
City of Wixom, Michigan

**Financial Report
with Supplemental Information
June 30, 2018**

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Independent Auditor's Report

To the City Council
City of Wixom, Michigan

Report on the Financial Statements

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

Other Matters

Emphasis of Matter

As described in Note 14 to the financial statements, in 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which established accounting and financial reporting standards for defined benefit OPEB plans provided to the employees of governmental employers. Our opinion is not modified with respect to this matter.

To the City Council
City of Wixom, Michigan

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 an opinion 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 27, 2018

As management of the City of Wixom, Michigan's (the "City"), we offer readers this narrative overview and analysis of the financial activities for the year ended June 30, 2018. 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, 2018:

- The City's governmental net position increased \$2,315,305.
- Total assets related to the City's governmental activities exceeded liabilities at June 30, 2018 by \$28,789,138.
- Property tax revenue increased, primarily due to new development and inflation on existing properties. The loss of personal property tax revenue, as a result of the 2014 election, which reduced or eliminated personal property taxes for certain businesses in Michigan, continues to be offset by a reimbursement from the Local Community Stabilization Authority. These funds are reflected in intergovernmental revenue.
- The City decreased its General Fund balance by \$1,656,372 this year. This reduction can be attributed to an additional contribution to capital improvement projects. Those projects include the door access control system, engineering and construction of City parking lots, and various industrial roads. The City continues to maintain a 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 the reader how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

City's Net Position

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.

Management's Discussion and Analysis (Continued)

	Governmental Activities		
	2017	2018	Change
Assets			
Current and other assets:			
Cash and investments	\$ 15,327,452	\$ 18,031,163	\$ 2,703,711
Receivables	2,429,764	1,769,393	(660,371)
Other assets	1,039,752	186,807	(852,945)
Capital assets	34,774,994	35,242,261	467,267
Total assets	53,571,962	55,229,624	1,657,662
Deferred Outflows of Resources	1,915,865	810,517	(1,105,348)
Liabilities			
Current liabilities	1,393,593	1,679,140	285,547
Noncurrent liabilities	21,216,157	25,049,008	3,832,851
Total liabilities	22,609,750	26,728,148	4,118,398
Deferred Inflows of Resources	-	522,855	522,855
Net Position			
Net investment in capital assets	29,331,221	30,274,585	943,364
Restricted	6,410,776	7,634,382	1,223,606
Unrestricted	(2,863,920)	(9,119,829)	(6,255,909)
Total net position	\$ 32,878,077	\$ 28,789,138	\$ (4,088,939)

	Business-type Activities		
	2017	2018	Change
Assets			
Current and other assets:			
Cash and investments	\$ 7,163,155	\$ 8,198,300	\$ 1,035,145
Receivables	1,998,728	2,296,821	298,093
Other assets	133,309	93,791	(39,518)
Capital assets	53,265,847	53,033,573	(232,274)
Total assets	62,561,039	63,622,485	1,061,446
Liabilities			
Current liabilities	2,215,736	808,468	(1,407,268)
Noncurrent liabilities	2,775,835	2,780,880	5,045
Total liabilities	4,991,571	3,589,348	(1,402,223)
Net Position			
Net investment in capital assets	49,907,045	50,796,279	889,234
Unrestricted	7,662,423	9,236,858	1,574,435
Total net position	\$ 57,569,468	\$ 60,033,137	\$ 2,463,669

Management's Discussion and Analysis (Continued)

The governmental net position decreased approximately 12.4 percent from a year ago - from \$32.9 million (not restated for GASB 75) to \$28.8 million. The unrestricted net position deficit, the part of net position that can be used to finance day-to-day operations, decreased by approximately \$6.25 million. This is directly attributable to the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, the government-wide statements and the proprietary funds now include a liability for the unfunded portion of the City's retiree healthcare costs.

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 1.39 times annual program expenses.

City's Changes in Net Position

The following tables show the current year's changes in net position compared to the prior year:

	Governmental Activities		
	2017	2018	Change
Revenue			
Program revenue:			
Charges for services	\$ 3,033,739	\$ 3,220,128	\$ 186,389
Operating grants	2,422,527	1,288,684	(1,133,843)
Capital grants	253,831	405,152	151,321
General revenue:			
Taxes - Property taxes	8,494,226	8,835,232	341,006
Intergovernmental	1,485,853	1,531,747	45,894
Investment earnings	89,646	202,925	113,279
Other revenue:			
Sale of capital assets	38,195	52,448	14,253
Other miscellaneous income	404,966	362,441	(42,525)
Total revenue	16,222,983	15,898,757	(324,226)
Expenses			
General government	4,878,134	3,281,873	(1,596,261)
Public safety	4,764,537	5,301,167	536,630
Public works	5,025,317	4,428,462	(596,855)
Community and economic development	790,721	606,804	(183,917)
Recreation and culture	905,224	1,133,462	228,238
Debt service	176,756	158,064	(18,692)
Total expenses	16,540,689	14,909,832	(1,630,857)
Transfers	(98,673)	-	98,673
Special and extraordinary items	958,675	1,326,380	367,705
Change in Net Position	542,296	2,315,305	1,773,009
Net Position - Beginning of year - As restated	32,335,781	26,473,833	(5,861,948)
Net Position - End of year	\$ 32,878,077	\$ 28,789,138	\$ (4,088,939)

Management's Discussion and Analysis (Continued)

	Business-type Activities		
	2017	2018	Change
Revenue			
Program revenue:			
Charges for services	\$ 5,195,819	\$ 5,725,017	\$ 529,198
Operating grants	108,712	107,815	(897)
Capital grants	1,443,892	2,053,758	609,866
General revenue:			
Taxes	1,149,069	1,147,489	(1,580)
Investment earnings	54,659	71,251	16,592
Other revenue - Other miscellaneous income	100,000	-	(100,000)
Total revenue	8,052,151	9,105,330	1,053,179
Expenses	6,152,418	6,641,661	489,243
Transfers	48,673	-	(48,673)
Change in Net Position	1,948,406	2,463,669	515,263
Net Position - Beginning of year, as adjusted	55,621,062	57,569,468	1,948,406
Net Position - End of year	\$ 57,569,468	\$ 60,033,137	\$ 2,463,669

The City's property tax revenue increased primarily due to new development and inflation on existing properties. Intergovernmental revenue increased by \$45,894 due to the continued phase out of a portion of personal property taxes and an increase to state revenue sharing. Earnings on investments reflect an increase of \$113,279 due to a favorable change in the market. 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 decreased by approximately \$1.6 million compared to the prior year. This can generally be attributed to the 2017 year, including activity related to the trail-way purchase, which was offset by incoming grant revenue.

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 2018, the City entered its fifth 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 2018 include the General Fund and Special Assessment Fund. The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenditures of approximately \$4.9 million in 2018, and general government, which incurred expenditures of approximately \$3.2 million. The General Fund ended the year with approximately \$3.4 million of unrestricted fund balance, which represents 36 percent of annual expenditures excluding transfers.

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 2018 was the fifth 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.

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 \$450,000 increase to estimated building permit revenue and an associated \$280,000 increase to building official contract expense to reflect increased activity in the City. Local Community Stabilization Fund appropriations were increased by \$155,383 to account for reimbursements from the State of Michigan for decreases in personal property taxes. Total expenditures overall were \$619,431 below the amended budget.

Capital Assets and Debt Administration

At the end of 2018, 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 a City-wide door access control system, renovation of the Community Center, parking lot engineering, DPW cold storage building roof replacement, computer equipment, a dump truck for the DPW department, police vehicles, fire station carpet replacement and vehicle exhaust capture system. 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, 2018 were approximately \$7.2 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 42 percent of the 2018 tax roll is residential, including single family and multifamily homes. The remaining 58 percent is nonresidential, composed of 42 percent commercial and industrial and 16 percent personal property. The City is approximately 83 percent developed.

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

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 4 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 2017-2018, 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 the City. The VCA-Anthem at Tribute development by Robertson Homes LLC continued throughout the fiscal year contributing to additional single-family residential homes and condominium units. This project will support additional future development within the downtown. Other notable new construction projects during the fiscal year include the following:

- 47,400 Square Foot 3-Story Mixed-Office Spec Building A (Assembly Park)
- 35,232 Square Foot 3-Story Mixed-Office Spec Building B (Assembly Park)
- 108,221 Square Foot Building - At Home Retail Store
- 14,459 Square Foot Building - Duluth Trading Co. Retail Store
- 126,000 Square Foot Industrial Building - Tremec
- 84,000 Square Foot Industrial Spec Building (Beck Road)
- 135,000 Square Foot Industrial Building - Kentucky Trailer

- 57,341 Square Foot Hotel - Hampton Inn
- 30,497 Square Foot Hotel - My Place
- 64,226 Square Foot Hotel - Springhill Suites

Several hundred jobs were created and filled in the City as a result of the facilitated negotiations of several leases and property purchases within the City. The City currently has property vacancy rates of less than 1 percent industrial and less than 3 percent commercial.

Requests for Further Information

This financial report is intended to provide a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the finance department office at 49045 Pontiac Trail, Wixom, Michigan 48393. This report, township budgets, and other financial information are available on the City's website at www.wixomgov.org.

June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 18,031,163	\$ 8,198,300	\$ 26,229,463	\$ 908,671
Receivables - Net	1,837,954	2,205,379	4,043,333	-
Due from component units	22,881	-	22,881	-
Internal balances (Note 5)	(91,442)	91,442	-	-
Inventory	57,518	93,791	151,309	-
Prepaid expenses and other assets	129,289	-	129,289	-
Capital assets: (Note 4)				
Assets not subject to depreciation	4,698,574	-	4,698,574	154,296
Assets subject to depreciation - Net	30,543,687	53,033,573	83,577,260	92,979
Total assets	55,229,624	63,622,485	118,852,109	1,155,946
Deferred Outflows of Resources				
Deferred pension costs (Note 9)	720,372	-	720,372	-
Deferred OPEB costs (Note 10)	90,145	-	90,145	-
Total deferred outflows of resources	810,517	-	810,517	-
Liabilities				
Accounts payable	988,448	793,359	1,781,807	28,862
Due to primary government	-	-	-	22,881
Refundable deposits, bonds, etc.	172	-	172	-
Accrued salaries and other	198,232	15,109	213,341	-
Unearned revenue	492,288	-	492,288	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	86,267	-	86,267	-
Current portion of long-term debt (Note 6)	496,097	1,146,326	1,642,423	-
Due in more than one year:				
Compensated absences (Note 6)	744,821	-	744,821	-
Refundable escrow deposits	-	543,586	543,586	-
Net pension liability (Note 9)	13,884,065	-	13,884,065	-
Net OPEB liability (Note 10)	5,366,179	-	5,366,179	-
Long-term debt (Note 6)	4,471,579	1,090,968	5,562,547	-
Total liabilities	26,728,148	3,589,348	30,317,496	51,743
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 9)	498,983	-	498,983	-
Deferred OPEB cost reductions (Note 10)	23,872	-	23,872	-
Total deferred inflows of resources	522,855	-	522,855	-
Net Position				
Net investment in capital assets	30,274,585	50,796,279	81,070,864	247,275
Restricted:				
Roads and bike paths	4,934,157	-	4,934,157	-
Debt service	39,046	-	39,046	-
Land acquisition	1,482,844	-	1,482,844	-
Police forfeitures	199,486	-	199,486	-
Solid waste	76,765	-	76,765	-
Building and development	893,434	-	893,434	-
PEG fees	8,650	-	8,650	-
Unrestricted	(9,119,829)	9,236,858	117,029	856,928
Total net position	\$ 28,789,138	\$ 60,033,137	\$ 88,822,275	\$ 1,104,203

Year Ended June 30, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position							
	Expenses	Program Revenue			Primary Government		Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		Total
Primary government:								
Governmental activities:								
General government	\$ 3,281,873	\$ 607,663	\$ -	\$ -	\$ (2,674,210)	\$ -	\$ (2,674,210)	-
Public safety	5,301,167	137,305	3,403	-	(5,160,459)	-	(5,160,459)	-
Public works	4,428,462	837,464	1,254,066	61,321	(2,275,611)	-	(2,275,611)	-
Community and economic development:								
Planning	98,133	-	-	-	(98,133)	-	(98,133)	-
Redevelopment and housing	-	1,480,149	5,000	343,831	1,828,980	-	1,828,980	-
Other community and economic development	508,671	606	11,836	-	(496,229)	-	(496,229)	-
Recreation and culture	1,133,462	156,941	14,379	-	(962,142)	-	(962,142)	-
Interest on long-term debt	158,064	-	-	-	(158,064)	-	(158,064)	-
Total governmental activities	14,909,832	3,220,128	1,288,684	405,152	(9,995,868)	-	(9,995,868)	-
Business-type activities:								
Water Enterprise Fund	4,123,630	3,547,181	107,815	641,500	-	172,866	172,866	-
Wastewater Enterprise Fund	2,518,031	2,177,836	-	1,412,258	-	1,072,063	1,072,063	-
Total business-type activities	6,641,661	5,725,017	107,815	2,053,758	-	1,244,929	1,244,929	-
Total primary government	<u>\$ 21,551,493</u>	<u>\$ 8,945,145</u>	<u>\$ 1,396,499</u>	<u>\$ 2,458,910</u>	(9,995,868)	1,244,929	(8,750,939)	-
Component units:								
Downtown Development Authority	\$ 372,063	\$ -	\$ -	\$ -	-	-	-	(372,063)
Local Development Finance Authority	1,327,137	-	-	-	-	-	-	(1,327,137)
Total component units	<u>\$ 1,699,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-	-	-	(1,699,200)
General revenue:								
Property taxes					8,835,232	1,147,489	9,982,721	347,869
Unrestricted state-shared revenue					1,531,747	-	1,531,747	2,670
Unrestricted investment income					202,925	71,251	274,176	16,973
Gain on sale of capital assets					52,448	-	52,448	-
Other miscellaneous income					362,441	-	362,441	27,299
Total general revenue					10,984,793	1,218,740	12,203,533	394,811
Special items					1,326,380	-	1,326,380	-
Change in Net Position					2,315,305	2,463,669	4,778,974	(1,304,389)
Net Position - Beginning of year, as restated					26,473,833	57,569,468	84,043,301	2,408,592
Net Position - End of year					<u>\$ 28,789,138</u>	<u>\$ 60,033,137</u>	<u>\$ 88,822,275</u>	<u>\$ 1,104,203</u>

Governmental Funds
Balance Sheet

June 30, 2018

	Combined General Fund	Special Assessment Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 7,097,961	\$ 22,833	\$ 10,910,369	\$ 18,031,163
Receivables	297,238	1,340,211	200,505	1,837,954
Due from component units	22,881	-	-	22,881
Due from other funds (Note 5)	122,082	-	1,060,600	1,182,682
Inventory	3,394	-	54,124	57,518
Prepaid expenses and other assets	129,289	-	-	129,289
Total assets	\$ 7,672,845	\$ 1,363,044	\$ 12,225,598	\$ 21,261,487
Liabilities				
Accounts payable	\$ 367,837	\$ -	\$ 620,611	\$ 988,448
Due to other funds (Note 5)	1,259,275	5,323	9,526	1,274,124
Refundable deposits, bonds, etc.	-	-	172	172
Accrued salaries and other	162,419	-	-	162,419
Unearned revenue	-	79,500	412,788	492,288
Total liabilities	1,789,531	84,823	1,043,097	2,917,451
Deferred Inflows of Resources -				
Unavailable revenue	-	1,260,711	-	1,260,711
Fund Balances				
Nonspendable:				
Inventory	3,394	-	54,124	57,518
Prepays	120,570	-	-	120,570
Restricted:				
Roads	-	-	4,880,033	4,880,033
Debt service	-	17,510	21,536	39,046
PEG fees	8,650	-	-	8,650
Land acquisition	-	-	1,482,844	1,482,844
Police forfeiture	-	-	199,486	199,486
Solid waste	-	-	76,765	76,765
Development contracts	-	-	883,529	883,529
Community development	-	-	9,905	9,905
Committed:				
Cemetery	-	-	86,729	86,729
Budget stabilization	2,280,142	-	-	2,280,142
Assigned - Capital improvements	-	-	3,487,550	3,487,550
Unassigned	3,470,558	-	-	3,470,558
Total fund balances	5,883,314	17,510	11,182,501	17,083,325
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,672,845	\$ 1,363,044	\$ 12,225,598	\$ 21,261,487

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2018

Fund Balances Reported in Governmental Funds	\$ 17,083,325
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	35,242,261
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	1,260,711
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(4,967,676)
Accrued interest is not due and payable in the current period and is not reported in the funds	(35,813)
Some employee fringe benefits 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:	
Employee compensated absences	(831,088)
Pension benefits	(13,662,676)
Retiree healthcare benefits	(5,299,906)
Net Position of Governmental Activities	<u>\$ 28,789,138</u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2018

	Combined General Fund	Special Assessment Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 7,739,710	\$ -	\$ 1,057,894	\$ 8,797,604
Special assessments	-	217,581	-	217,581
Intergovernmental:				
Federal grants	-	-	16,836	16,836
State sources	1,549,014	-	1,213,939	2,762,953
Local grants and contributions	-	-	37,628	37,628
Charges for services	1,427,372	-	897,543	2,324,915
Fines and forfeitures	51,861	-	119,087	170,948
Licenses and permits	64,166	-	-	64,166
Interest and rentals:				
Investment earnings	97,952	306	104,667	202,925
Rental income	281,020	-	-	281,020
Other revenue	340,966	-	21,158	362,124
Total revenue	11,552,061	217,887	3,468,752	15,238,700
Expenditures				
Current services:				
General government	3,137,161	638	1,732	3,139,531
Public safety	4,984,802	-	2,491	4,987,293
Public works	690,090	8,900	1,983,181	2,682,171
Community and economic development	94,833	-	364,748	459,581
Recreation and culture	632,326	-	-	632,326
Capital outlay	-	-	1,209,050	1,209,050
Debt service	-	208,853	428,675	637,528
Total expenditures	9,539,212	218,391	3,989,877	13,747,480
Excess of Revenue Over (Under) Expenditures	2,012,849	(504)	(521,125)	1,491,220
Other Financing Sources (Uses)				
Transfers in (Note 5)	-	-	6,503,340	6,503,340
Transfers out (Note 5)	(3,721,669)	-	(2,437,840)	(6,159,509)
Sale of capital assets	52,448	-	-	52,448
Total other financing (uses) sources	(3,669,221)	-	4,065,500	396,279
Net Change in Fund Balances	(1,656,372)	(504)	3,544,375	1,887,499
Fund Balances - Beginning of year	7,539,686	18,014	7,638,126	15,195,826
Fund Balances - End of year	<u>\$ 5,883,314</u>	<u>\$ 17,510</u>	<u>\$ 11,182,501</u>	<u>\$ 17,083,325</u>

Governmental Funds

Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balances to the Statement of Activities

Year Ended June 30, 2018

Net Change in Fund Balance Reported in Governmental Funds	\$ 1,887,499
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	3,472,548
Depreciation expense	(3,003,879)
Net book value of assets disposed of	(1,402)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(156,261)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	476,097
Interest expense is recognized in the government-wide statements as it accrues	3,367
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(362,664)
Change in Net Position of Governmental Activities	<u>\$ 2,315,305</u>

Proprietary Funds
Statement of Net Position

June 30, 2018

	Enterprise Funds		
	Water	Sewer	Total Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 1,144,267	\$ 7,054,033	\$ 8,198,300
Receivables:			
Customer receivables	1,260,911	766,953	2,027,864
Other receivables	27,718	149,797	177,515
Due from other funds (Note 5)	-	193,377	193,377
Inventory	49,546	44,245	93,791
Total current assets	2,482,442	8,208,405	10,690,847
Noncurrent assets - Capital assets	32,662,804	20,370,769	53,033,573
Total assets	35,145,246	28,579,174	63,724,420
Liabilities			
Current liabilities:			
Accounts payable	625,982	167,377	793,359
Due to other funds (Note 5)	101,935	-	101,935
Accrued interest payable	15,109	-	15,109
Current portion of long-term debt (Note 6)	1,146,326	-	1,146,326
Total current liabilities	1,889,352	167,377	2,056,729
Noncurrent liabilities:			
Long-term debt (Note 6)	1,090,968	-	1,090,968
Refundable escrow deposits	-	543,586	543,586
Total noncurrent liabilities	1,090,968	543,586	1,634,554
Total liabilities	2,980,320	710,963	3,691,283
Net Position			
Net investment in capital assets	30,425,510	20,370,769	50,796,279
Unrestricted	1,739,416	7,497,442	9,236,858
Total net position	\$ 32,164,926	\$ 27,868,211	\$ 60,033,137

Proprietary Funds
Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2018

	Enterprise Funds		
	Water	Sewer	Total Enterprise Funds
Operating Revenue			
Sale of water	\$ 2,721,387	\$ -	\$ 2,721,387
Sewage disposal charges	-	1,773,398	1,773,398
Interest and penalty charges	160,206	125,801	286,007
Other miscellaneous charges	665,588	278,637	944,225
Total operating revenue	3,547,181	2,177,836	5,725,017
Operating Expenses			
Cost of water	2,577,751	-	2,577,751
Cost of sewage treatment	-	998,113	998,113
Other operating and maintenance costs	514,584	34,844	549,428
Billing and administrative costs	211,699	224,507	436,206
Utilities	-	228,955	228,955
Other miscellaneous charges	-	18,308	18,308
Depreciation	749,062	1,013,304	1,762,366
Total operating expenses	4,053,096	2,518,031	6,571,127
Operating Loss	(505,915)	(340,195)	(846,110)
Nonoperating Revenue (Expense)			
Property tax revenue	1,147,489	-	1,147,489
Investment income	8,536	62,715	71,251
Interest expense	(70,534)	-	(70,534)
Operating grants	107,815	-	107,815
Total nonoperating revenue	1,193,306	62,715	1,256,021
Income (Loss) - Before capital contributions	687,391	(277,480)	409,911
Capital Contributions			
Capital grants	-	221,403	221,403
Benefit fees	135,000	955,075	1,090,075
Lines donated by developers	506,500	235,780	742,280
Total capital contributions	641,500	1,412,258	2,053,758
Change in Net Position	1,328,891	1,134,778	2,463,669
Net Position - Beginning of year	30,836,035	26,733,433	57,569,468
Net Position - End of year	\$ 32,164,926	\$ 27,868,211	\$ 60,033,137

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2018

	Enterprise Funds		
	Water	Sewer	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 3,391,943	\$ 2,490,920	\$ 5,882,863
Payments from interfund services and reimbursements	(529,764)	(417,094)	(946,858)
Payments to suppliers	(3,072,538)	(1,564,462)	(4,637,000)
Other payments	(3,021)	-	(3,021)
Net cash and cash equivalents (used in) provided by operating activities	(213,380)	509,364	295,984
Cash Flows from Noncapital Financing Activities			
Operating grants and subsidies	107,815	-	107,815
Repayments of loans made to other funds	-	88,534	88,534
Net cash and cash equivalents provided by noncapital financing activities	107,815	88,534	196,349
Cash Flows from Capital and Related Financing Activities			
Receipt of capital grants	-	221,403	221,403
Benefit fees	135,000	955,075	1,090,075
Property taxes restricted for capital items	1,147,489	-	1,147,489
Purchase of capital assets	(203,674)	(584,138)	(787,812)
Principal and interest paid on capital debt	(1,199,594)	-	(1,199,594)
Net cash and cash equivalents (used in) provided by capital and related financing activities	(120,779)	592,340	471,561
Cash Flows Provided by Investing Activities - Interest received on investments	8,536	62,715	71,251
Net (Decrease) Increase in Cash and Cash Equivalents	(217,808)	1,252,953	1,035,145
Cash and Cash Equivalents - Beginning of year	1,362,075	5,801,080	7,163,155
Cash and Cash Equivalents - End of year	<u>\$ 1,144,267</u>	<u>\$ 7,054,033</u>	<u>\$ 8,198,300</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (505,915)	\$ (340,195)	\$ (846,110)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	749,062	1,013,304	1,762,366
Changes in assets and liabilities:			
Receivables	(158,259)	313,084	154,825
Due to and from other funds	(348,865)	(192,587)	(541,452)
Inventories	39,119	399	39,518
Accounts payable	11,478	(284,641)	(273,163)
Total adjustments	292,535	849,559	1,142,094
Net cash and cash equivalents (used in) provided by operating activities	<u>\$ (213,380)</u>	<u>\$ 509,364</u>	<u>\$ 295,984</u>
Significant Noncash Transactions - Donated capital assets	\$ 506,500	\$ 235,780	\$ 742,280

Fiduciary Fund
Statement of Fiduciary Assets and Liabilities - Agency Fund

June 30, 2018

Assets

Cash and cash equivalents	\$ 1,018,784
Receivables	<u>96,906</u>
Total assets	<u>\$ 1,115,690</u>

Liabilities

Due to other governmental units	\$ 177,853
Refundable deposits, bonds, etc.	<u>937,837</u>
Total liabilities	<u>\$ 1,115,690</u>

Component Units
Statement of Net Position

June 30, 2018

	Downtown Development Authority	Local Development Finance Authority	Total
Assets			
Cash and cash equivalents	\$ 54,391	\$ 854,280	\$ 908,671
Capital assets - Net	247,275	-	247,275
Total assets	301,666	854,280	1,155,946
Liabilities			
Accounts payable	366	28,496	28,862
Due to primary government	21,046	1,835	22,881
Total liabilities	21,412	30,331	51,743
Net Position			
Net investment in capital assets	247,275	-	247,275
Unrestricted	32,979	823,949	856,928
Total net position	\$ 280,254	\$ 823,949	\$ 1,104,203

City of Wixom, Michigan

**Component Units
Statement of Activities**

Year Ended June 30, 2018

	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Local Development Finance Authority	Total
Functions/Programs							
Downtown Development Authority	\$ 372,063	\$ -	\$ -	\$ -	\$ (372,063)	\$ -	\$ (372,063)
Local Development Finance Authority	1,327,137	-	-	-	-	(1,327,137)	(1,327,137)
Total	\$ 1,699,200	\$ -	\$ -	\$ -	(372,063)	(1,327,137)	(1,699,200)
General revenue:							
Property taxes					347,869	-	347,869
State-shared revenue					2,670	-	2,670
Investment income					644	16,329	16,973
Other miscellaneous income					27,299	-	27,299
Total general revenue					378,482	16,329	394,811
Change in Net Position					6,419	(1,310,808)	(1,304,389)
Net Position - Beginning of year					273,835	2,134,757	2,408,592
Net Position - End of year					\$ 280,254	\$ 823,949	\$ 1,104,203

Note 1 - Significant Accounting Policies

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

Reporting Entity

The City of Wixom, Michigan is governed by an elected seven-member city council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the City's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are 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. In addition, the Authority's development plans, and all modifications to the plans, are subject to approval by the City Council. 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. Even though the City is no longer capturing taxes, there is still unspent tax captures being used for current year LDFA expenses. 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.

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.

Note 1 - Significant Accounting Policies (Continued)

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, as applicable. 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, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the City's water and sewer function and various other functions. 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, if any, are reported as separate columns in the fund financial statements.

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the City to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds include 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 primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to 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.

Proprietary Funds

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.

Note 1 - Significant Accounting Policies (Continued)

- **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

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the City'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.

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 the 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 City has spent its resources.

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

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

Proprietary funds and fiduciary funds, as applicable, 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.

Note 1 - Significant Accounting Policies (Continued)

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 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, when applicable.

Capital Assets

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

Capital Asset Class	Depreciable Life - Years
Roads and sidewalks	15-30
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

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 and premiums as an "other financing source" and bond discounts as "other financing uses." 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 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 future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

Note 1 - Significant Accounting Policies (Continued)

The City reports deferred outflows related to pension and OPEB.

In addition to liabilities, the statement of net position 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 future periods and will not be recognized as an inflow of resources (revenue) until that time.

The City reports deferred inflows related to pension and OPEB, as well as 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.

Net Position Flow Assumption

The City will sometimes fund outlays for a particular purpose from both restricted 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 (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The City will sometimes 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 City'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 City 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 City's highest level of decision-making authority. The city council is the highest level of decision-making authority for the City 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.

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 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.

June 30, 2018

Note 1 - Significant Accounting Policies (Continued)

The City Council has adopted, by ordinance, a Budget Stabilization Fund under Michigan’s Public Act 30 of 1978. The City Council 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 City Council, may only occur to correct a budget shortfall or in the case of a natural disaster. The balance at June 30, 2018 of the stabilization amount, which is reported in the General Fund, is \$2,280,142.

Property Tax Revenue

Property taxes are assessed as of December 31. The related property taxes become an enforceable 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 2017 property tax revenue was levied and collectible on July 1, 2017 and is recognized as revenue in the year ended June 30, 2018 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2017 taxable valuation of the City totaled \$681.5 million (a portion of which is abated and a portion of which is captured by the LDFA and DDA). Taxes were levied as follows:

Purpose	Millage Rate	Revenue
General Fund - Operating	11.0429 \$	7,374,000
Local Road Capital Program Fund - Capital	1.1500	768,000
Safety Path Fund - Capital	.3000	200,000
Water Fund - Debt	1.6700	1,143,000
DDA Special Millage	1.5728	10,000
Total		<u>\$ 9,495,000</u>

Pension

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.

Other Postemployment Benefit Costs

The City offers healthcare benefits to retirees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan’s fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan’s fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1 - Significant Accounting Policies (Continued)

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 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 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 proprietary funds is charges to customers for sales or services. Operating expenses for these funds include the cost of sales or services, administrative expenses, and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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.

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2020.

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

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. 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, 2019.

June 30, 2018

Note 1 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncements

During the current year, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which replaces GASB Statement No. 45. As a result, the government-wide statements and proprietary funds now include a liability for the City's estimated unfunded other postemployment benefit (OPEB) costs. Some of the changes in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the other postemployment benefit plan disclosure (see Note 10) for further details. This change does not impact the modified accrual funds.

The financial statements for the year ended June 30, 2017 have been restated in order to adopt GASB Statement No. 75. The effect of this new standard was a decrease in net position to record the net OPEB liability at June 30, 2017. Additionally, the net OPEB obligation previously recorded in the government-wide statements and proprietary funds in accordance with GASB Statement No. 45 has been eliminated and the overall result was an decrease in net position as of the beginning of the current fiscal year. See Note 14 for further details.

Note 2 - Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations in Budgeted Funds

The City had a budget overrun during the current year in the building inspection category.

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 July 1, 2000 is as follows:

Shortfall at July 1, 2017	\$ (1,285,922)
Current year permit revenue	1,111,009
Related expenses - Less related direct costs	<u>828,378</u>
Current year surplus	<u>282,631</u>
Cumulative shortfall June 30, 2018	<u><u>\$ (1,003,291)</u></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 bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The City's deposits and investments are in accordance with statutory authority.

June 30, 2018

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$2,812,241 of bank deposits (certificates of deposit and checking and savings accounts), of which \$1,312,241 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 can only be purchased with a 270-day maturity.

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

Investment	Fair Value	Weighted-average Maturity (Days)
Primary Government		
Certificates of deposit	\$ 1,173,393	70
U.S. government agency securities	1,420,569	458
U.S. Treasury bonds	88,915	670
Commercial paper	221,340	111
Local government investment pool	3,788,346	377
FNMA mortgage	494,970	717
FHLMC mortgage	15,544	305
Municipal bonds	3,252,696	761
Total	<u>\$ 10,455,773</u>	

Investment	Fair Value	Weighted-average Maturity (Days)
Component Units		
Certificates of deposit	\$ 142,887	70
U.S. government agency securities	172,986	458
U.S. Treasury bonds	10,827	670
Commercial paper	26,953	111
FNMA mortgage	60,274	717
FHLMC mortgage	1,893	305
Municipal bonds	396,088	761
Total	<u>\$ 811,908</u>	

June 30, 2018

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 June 30, 2018, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Primary Government			
Local government investment pool	\$ 3,788,346	NR	N/A
Certificates of deposit	1,173,394	NR	N/A
U.S. Treasury	88,915	AA+	S&P
U.S. government agency	1,420,569	AA+	S&P
FHLMC mortgage	15,544	AA+	S&P
FNMA mortgage	494,970	AA+	S&P
Commercial paper	221,340	A-1+	S&P
Municipal bond	45,705	A+	S&P
Municipal bond	43,495	AA	S&P
Municipal bond	1,812,918	AA-	S&P
Municipal bond	230,595	AA+	S&P
Municipal bond	202,620	AAA+	S&P
Municipal bond	917,362	NR	N/A
Total	<u>\$ 10,455,773</u>		

Investment	Fair Value	Rating	Rating Organization
Component Units			
Certificates of deposit	\$ 142,887	NR	N/A
U.S. Treasury	10,827	AA+	S&P
U.S. government agency	172,986	AA+	S&P
FHLMC mortgage	1,893	AA+	S&P
FNMA mortgage	60,274	AA+	S&P
Commercial paper	26,953	A-1+	S&P
Municipal bond	5,566	A+	S&P
Municipal bond	5,296	AA	S&P
Municipal bond	220,763	AA-	S&P
Municipal bond	28,080	AA+	S&P
Municipal bond	24,674	AAA	S&P
Municipal bond	111,709	NR	N/A
Total	<u>\$ 811,908</u>		

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. More than 5 percent of the City's investments are in the Oakland County Local Government Investment Pool (the "LGIP") at 34 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.

June 30, 2018

Note 3 - Deposits and Investments (Continued)

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, 2018, the City had \$15,348,641 in such a fund at Comerica Bank (J Fund, which has a A1/P1/F1 rating). The Comerica J Fund is recorded at amortized cost. There is no limitation or restriction on participant withdrawals for the Comerica J Fund investment pool.

Fair Value Measurements

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

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

The City has the following recurring fair value measurements as of June 30, 2018:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Debt securities:				
U.S. Treasury securities	\$ 99,742	\$ -	\$ -	\$ 99,742
Residential mortgage-backed securities	569,681	-	-	569,681
Agency bonds	1,593,555	-	-	1,593,555
Municipal bonds	-	3,648,784	-	3,648,784
	<u>2,262,978</u>	<u>3,648,784</u>	<u>-</u>	<u>5,911,762</u>
Total investments by fair value level	<u>\$ 2,262,978</u>	<u>\$ 3,648,784</u>	<u>\$ -</u>	<u>\$ 5,911,762</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, 2018 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 table below.

June 30, 2018

Note 3 - Deposits and Investments (Continued)

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, 2018, 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	\$ 3,788,346	\$ -	No restrictions	None

The Oakland County Local Government Investment Pool (LGIP) is not registered with the SEC and does not issue a separate report. The pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized costs. Accordingly, the investment is reported at fair value. The fair value of the position in the pool is not the same as the value of the pool shares because the pool redeems shares at \$1 per share regardless of current fair value.

Note 4 - Capital Assets

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

Governmental Activities

	Balance July 1, 2017	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated - Land	\$ 4,698,574	\$ -	\$ -	\$ 4,698,574
Capital assets being depreciated:				
Roads and sidewalks	65,867,387	2,140,524	-	68,007,911
Buildings, drains, and improvements	21,328,008	619,198	(28,099)	21,919,107
Machinery and equipment	3,834,469	336,506	(35,147)	4,135,828
Vehicles	5,019,289	284,401	(142,854)	5,160,836
Furniture and fixtures	983,616	91,919	(49,497)	1,026,038
Subtotal	97,032,769	3,472,548	(255,597)	100,249,720
Accumulated depreciation:				
Roads and sidewalks	49,911,993	1,917,336	-	51,829,329
Buildings, drains, and improvements	9,812,128	568,385	(26,750)	10,353,763
Machinery and equipment	3,065,674	200,451	(35,094)	3,231,031
Vehicles	3,287,771	299,048	(142,854)	3,443,965
Furniture and fixtures	878,783	18,659	(49,497)	847,945
Subtotal	66,956,349	3,003,879	(254,195)	69,706,033
Net capital assets being depreciated	30,076,420	468,669	(1,402)	30,543,687
Net capital assets	\$ 34,774,994	\$ 468,669	\$ (1,402)	\$ 35,242,261

During the year ended June 30, 2018, the LDFA contributed capital in the amount of \$1,326,380 to the primary government.

June 30, 2018

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2017	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets being depreciated:				
Water and sewer lines	\$ 58,440,949	\$ 1,534,011	\$ (22,420)	\$ 59,952,540
Buildings and improvements	22,637,786	-	(1)	22,637,785
Machinery and equipment	1,760,672	-	(90,503)	1,670,169
Office furnishings	68,670	-	-	68,670
Information technology	62,693	-	-	62,693
Subtotal	82,970,770	1,534,011	(112,924)	84,391,857
Accumulated depreciation:				
Water and sewer lines	16,690,293	1,195,744	(18,501)	17,867,536
Buildings and improvements	11,231,322	548,006	(1)	11,779,327
Machinery and equipment	1,653,480	18,591	(90,503)	1,581,568
Office furnishings	68,670	-	-	68,670
Information technology	61,158	25	-	61,183
Subtotal	29,704,923	1,762,366	(109,005)	31,358,284
Net capital assets being depreciated	53,265,847	(228,355)	(3,919)	53,033,573
Net capital assets	\$ 53,265,847	\$ (228,355)	\$ (3,919)	\$ 53,033,573

Component Unit

	Balance July 1, 2017	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated - Land	\$ 154,296	\$ -	\$ -	\$ 154,296
Capital assets being depreciated:				
Land improvements	499,892	-	-	499,892
Other tools and equipment	60,913	-	-	60,913
Subtotal	560,805	-	-	560,805
Accumulated depreciation:				
Land improvements	399,537	7,376	-	406,913
Other tools and equipment	60,913	-	-	60,913
Subtotal	460,450	7,376	-	467,826
Net capital assets being depreciated	100,355	(7,376)	-	92,979
Net capital assets	\$ 254,651	\$ (7,376)	\$ -	\$ 247,275

June 30, 2018

Note 4 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 280,240
Public safety	277,380
Public works	2,280,486
Economic development	143,923
Recreation and culture	21,850
	<u>3,003,879</u>
Total governmental activities	<u>\$ 3,003,879</u>
Business-type activities:	
Water	\$ 749,062
Sewer	1,013,304
	<u>1,762,366</u>
Total business-type activities	<u>\$ 1,762,366</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	\$ 2,206,497	\$ 1,278,767

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Local Road Fund	\$ 327
	Water Enterprise Fund	101,935
	Budget Stabilization Fund	5,298
	Special Assessment Fund	5,323
	Cemetery Fund	9,199
	Total General Fund	<u>122,082</u>
Nonmajor funds	General Fund	1,060,600
Sewer Fund	General Fund	193,377
	Total	<u>\$ 1,376,059</u>

The balance of amounts loaned to (borrowed from) discretely presented component units is as follows:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
Downtown Development Authority	General Fund	\$ 21,046
Local Development Authority	General Fund	1,835

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.

June 30, 2018

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

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Major Roads Fund	\$ 31,851
	Capital Improvement Fund	2,649,100
	DDA/VCA Development Bond Fund	83,867
	Local Roads Fund	956,851
	Nonmajor governmental funds	3,721,669
Major Roads Fund	Local Roads Fund	420,000
Local Road Capital Program	Local Roads Fund	899,284
Major Road Capital Program	Major Roads Fund	1,118,556
Downtown Development Authority	DDA/VCA Development Bond Fund	343,831
	Total	<u>\$ 6,503,340</u>

The General Fund transfers represented the use of unrestricted resources into the funds where they will be spent. The Major and Local capital program transfers to the Major and Local Road funds road were made to establish new major and local road funds in order to comply with the uniform chart of accounts structure, as defined by the State of Michigan.

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, Michigan.

Long-term debt activity for the year ended June 30, 2018 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and contracts payable:							
DDA/VCA refunding bonds 2015	4.00%	\$300,000 - \$450,000	\$ 3,670,000	-	\$ (280,000)	\$ 3,390,000	\$ 300,000
Insurance premiums Contractual obligation with Oakland County, Michigan - Special assessment bonds	4.0% - 4.40%	\$150,000 - \$200,000	368,773	-	(46,097)	322,676	46,097
			<u>1,405,000</u>	<u>-</u>	<u>(150,000)</u>	<u>1,255,000</u>	<u>150,000</u>
Total bonds payable			5,443,773	-	(476,097)	4,967,676	496,097
Accumulated compensated absences			<u>798,165</u>	<u>28,482</u>	<u>4,441</u>	<u>831,088</u>	<u>86,267</u>
Total governmental activities			<u>\$ 6,241,938</u>	<u>\$ 28,482</u>	<u>\$ (471,656)</u>	<u>\$ 5,798,764</u>	<u>\$ 582,364</u>

June 30, 2018

Note 6 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds							
Water SRF Series 1	2.50%	\$162,637 - 231,327	\$ 620,471	\$ -	\$ (226,508)	\$ 393,963	\$ 231,326
Water SRF Series 2	2.50%	\$380,000 - \$450,000	1,140,000	-	(370,000)	770,000	380,000
Water SRF Series 3	2.50%	\$453,331	1,343,331	-	(440,000)	903,331	450,000
Water Series 4	5.15%	\$85,000	255,000	-	(85,000)	170,000	85,000
Total business-type activities			<u>\$ 3,358,802</u>	<u>\$ -</u>	<u>\$(1,121,508)</u>	<u>\$ 2,237,294</u>	<u>\$ 1,146,326</u>

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated primarily 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.

Debt Service Requirements to Maturity

Total interest expense for the year was approximately \$274,000. 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
2019	\$ 496,097	\$ 188,453	\$ 684,550	\$ 1,146,326	\$ 47,169	\$ 1,193,495
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	606,097	108,240	714,337	-	-	-
2024-2028	2,187,191	199,100	2,386,291	-	-	-
Total	<u>\$ 4,967,676</u>	<u>\$ 946,601</u>	<u>\$ 5,914,277</u>	<u>\$ 2,237,294</u>	<u>\$ 64,122</u>	<u>\$ 2,301,416</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. The City participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss, torts, and errors and omissions and participates in the Michigan Municipal League (risk pool) for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

Note 7 - Risk Management (Continued)

The Michigan Municipal Risk Management Authority's State Pool program (the "Authority") 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, Michigan 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 - Pension Plan

Plan Description

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

Benefits Provided

The Plan provides 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.

Retirement benefits 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.

Note 9 - Pension Plan (Continued)

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, 2017 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	14
Active plan members	<u>26</u>
Total employees covered by MERS	<u><u>94</u></u>

Contributions

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

For the year ended June 30, 2018, 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 \$124,567 per month of covered payroll.

Net Pension Liability

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

Note 9 - Pension Plan (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at January 1, 2017	\$ 32,715,698	\$ 17,741,479	\$ 14,974,219
Changes for the year:			
Service cost	286,972	-	286,972
Interest	2,542,993	-	2,542,993
Differences between expected and actual experience	(287,985)	-	(287,985)
Contributions - Employer	-	1,269,089	(1,269,089)
Contributions - Employee	-	82,911	(82,911)
Net investment income	-	2,316,815	(2,316,815)
Benefit payments, including refunds	(1,701,957)	(1,701,957)	-
Administrative expenses	-	(36,681)	36,681
Net changes	840,023	1,930,177	(1,090,154)
Balance at December 31, 2017	\$ 33,555,721	\$ 19,671,656	\$ 13,884,065

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

For the year ended June 30, 2018, the City recognized pension expense of \$2,033,155. 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, 2018, 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	\$ -	\$ (143,993)
Net difference between projected and actual earnings on pension plan investments	-	(354,990)
Employer contributions to the plan subsequent to the measurement date	720,372	-
Total	\$ 720,372	\$ (498,983)

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

Years Ending June 30	Amount
2019	\$ (51,084)
2020	32,188
2021	(295,592)
2022	(184,495)
Total	\$ (498,983)

Note 9 - Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using an inflation assumption of 2.50 percent, assumed salary increases (including inflation) of 3.75 percent, an investment rate of return (net of investment expenses) of 8.0 percent, and the RP-2014 mortality tables.

The actuarial assumptions used in the December 31, 2017 actuarial valuation date valuation were based on the results of an actuarial experience study for 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 assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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.

Investment Rate of Return

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, 2017, 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	55.50 %	8.65 %
Global fixed income	18.50	3.76
Real assets	13.50	9.72
Diversifying strategies	12.50	7.50

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 8.0 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 Percent Decrease (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability of the City	\$ 17,918,213	\$ 13,884,065	\$ 10,506,345

Note 9 - 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 additions to/deductions from fiduciary net position have 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 Benefit Plan

Plan Description

The City provides retiree healthcare benefits to eligible employees, spouses, and dependents. Currently, the plan has 56 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.

The financial statements of the OPEB plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Benefits Provided

The OPEB plan provides healthcare benefits for retirees and their dependents. Benefits are provided through a third-party insurer and 90 percent of the cost of the benefits are covered by the plan.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	24
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	30
Total plan members	56

Contributions

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 in RSI, the City has made contributions to advance-fund these benefits, as determined by the City Council through annual budget resolutions.

Note 10 - Other Postemployment Benefit Plan (Continued)

Net OPEB Liability

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2018 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2018 measurement date. The June 30, 2018 measurement date total OPEB liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2017	\$ 13,028,563	\$ 7,454,076	\$ 5,574,487
Changes for the year:			
Service cost	172,028	-	172,028
Interest	898,867	-	898,867
Differences between expected and actual experience	114,301	-	114,301
Contributions - Employer	-	811,790	(811,790)
Contributions - Employee	-	20,992	(20,992)
Net investment income	-	561,588	(561,588)
Benefit payments, including refunds	(547,257)	(547,257)	-
Miscellaneous other charges	-	(866)	866
Net changes	637,939	846,247	(208,308)
Balance at June 30, 2018	<u>\$ 13,666,502</u>	<u>\$ 8,300,323</u>	<u>\$ 5,366,179</u>

The plan's fiduciary net position represents 60.7 percent of the total OPEB liability.

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$537,209.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 90,145	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	(23,872)
Total	<u>\$ 90,145</u>	<u>\$ (23,872)</u>

Note 10 - Other Postemployment Benefit Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending June 30	Amount
2019	\$ 18,188
2020	18,188
2021	18,188
2022	11,709
Total	<u>\$ 66,273</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using an inflation assumption of 2.75 percent; assumed salary increases (including inflation) of 4 to 17 percent; an investment rate of return (net of investment expenses) of 7 percent; a healthcare cost trend rate of 9 percent for 2018, decreasing 0.5 to 0.75 percent per year to an ultimate rate of 4 percent for 2027 and later years; the RP-2000 Mortality Table projected 20 years with Scale BB; and a 2.0 percent load was applied in connection with the "Cadillac" tax. These assumptions were applied to all periods included in the measurement date.

Discount Rate

The discount rate used to measure the total OPEB liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2018 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50 %	8.65 %
Global fixed income	18.50	3.76
Real assets	13.50	9.72
Diversifying strategies	12.50	7.50

Note 10 - Other Postemployment Benefit Plan (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, calculated using the discount rate of 7 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.0%)	Current Discount Rate (7.0%)	1 Percent Increase (8.0%)
Net OPEB liability of the Plan	\$ 7,301,135	\$ 5,366,179	\$ 3,770,824

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

The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 9 percent, as well as what the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (8.0%)	Current Healthcare Cost Trend Rate (9.0%)	1 Percent Increase (10.0%)
Net OPEB liability of the Plan	\$ 3,582,636	\$ 5,366,179	\$ 7,491,406

OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is not available in a separately issued financial report. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have 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 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 \$20,113 in captured revenue for the Brownfield Redevelopment Authority during fiscal year 2018.

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, 2018, the City abated \$75,674 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, Michigan (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, 2018, the Authority abated \$6,091 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 - Change in Accounting Principle

During the current year, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the government-wide statements and the proprietary funds now include a liability for the unfunded portion of the City's retiree healthcare costs. Some of the change in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the other postemployment benefit plan footnote for further details (Note 10).

As a result of implementing this statement, the beginning net position of the governmental activities have been restated as follows:

	As Computed Under Old Method	As Reported Under New Method	Effect of Change
Governmental activities	\$ 32,878,077	\$ 26,473,833	\$ (6,404,244)

June 30, 2018

Note 15 - Subsequent Events

On August 7, 2018, the City issued \$15,430,000 in Limited Tax General Obligation Pension Obligation Bonds and \$6,445,000 in Limited Tax General Obligation Healthcare Obligation Bonds with principal payments ranging from \$200,000 to \$1,375,000 and an interest rate ranging from 2.55 to 4.15 percent. The net proceeds of these bonds were used to advance fund the City's Pension and Retiree Healthcare plans.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 7,752,771	\$ 7,717,663	\$ 7,739,710	\$ 22,047
Intergovernmental:				
Federal grants	766	766	-	(766)
State sources	1,330,508	1,479,471	1,549,014	69,543
Charges for services	1,437,928	1,939,525	1,913,675	(25,850)
Fines and forfeitures	29,000	44,858	51,861	7,003
Licenses and permits	63,000	63,000	64,166	1,166
Interest and rentals	279,609	306,609	339,716	33,107
Other revenue	269,429	124,553	340,966	216,413
Total revenue	11,163,011	11,676,445	11,999,108	322,663
Expenditures				
Current services:				
General government:				
Legislative	16,526	16,526	12,425	4,101
City manager	282,172	287,377	272,308	15,069
Financial administration	360,905	371,697	363,275	8,422
Information systems	121,000	121,000	99,364	21,636
Assessing	284,500	274,500	254,054	20,446
Board of review	2,546	2,546	864	1,682
Clerk	195,738	203,793	194,394	9,399
Buildings and grounds	78,300	73,500	51,207	22,293
Legal counsel and assistance	80,500	90,160	75,377	14,783
General operating	1,873,597	1,881,742	1,813,893	67,849
Public safety:				
Police/Sheriff	3,319,749	3,395,969	3,274,475	121,494
Fire	1,052,542	1,067,070	976,782	90,288
Building inspections and related	538,773	815,226	733,545	81,681
Public works	1,029,313	1,137,935	1,110,128	27,807
Community and economic development -				
Planning, zoning, and related	106,650	106,650	94,833	11,817
Recreation and culture:				
Parks and recreation	398,542	400,111	350,103	50,008
Cultural center	324,383	326,717	281,082	45,635
Senior citizen committee	68,927	72,427	67,406	5,021
Total expenditures	10,134,663	10,644,946	10,025,515	619,431
Excess of Revenue Over Expenditures	1,028,348	1,031,499	1,973,593	942,094
Other Financing (Uses) Sources				
Transfers out	(1,046,348)	(1,081,685)	(1,135,580)	(53,895)
Sale of capital assets	18,000	50,186	52,448	2,262
Total other financing uses	(1,028,348)	(1,031,499)	(1,083,132)	(51,633)
Net Change in Fund Balances	-	-	890,461	890,461
Fund Balances - Beginning of year	2,712,711	2,712,711	2,712,711	-
Fund Balances - End of year	\$ 2,712,711	\$ 2,712,711	\$ 3,603,172	\$ 890,461

Required Supplemental Information
Schedule of Changes in the Net Pension Liability and Related Ratios

	Last Four Fiscal Years			
	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 286,972	\$ 302,865	\$ 324,794	\$ 355,067
Interest	2,542,993	2,451,660	2,369,133	2,254,647
Differences between expected and actual experience	(287,985)	224,572	274,618	-
Changes in assumptions	-	-	1,525,285	-
Miscellaneous other	-	(683,478)	-	-
Benefit payments, including refunds	(1,701,957)	(1,603,605)	(1,527,178)	(1,408,417)
Net Change in Total Pension Liability	840,023	692,014	2,966,652	1,201,297
Total Pension Liability - Beginning of year	32,715,698	32,023,684	29,057,032	27,855,735
Total Pension Liability - End of year	\$ 33,555,721	\$ 32,715,698	\$ 32,023,684	\$ 29,057,032
Plan Fiduciary Net Position				
Contributions - Employer	\$ 1,269,089	\$ 1,039,531	\$ 962,726	\$ 833,137
Contributions - Member	82,911	85,218	91,089	197,700
Net investment income (loss)	2,316,815	1,848,708	(260,265)	1,064,105
Administrative expenses	(36,681)	(36,500)	(40,452)	(39,048)
Benefit payments, including refunds	(1,701,957)	(1,603,605)	(1,527,178)	(1,408,417)
Other	-	(357,834)	-	-
Net Change in Plan Fiduciary Net Position	1,930,177	975,518	(774,080)	647,477
Plan Fiduciary Net Position - Beginning of year	17,741,479	16,765,961	17,540,041	16,892,564
Plan Fiduciary Net Position - End of year	\$ 19,671,656	\$ 17,741,479	\$ 16,765,961	\$ 17,540,041
City's Net Pension Liability - Ending	\$ 13,884,065	\$ 14,974,219	\$ 15,257,723	\$ 11,516,991
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	58.62 %	54.23 %	52.35 %	60.36 %
Covered Employee Payroll	\$ 2,061,173	\$ 2,061,173	\$ 218,701	\$ 2,394,251
City's Net Pension Liability as a Percentage of Covered Employee Payroll	673.60 %	726.50 %	698.10 %	481.03 %

Required Supplemental Information
Schedule of Changes in the Net OPEB Liability and Related Ratios

Last Fiscal Year (schedule is built prospectively upon implementation of GASB 75)

	2018
Total OPEB Liability	
Service cost	\$ 172,028
Interest	898,867
Differences between expected and actual experience	114,301
Benefit payments, including refunds	(547,257)
Net Change in Total OPEB Liability	637,939
Total OPEB Liability - Beginning of year	13,028,563
Total OPEB Liability - End of year	\$ 13,666,502
Plan Fiduciary Net Position	
Contributions - Employer	\$ 811,790
Contributions - Active and inactive plan members not yet receiving benefits	20,992
Net investment income	561,588
Benefit payments, including refunds	(547,257)
Other	(866)
Net Change in Plan Fiduciary Net Position	846,247
Plan Fiduciary Net Position - Beginning of year	7,454,076
Plan Fiduciary Net Position - End of year	\$ 8,300,323
Net OPEB Liability - Ending	\$ 5,366,179
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	60.73 %
Covered Payroll	\$ 2,145,023
Net OPEB Liability as a Percentage of Covered Payroll	250.17 %

Required Supplemental Information
Schedule of OPEB Contributions

Last Ten Fiscal Years
Years Ended June 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 722,604	\$ 563,990	\$ 569,089	\$ 537,268	\$ 651,658	\$ 651,658	\$ 651,658	\$ 625,283	\$ 481,351	\$ 461,445
Contributions in relation to the actuarially determined contribution	829,505	792,941	925,989	1,313,642	1,059,189	524,362	230,304	320,458	1,011,750	83,307
Contribution Excess (Deficiency)	\$ 106,901	\$ 228,951	\$ 356,900	\$ 776,374	\$ 407,531	\$ (127,296)	\$ (421,354)	\$ (304,825)	\$ 530,399	\$ (378,138)
Covered Employee Payroll	\$ 2,145,023	\$ 2,441,102	\$ 2,441,102	\$ 2,441,102	\$ 3,481,219	\$ 3,481,219	\$ 3,481,219	\$ 3,620,780	\$ 3,614,823	\$ 3,471,152
Contributions as a Percentage of Covered Employee Payroll	38.67 %	32.48 %	37.93 %	53.81 %	30.43 %	15.06 %	6.62 %	8.85 %	27.99 %	2.40 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	27 years, closed
Asset valuation method	Market value of assets
Inflation	2.00 percent to 3.00 percent
Healthcare cost trend rates	Initial trend of 9.00 percent gradually decreasing to an ultimate trend rate of 4.00 percent in year 10
Salary increase	4.00 percent to 17.00 percent
Investment rate of return	7.00 percent, net of OPEB plan investment expense
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	The RP-2000 Mortality Combined Healthy Tables projected 20 years with U.S. Projection Scale BB

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.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as restrictions, commitments, or assignments of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year. 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.

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).

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

	Total Revenue	Total Expenditures	Total Financing Uses
Amounts per operating statement	\$ 11,552,061	\$ 9,539,212	\$ (3,669,221)
Budget Stabilization Fund revenue	(39,256)	-	-
Charges for service recognized as revenues for budgetary purposes	486,303	486,303	-
Budget Stabilization Fund transfers to other funds	-	-	2,586,089
Amounts per budget statement	<u>\$ 11,999,108</u>	<u>\$ 10,025,515</u>	<u>\$ (1,083,132)</u>

Other Supplemental Information

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

	Special Revenue Funds									Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
	Special Agency Fund	Comm Dev Fund	Major Roads	Local Roads	Land Acquisition Fund	Safety Path Road Program	Solid Waste Collection	Forfeiture Funds	Cemetery Fund	DDA/VCA Development Bonds	Cap Imp Fund	
Assets												
Cash and investments	\$ 1,223,352	\$ -	\$ 781,342	\$ 2,865,487	\$ 1,482,874	\$ 856,064	\$ 115,813	\$ 7,353	\$ 88,068	\$ 462	\$ 3,489,554	\$ 10,910,369
Receivables:												
Other receivables	-	-	-	-	-	-	3,158	-	-	-	435	3,593
Due from other governments	-	3,957	135,125	57,830	-	-	-	-	-	-	-	196,912
Due from other funds	128,444	15,147	395,814	-	-	22,908	-	192,630	2,900	21,074	281,683	1,060,600
Inventory	-	-	27,062	27,062	-	-	-	-	-	-	-	54,124
Total assets	\$ 1,351,796	\$ 19,104	\$ 1,339,343	\$ 2,950,379	\$ 1,482,874	\$ 878,972	\$ 118,971	\$ 199,983	\$ 90,968	\$ 21,536	\$ 3,771,672	\$ 12,225,598
Liabilities												
Accounts payable	\$ 55,307	\$ -	\$ 27,105	\$ 203,578	\$ 30	\$ 3,527	\$ 42,206	\$ 497	\$ 4,239	\$ -	\$ 284,122	\$ 620,611
Due to other funds	-	9,199	-	327	-	-	-	-	-	-	-	9,526
Refundable deposits, bonds, etc.	172	-	-	-	-	-	-	-	-	-	-	172
Unearned revenue	412,788	-	-	-	-	-	-	-	-	-	-	412,788
Total liabilities	468,267	9,199	27,105	203,905	30	3,527	42,206	497	4,239	-	284,122	1,043,097
Fund Balances												
Nonspendable	-	-	27,062	27,062	-	-	-	-	-	-	-	54,124
Restricted:												
Roads	-	-	1,285,176	2,719,412	-	875,445	-	-	-	-	-	4,880,033
Debt service	-	-	-	-	-	-	-	-	-	21,536	-	21,536
Land acquisition	-	-	-	-	1,482,844	-	-	-	-	-	-	1,482,844
Police forfeiture	-	-	-	-	-	-	-	199,486	-	-	-	199,486
Solid waste	-	-	-	-	-	-	76,765	-	-	-	-	76,765
Development contracts	883,529	-	-	-	-	-	-	-	-	-	-	883,529
Community development	-	9,905	-	-	-	-	-	-	-	-	-	9,905
Committed - Cemetery	-	-	-	-	-	-	-	-	86,729	-	-	86,729
Assigned	-	-	-	-	-	-	-	-	-	-	3,487,550	3,487,550
Total fund balances	883,529	9,905	1,312,238	2,746,474	1,482,844	875,445	76,765	199,486	86,729	21,536	3,487,550	11,182,501
Total liabilities and fund balances	\$ 1,351,796	\$ 19,104	\$ 1,339,343	\$ 2,950,379	\$ 1,482,874	\$ 878,972	\$ 118,971	\$ 199,983	\$ 90,968	\$ 21,536	\$ 3,771,672	\$ 12,225,598

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2018

	Special Revenue Funds									Debt Service Funds	Capital Project Funds			Total Nonmajor Governmental Funds
	Special Agency Fund	Comm Dev Fund	Major Roads	Local Roads	Land Acquisition Fund	Safety Path Road Program	Solid Waste Collection	Forfeiture Funds	Cemetery Fund	DDA/VCA Development Bonds	Cap Imp Fund	Major Road Capital Program	Local Road Capital Program	
Revenue														
Property taxes	\$ -	\$ -	\$ 336	\$ 838,764	\$ -	\$ 218,794	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,057,894
Intergovernmental:														
Federal grants	-	11,836	2,500	2,500	-	-	-	-	-	-	-	-	-	16,836
State sources	3,403	-	847,691	362,845	-	-	-	-	-	-	-	-	-	1,213,939
Local grants and contributions	-	-	-	37,628	-	-	-	-	-	-	-	-	-	37,628
Charges for services	367,800	-	-	-	-	-	523,443	-	6,300	-	-	-	-	897,543
Fines and forfeitures	-	-	-	-	-	-	-	119,087	-	-	-	-	-	119,087
Interest and rentals	15,000	-	9,572	24,124	17,669	10,091	4,552	90	1,098	-	22,471	-	-	104,667
Other revenue	606	-	-	-	-	-	3,707	-	-	-	16,845	-	-	21,158
Total revenue	386,809	11,836	860,099	1,265,861	17,669	228,885	531,702	119,177	7,398	-	39,316	-	-	3,468,752
Expenditures														
Current services:														
General government	-	-	-	-	775	-	-	-	319	638	-	-	-	1,732
Public safety	2,241	-	-	-	-	-	-	250	-	-	-	-	-	2,491
Public works	-	-	636,348	795,522	-	-	539,293	-	12,018	-	-	-	-	1,983,181
Community and economic development	352,911	11,836	-	-	-	-	-	-	-	-	-	1	-	364,748
Capital outlay	-	-	-	-	71	6,714	-	-	-	-	1,202,265	-	-	1,209,050
Debt service:														
Principal	-	-	-	-	-	-	-	-	-	280,000	-	-	-	280,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	147,574	1,101	-	-	148,675
Total expenditures	355,152	11,836	636,348	795,522	846	6,714	539,293	250	12,337	428,212	1,203,366	1	-	3,989,877
Excess of Revenue Over (Under) Expenditures	31,657	-	223,751	470,339	16,823	222,171	(7,591)	118,927	(4,939)	(428,212)	(1,164,050)	(1)	-	(521,125)
Other Financing Sources (Uses)														
Transfers in	-	-	1,150,407	2,276,135	-	-	-	-	-	427,698	2,649,100	-	-	6,503,340
Transfers out	-	-	(420,000)	-	-	-	-	-	-	-	-	(1,118,556)	(899,284)	(2,437,840)
Total other financing sources (uses)	-	-	730,407	2,276,135	-	-	-	-	-	427,698	2,649,100	(1,118,556)	(899,284)	4,065,500
Net Change in Fund Balances	31,657	-	954,158	2,746,474	16,823	222,171	(7,591)	118,927	(4,939)	(514)	1,485,050	(1,118,557)	(899,284)	3,544,375
Fund Balances - Beginning of year	851,872	9,905	358,080	-	1,466,021	653,274	84,356	80,559	91,668	22,050	2,002,500	1,118,557	899,284	7,638,126
Fund Balances - End of year	\$ 883,529	\$ 9,905	\$ 1,312,238	\$ 2,746,474	\$ 1,482,844	\$ 875,445	\$ 76,765	\$ 199,486	\$ 86,729	\$ 21,536	\$ 3,487,550	\$ -	\$ -	\$ 11,182,501