	13	-	-	30,347
524,200	57,136	7,817	555	269,500	778	7,571	663,423	294,003
-	-	313	-	626	-	-	-	3,400,218
-	17,820	-	-	-	-	-	-	939,997
514,769	-	9,942	-	-	-	-	284,257	20,398
-	-	-	-	-	-	-	16,975	808,968
-	-	-	-	-	-	667,571	6,761	542,274
-	-	-	225	422,812	-	3,229	-	903,779
514,769	17,820	10,255	225	423,438	-	670,800	307,993	426,266
9,431	39,316	(2,438)	330	(153,938)	778	(663,229)	355,430	3,641,682
-	-	-	-	-	-	-	-	(241,464)
-	-	-	-	153,940	-	973,398	4,342	37,445
-	-	-	(48,673)	-	(4,342)	-	-	1,131,680
-	-	-	(48,673)	153,940	(4,342)	973,398	4,342	(53,015)
9,431	39,316	(2,438)	(48,343)	2	(3,564)	310,169	359,772	1,116,110
74,925	41,243	94,106	48,343	22,048	3,564	1,692,331	758,785	874,646
<u>\$ 84,356</u>	<u>\$ 80,559</u>	<u>\$ 91,668</u>	<u>\$ -</u>	<u>\$ 22,050</u>	<u>\$ -</u>	<u>\$ 2,002,500</u>	<u>\$ 1,118,557</u>	<u>\$ 6,738,842</u>

# City of Wixom, Michigan

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## Other Supplemental Information Local Development Finance Authority Balance Sheet June 30, 2017

	LDFA Capital Fund
<b>Assets - Cash and investments</b>	<b><u>\$ 2,565,832</u></b>
<b>Liabilities</b>	
Accounts payable	\$ 430,168
Due to primary government	907
<b>Equity - Restricted</b>	<b><u>2,134,757</u></b>
<b>Total Liabilities and Equity</b>	<b><u>\$ 2,565,832</u></b>



# City of Wixom, Michigan

## Other Supplemental Information Local Development Finance Authority Schedule of Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2017

	<u>L DFA Capital Fund</u>
<b>Revenue</b> - Investment income	\$ 18,998
<b>Expenditures</b> (except PR, capital, and debt)	7,024
<b>Capital Outlay Expenditures</b>	<u>958,675</u>
Total expenditures	<u>965,699</u>
<b>Change in Fund Balance</b>	(946,701)
<b>Fund Balance</b> - Beginning of year	<u>3,081,458</u>
<b>Fund Balance</b> - End of year	<u><u>\$ 2,134,757</u></u>