
City of Wixom, Michigan

**Financial Report
with Supplemental Information
June 30, 2019**

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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, 2019 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, 2019 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the City Council
City of Wixom, Michigan

Other Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming 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, 2019

As management of the City of Wixom, Michigan (the "City"), we offer readers this narrative overview and analysis of the financial activities for the year ended June 30, 2019. 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, 2019:

- The City's governmental net position increased \$1,768,291.
- Total assets related to the City's governmental activities exceeded liabilities at June 30, 2019 by \$30,557,429.
- 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 increased its General Fund fund balance by \$1,675,531 this year. This increase can be attributed to a change in revenue received for personal property tax replacement funds from the Local Community Stabilization Authority. Expenditures were largely impacted by a change of funding method for the unfunded pension and retiree healthcare liabilities. The issuance of bonds in August 2018 changed the nature of the annual payment to a debt service payment instead of an annual actuarial determined contribution directly to the plan. The annual bond payments were less than the previous method of funding. 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.

The 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		
	2018	2019	Change
Assets			
Current and other assets:			
Cash and investments	\$ 18,031,163	\$ 17,809,374	\$ (221,789)
Receivables	1,769,393	2,280,829	511,436
Other assets	186,807	3,784,135	3,597,328
Capital assets	35,242,261	37,715,564	2,473,303
Total assets	55,229,624	61,589,902	6,360,278
Deferred Outflows of Resources	810,517	3,018,016	2,207,499
Liabilities			
Current liabilities	1,679,140	2,659,476	980,336
Noncurrent liabilities	25,049,008	29,674,626	4,625,618
Total liabilities	26,728,148	32,334,102	5,605,954
Deferred Inflows of Resources	522,855	1,716,387	1,193,532
Net Position			
Net investment in capital assets	30,274,585	33,243,985	2,969,400
Restricted	7,634,382	7,899,218	264,836
Unrestricted	(9,119,829)	(10,585,774)	(1,465,945)
Total net position	\$ 28,789,138	\$ 30,557,429	\$ 1,768,291

	Business-type Activities		
	2018	2019	Change
Assets			
Current and other assets:			
Cash and investments	\$ 8,198,300	\$ 9,332,539	\$ 1,134,239
Receivables	2,296,821	2,053,956	(242,865)
Other assets	93,791	89,614	(4,177)
Capital assets	53,033,573	53,310,864	277,291
Total assets	63,622,485	64,786,973	1,164,488
Liabilities			
Current liabilities	808,468	838,833	30,365
Noncurrent liabilities	2,780,880	1,643,428	(1,137,452)
Total liabilities	3,589,348	2,482,261	(1,107,087)
Net Position			
Net investment in capital assets	50,796,279	52,219,896	1,423,617
Unrestricted	9,236,858	10,084,816	847,958
Total net position	\$ 60,033,137	\$ 62,304,712	\$ 2,271,575

The governmental net position increased approximately 6.1 percent from a year ago - from \$28.8 million to \$30.6 million. The unrestricted net position deficit, the part of net position that can be used to finance day-to-day operations, increased by approximately \$1.5 million. This is directly attributable to the addition of capital assets in excess of annual depreciation.

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 a change in net position of approximately \$2.3 million.

The 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		
	2018	2019	Change
Revenue			
Program revenue:			
Charges for services	\$ 3,220,128	\$ 2,958,283	\$ (261,845)
Operating grants	1,288,684	1,514,892	226,208
Capital grants	405,152	684,788	279,636
General revenue:			
Taxes - Property taxes	8,835,063	9,135,848	300,785
Intergovernmental	1,531,747	1,873,384	341,637
Investment earnings	203,094	446,708	243,614
Other revenue:			
Sale of capital assets	52,448	42,874	(9,574)
Other miscellaneous income	362,441	411,161	48,720
Total revenue	15,898,757	17,067,938	1,169,181
Expenses			
General government	3,281,873	4,057,970	776,097
Public safety	5,301,167	4,153,513	(1,147,654)
Public works	4,428,462	4,501,880	73,418
Community and economic development	606,804	1,472,892	866,088
Recreation and culture	1,133,462	634,135	(499,327)
Debt service	158,064	869,724	711,660
Total expenses	14,909,832	15,690,114	780,282
Transfers	-	49,444	49,444
Special and extraordinary items	1,326,380	341,023	(985,357)
Change in Net Position	2,315,305	1,768,291	(547,014)
Net Position - Beginning of year - As restated	26,473,833	28,789,138	2,315,305
Net Position - End of year	\$ 28,789,138	\$ 30,557,429	\$ 1,768,291

Management's Discussion and Analysis (Continued)

	Business-type Activities		
	2018	2019	Change
Revenue			
Program revenue:			
Charges for services	\$ 5,725,017	\$ 5,745,687	\$ 20,670
Operating grants	107,815	128,234	20,419
Capital grants	2,053,758	1,710,552	(343,206)
General revenue:			
Taxes	1,147,489	1,091,136	(56,353)
Investment earnings	71,251	188,831	117,580
Other revenue - Other miscellaneous income	-	51,546	51,546
Total revenue	9,105,330	8,915,986	(189,344)
Expenses	6,641,661	6,644,411	2,750
Change in Net Position	2,463,669	2,271,575	(192,094)
Net Position - Beginning of year, as adjusted	57,569,468	60,033,137	2,463,669
Net Position - End of year	<u>\$ 60,033,137</u>	<u>\$ 62,304,712</u>	<u>\$ 2,271,575</u>

The City's property tax revenue increased primarily due to new development and inflation on existing properties. Intergovernmental revenue increased by \$341,637 due to the continued phase out of a portion of personal property taxes offset by an increase to state revenue sharing. Earnings on investments reflect an increase of \$243,614 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.

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 2019, the City entered its sixth 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 2019 include the General Fund, Capital Improvement Fund, Special Assessment Fund, and Local Road Capital Improvement 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 \$13.6 million in 2019, and general government, which incurred expenditures of approximately \$9.3 million. The General Fund ended the year with approximately \$5 million of unrestricted fund balance.

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 2019 was the sixth 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 \$2.2 million increase to pension and OPEB lump-sum payments and a \$1.4 million decrease to general operating due to the bonding and payment of unfunded liabilities. Local Community Stabilization Fund appropriations were increased by \$350,096 to account for reimbursements from the State of Michigan to offset a decreases in personal property taxes collected at the local level. Total expenditures overall were \$1.1 below the amended budget.

Capital Assets and Debt Administration

At the end of 2019, the City had \$91 million (net of depreciation) invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. Major purchases included city hall campus roof replacements and interior painting, computer equipment, pickup trucks and Toolcat for the DPW, police vehicles, weapon replacements, fire station video conferencing equipment, parking lot construction, safety path engineering, and utility system improvements. 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, 2019 were approximately \$5.6 million. The remaining debt balance consists of \$15.2 million for pension bonds and \$6.2 million for healthcare bonds. 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 43 percent of the 2019 tax roll is residential, including single-family and multifamily homes. The remaining 57 percent is nonresidential, composed of 43 percent commercial and industrial and 14 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 737,000 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 2019, 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 - 1st and 2nd floors completed)
- 84,000 Square Foot Industrial Spec Building (Beck Road)
- 135,000 Square Foot Industrial Building - Kentucky Trailer
- 30,497 Square Foot Hotel - My Place
- 64,226 Square Foot Hotel - Springhill Suites

- 3,877 Square Foot Commercial Building - Community Financial Credit Union
- 3,859 Square Foot Building - Motor City Car Wash
- 28,045 Square Foot Industrial Building - Hallmark addition

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, MI 48393. This report, township budgets, and other financial information are available on the City's website at www.wixomgov.org.

June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 17,809,374	\$ 9,332,539	\$ 27,141,913	\$ 574,849
Receivables - Net	2,268,217	2,048,125	4,316,342	-
Due from component units	18,443	-	18,443	-
Due from primary government	-	-	-	974
Internal balances (Note 5)	(5,831)	5,831	-	-
Inventory	76,658	89,614	166,272	-
Prepaid expenses and other assets	774,187	-	774,187	3,500
Net OPEB asset (Note 10)	2,933,290	-	2,933,290	-
Capital assets: (Note 4)				
Assets not subject to depreciation	4,698,574	-	4,698,574	154,296
Assets subject to depreciation - Net	33,016,990	53,310,864	86,327,854	85,603
Total assets	61,589,902	64,786,973	126,376,875	819,222
Deferred Outflows of Resources				
Deferred pension costs (Note 9)	2,600,038	-	2,600,038	-
Deferred OPEB costs (Note 10)	417,978	-	417,978	-
Total deferred outflows of resources	3,018,016	-	3,018,016	-
Liabilities				
Accounts payable	1,827,398	775,301	2,602,699	10,176
Due to component units	974	-	974	-
Due to primary government	-	-	-	18,443
Refundable deposits, bonds, etc.	172	56,150	56,322	-
Accrued salaries and other	332,007	7,382	339,389	-
Unearned revenue	498,925	-	498,925	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	84,062	-	84,062	-
Current portion of long-term debt (Note 6)	1,161,097	1,090,968	2,252,065	-
Due in more than one year:				
Compensated absences (Note 6)	718,826	-	718,826	-
Refundable escrow deposits	-	552,460	552,460	-
Net pension liability (Note 9)	2,960,159	-	2,960,159	-
Long-term debt (Note 6)	24,750,482	-	24,750,482	-
Total liabilities	32,334,102	2,482,261	34,816,363	28,619
Deferred Inflows of Resources - Deferred OPEB cost reductions (Note 10)	1,716,387	-	1,716,387	-
Net Position				
Net investment in capital assets	33,243,985	52,219,896	85,463,881	239,899
Restricted:				
Roads and bike paths	4,134,864	-	4,134,864	-
Debt service	1,149,252	-	1,149,252	-
Land acquisition	1,513,973	-	1,513,973	-
Police forfeitures	206,267	-	206,267	-
Solid waste	78,601	-	78,601	-
Building and development	816,261	-	816,261	-
Unrestricted	(10,585,774)	10,084,816	(500,958)	550,704
Total net position	\$ 30,557,429	\$ 62,304,712	\$ 92,862,141	\$ 790,603

Year Ended June 30, 2019

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	\$ 4,057,970	\$ 616,089	\$ 231,924	\$ -	\$ (3,209,957)	\$ -	\$ (3,209,957)	\$ -
Public safety	4,153,513	26,699	3,191	-	(4,123,623)	-	(4,123,623)	-
Public works	4,501,880	844,590	1,251,672	684,788	(1,720,830)	-	(1,720,830)	-
Community and economic development	1,472,892	1,311,258	16,334	-	(145,300)	-	(145,300)	-
Recreation and culture	634,135	159,647	11,771	-	(462,717)	-	(462,717)	-
Interest on long-term debt	869,724	-	-	-	(869,724)	-	(869,724)	-
Total governmental activities	15,690,114	2,958,283	1,514,892	684,788	(10,532,151)	-	(10,532,151)	-
Business-type activities:								
Water Enterprise Fund	3,938,601	3,401,286	128,234	565,567	-	156,486	156,486	-
Sewer Enterprise Fund	2,705,810	2,344,401	-	1,144,985	-	783,576	783,576	-
Total business-type activities	6,644,411	5,745,687	128,234	1,710,552	-	940,062	940,062	-
Total primary government	<u>\$ 22,334,525</u>	<u>\$ 8,703,970</u>	<u>\$ 1,643,126</u>	<u>\$ 2,395,340</u>	(10,532,151)	940,062	(9,592,089)	-
Component units:								
Downtown Development Authority	\$ 526,350	\$ -	\$ -	\$ -	-	-	-	(526,350)
Local Development Finance Authority	341,796	-	-	-	-	-	-	(341,796)
Total component units	<u>\$ 868,146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-	-	-	(868,146)
General revenue:								
Property taxes					9,135,848	1,091,136	10,226,984	500,160
Unrestricted state-shared revenue					1,873,384	-	1,873,384	-
Unrestricted investment income					446,708	188,831	635,539	21,678
Gain on sale of capital assets					42,874	-	42,874	-
Other miscellaneous income					411,161	51,546	462,707	32,708
Total general revenue					11,909,975	1,331,513	13,241,488	554,546
Transfers					49,444	-	49,444	-
Special items					341,023	-	341,023	-
Change in Net Position					1,768,291	2,271,575	4,039,866	(313,600)
Net Position - Beginning of year					28,789,138	60,033,137	88,822,275	1,104,203
Net Position - End of year					<u>\$ 30,557,429</u>	<u>\$ 62,304,712</u>	<u>\$ 92,862,141</u>	<u>\$ 790,603</u>

Governmental Funds
Balance Sheet

June 30, 2019

	Combined General Fund	Special Assessment Fund	Capital Improvement Fund	Local Road Capital Improvement Fund	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and investments (Note 3)	\$ 7,826,269	\$ 35,424	\$ 2,555,461	\$ 1,635,652	\$ 5,756,568	\$ 17,809,374
Receivables	582,698	1,171,711	193,124	92,297	228,387	2,268,217
Due from component units	18,443	-	-	-	-	18,443
Due from other funds (Note 5)	166,037	-	91,041	178,484	349,236	784,798
Inventory	3,504	-	-	36,577	36,577	76,658
Prepaid expenses and other assets	171,373	-	602,814	-	-	774,187
Total assets	\$ 8,768,324	\$ 1,207,135	\$ 3,442,440	\$ 1,943,010	\$ 6,370,768	\$ 21,731,677
Liabilities						
Accounts payable	\$ 259,699	\$ -	\$ 633,349	\$ 673,662	\$ 260,688	\$ 1,827,398
Due to component units	974	-	-	-	-	974
Due to other funds (Note 5)	754,478	18,500	-	-	17,651	790,629
Refundable deposits, bonds, etc.	-	-	-	-	172	172
Accrued salaries and other	166,003	-	-	-	-	166,003
Unearned revenue	28,325	61,000	-	-	409,600	498,925
Total liabilities	1,209,479	79,500	633,349	673,662	688,111	3,284,101
Deferred Inflows of Resources -						
Unavailable revenue	-	1,110,711	102,534	-	73,567	1,286,812
Fund Balances						
Nonspendable:						
Inventory	3,504	-	-	36,577	36,577	76,658
Prepays	164,054	-	602,814	-	-	766,868
Restricted:						
Roads	-	-	-	1,232,771	2,828,939	4,061,710
Debt service	-	16,924	-	-	21,617	38,541
Land acquisition	-	-	-	-	1,513,973	1,513,973
Police forfeiture	-	-	-	-	206,267	206,267
Solid waste	-	-	-	-	78,601	78,601
Development contracts	-	-	-	-	883,880	883,880
Committed:						
Cemetery	-	-	-	-	106,855	106,855
Budget stabilization	2,352,965	-	-	-	-	2,352,965
Assigned - Capital improvements	-	-	2,103,743	-	-	2,103,743
Unassigned	5,038,322	-	-	-	(67,619)	4,970,703
Total fund balances	7,558,845	16,924	2,706,557	1,269,348	5,609,090	17,160,764
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,768,324	\$ 1,207,135	\$ 3,442,440	\$ 1,943,010	\$ 6,370,768	\$ 21,731,677

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2019

Fund Balances Reported in Governmental Funds	\$ 17,160,764
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	37,715,564
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.	1,286,812
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(25,911,579)
Accrued interest is not due and payable in the current period and is not reported in the funds	(166,004)
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	(802,888)
Pension benefits	(360,121)
Retiree healthcare benefits	1,634,881
Net Position of Governmental Activities	<u>\$ 30,557,429</u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2019

	Combined General Fund	Special Assessment Fund	Capital Improvement Fund	Local Road Capital Improvement Fund	Nonmajor Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 7,997,818	\$ -	\$ -	\$ 879,137	\$ 229,327	\$ 9,106,282
Special assessments	-	221,556	-	-	-	221,556
Intergovernmental:						
Federal grants	-	-	-	-	16,334	16,334
State sources	1,893,405	-	-	501,870	845,856	3,241,131
Local grants and contributions	-	-	-	29,566	-	29,566
Charges for services	1,132,956	-	-	-	1,076,253	2,209,209
Fines and forfeitures	53,034	-	-	-	6,623	59,657
Licenses and permits	56,167	-	-	-	-	56,167
Interest and rentals:						
Investment earnings	193,654	287	96,907	50,120	105,740	446,708
Rental income	262,513	-	-	-	-	262,513
Other revenue	355,473	-	90,590	34,620	11,448	492,131
Total revenue	11,945,020	221,843	187,497	1,495,313	2,291,581	16,141,254
Expenditures						
Current services:						
General government	9,309,550	651	-	-	1,788	9,311,989
Public safety	13,583,379	-	-	-	3,500	13,586,879
Public works	5,192,219	18,925	87,014	2,972,439	941,496	9,212,093
Community and economic development	88,429	-	-	-	630,570	718,999
Recreation and culture	1,428,082	-	-	-	-	1,428,082
Capital outlay	-	-	2,485,248	-	54,346	2,539,594
Debt service	1,031,376	202,853	-	-	436,399	1,670,628
Total expenditures	30,633,035	222,429	2,572,262	2,972,439	2,068,099	38,468,264
Excess of Revenue (Under) Over Expenditures	(18,688,015)	(586)	(2,384,765)	(1,477,126)	223,482	(22,327,010)
Other Financing Sources (Uses)						
Transfers in (Note 5)	49,444	-	1,603,772	-	437,131	2,090,347
Transfers out (Note 5)	(1,603,772)	-	-	-	-	(1,603,772)
Issuance of pension/healthcare bonds (Note 6)	21,875,000	-	-	-	-	21,875,000
Sale of capital assets	42,874	-	-	-	-	42,874
Total other financing sources	20,363,546	-	1,603,772	-	437,131	22,404,449
Net Change in Fund Balances	1,675,531	(586)	(780,993)	(1,477,126)	660,613	77,439
Fund Balances - Beginning of year	5,883,314	17,510	3,487,550	2,746,474	4,948,477	17,083,325
Fund Balances - End of year	<u>\$ 7,558,845</u>	<u>\$ 16,924</u>	<u>\$ 2,706,557</u>	<u>\$ 1,269,348</u>	<u>\$ 5,609,090</u>	<u>\$ 17,160,764</u>

Governmental Funds

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

Year Ended June 30, 2019

Net Change in Fund Balances Reported in Governmental Funds	\$	77,439
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:</p>		
Capital outlay		5,700,815
Depreciation expense		(3,227,235)
Net book value of assets disposed of		(277)
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		26,101
Issuing debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position		(21,875,000)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		931,097
Interest expense is recognized in the government-wide statements as it accrues		(130,191)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		<u>20,265,542</u>
Change in Net Position of Governmental Activities	\$	<u>1,768,291</u>

Proprietary Funds
Statement of Net Position

June 30, 2019

	Enterprise Funds		
	Water	Sewer	Total Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 1,010,358	\$ 8,322,181	\$ 9,332,539
Receivables:			
Customer receivables	1,104,517	785,456	1,889,973
Other receivables	102,668	55,484	158,152
Due from other funds (Note 5)	126,518	-	126,518
Inventory	40,515	49,099	89,614
Total current assets	2,384,576	9,212,220	11,596,796
Noncurrent assets - Capital assets	32,854,888	20,455,976	53,310,864
Total assets	35,239,464	29,668,196	64,907,660
Liabilities			
Current liabilities:			
Accounts payable	654,591	120,710	775,301
Due to other funds (Note 5)	-	120,687	120,687
Refundable deposits, bonds, etc.	-	56,150	56,150
Accrued interest payable	7,382	-	7,382
Current portion of long-term debt (Note 6)	1,090,968	-	1,090,968
Total current liabilities	1,752,941	297,547	2,050,488
Noncurrent liabilities - Refundable escrow deposits	-	552,460	552,460
Total liabilities	1,752,941	850,007	2,602,948
Net Position			
Net investment in capital assets	31,763,920	20,455,976	52,219,896
Unrestricted	1,722,603	8,362,213	10,084,816
Total net position	\$ 33,486,523	\$ 28,818,189	\$ 62,304,712

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

Year Ended June 30, 2019

	Enterprise Funds		
	Water	Sewer	Total Enterprise Funds
Operating Revenue			
Sale of water	\$ 2,330,903	\$ -	\$ 2,330,903
Sewage disposal charges	-	1,896,204	1,896,204
Interest and penalty charges	231,796	169,822	401,618
Other miscellaneous charges	838,587	278,375	1,116,962
Total operating revenue	3,401,286	2,344,401	5,745,687
Operating Expenses			
Cost of water	2,468,054	-	2,468,054
Cost of sewage treatment	-	1,103,937	1,103,937
Other operating and maintenance costs	444,269	31,901	476,170
Billing and administrative costs	221,670	229,201	450,871
Utilities	-	245,531	245,531
Other miscellaneous charges	-	25,413	25,413
Depreciation	764,764	1,069,827	1,834,591
Total operating expenses	3,898,757	2,705,810	6,604,567
Operating Loss	(497,471)	(361,409)	(858,880)
Nonoperating Revenue (Expense)			
Property tax revenue	1,091,136	-	1,091,136
Investment income	22,429	166,402	188,831
Interest expense	(39,844)	-	(39,844)
Operating grants	128,234	-	128,234
Other nonoperating general revenue	51,546	-	51,546
Total nonoperating revenue	1,253,501	166,402	1,419,903
Income (Loss) - Before capital contributions	756,030	(195,007)	561,023
Capital Contributions			
Capital grants	-	551,550	551,550
Benefit fees	12,047	318,365	330,412
Lines donated by developers	553,520	275,070	828,590
Total capital contributions	565,567	1,144,985	1,710,552
Change in Net Position	1,321,597	949,978	2,271,575
Net Position - Beginning of year	32,164,926	27,868,211	60,033,137
Net Position - End of year	\$ 33,486,523	\$ 28,818,189	\$ 62,304,712

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2019

	Enterprise Funds		
	Water	Sewer	Total Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 3,557,680	\$ 2,420,211	\$ 5,977,891
(Payments on) Receipts from interfund services and reimbursements	(409,352)	89,316	(320,036)
Payments to suppliers	(2,915,454)	(1,397,732)	(4,313,186)
Other payments	(74,950)	-	(74,950)
	<u>157,924</u>	<u>1,111,795</u>	<u>1,269,719</u>
Net cash and cash equivalents provided by operating activities			
Cash Flows Provided by Noncapital Financing Activities -			
Operating grants and subsidies	128,234	-	128,234
Cash Flows from Capital and Related Financing Activities			
Receipt of capital grants	-	551,550	551,550
Benefit fees	63,593	318,365	381,958
Property taxes restricted for capital items	1,091,136	-	1,091,136
Purchase of capital assets	(403,328)	(879,964)	(1,283,292)
Principal and interest paid on capital debt	(1,193,897)	-	(1,193,897)
	<u>(442,496)</u>	<u>(10,049)</u>	<u>(452,545)</u>
Net cash and cash equivalents used in capital and related financing activities			
Cash Flows Provided by Investing Activities - Interest received on investments	22,429	166,402	188,831
Net (Decrease) Increase in Cash and Cash Equivalents	(133,909)	1,268,148	1,134,239
Cash and Cash Equivalents - Beginning of year	1,144,267	7,054,033	8,198,300
Cash and Cash Equivalents - End of year	<u>\$ 1,010,358</u>	<u>\$ 8,322,181</u>	<u>\$ 9,332,539</u>
Classification of Cash and Cash Equivalents - Cash and investments	<u>\$ 1,010,358</u>	<u>\$ 8,322,181</u>	<u>\$ 9,332,539</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (497,471)	\$ (361,409)	\$ (858,880)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	764,764	1,069,827	1,834,591
Changes in assets and liabilities:			
Receivables	81,444	75,810	157,254
Due to and from other funds	(228,453)	314,064	85,611
Inventories	9,031	(4,854)	4,177
Accounts payable	28,609	18,357	46,966
	<u>655,395</u>	<u>1,473,204</u>	<u>2,128,599</u>
Total adjustments			
Net cash and cash equivalents provided by operating activities	<u>\$ 157,924</u>	<u>\$ 1,111,795</u>	<u>\$ 1,269,719</u>
Significant Noncash Transactions - Donated capital assets	\$ 553,520	\$ 275,070	\$ 828,590

Fiduciary Fund
Statement of Fiduciary Assets and Liabilities - Agency Fund

June 30, 2019

Assets

Cash and cash equivalents	\$ 982,260
Receivables	97,780
Total assets	<u><u>\$ 1,080,040</u></u>

Liabilities

Due to other governmental units	\$ 185,571
Refundable deposits, bonds, etc.	894,469
Total liabilities	<u><u>\$ 1,080,040</u></u>

**Component Units
Statement of Net Position**

June 30, 2019

	Downtown Development Authority	Local Development Finance Authority	Total
Assets			
Cash and cash equivalents	\$ 49,554	\$ 525,295	\$ 574,849
Due from primary government	974	-	974
Prepaid expenses and other assets	3,500	-	3,500
Capital assets - Net	239,899	-	239,899
Total assets	293,927	525,295	819,222
Liabilities			
Accounts payable	6,493	3,683	10,176
Due to primary government	-	18,443	18,443
Total liabilities	6,493	22,126	28,619
Net Position			
Net investment in capital assets	239,899	-	239,899
Unrestricted	47,535	503,169	550,704
Total net position	\$ 287,434	\$ 503,169	\$ 790,603

City of Wixom, Michigan

**Component Units
Statement of Activities**

Year Ended June 30, 2019

	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	\$ 526,350	\$ -	\$ -	\$ -	\$ (526,350)	\$ -	\$ (526,350)
Local Development Finance Authority	341,796	-	-	-	-	(341,796)	(341,796)
Total	\$ 868,146	\$ -	\$ -	\$ -	(526,350)	(341,796)	(868,146)
General revenue:							
Property taxes					500,160	-	500,160
Investment income					662	21,016	21,678
Other miscellaneous income					32,708	-	32,708
Total general revenue					533,530	21,016	554,546
Change in Net Position					7,180	(320,780)	(313,600)
Net Position - Beginning of year					280,254	823,949	1,104,203
Net Position - End of year					\$ 287,434	\$ 503,169	\$ 790,603

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 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 (the "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 LDFA 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 LDFA'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) 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.
- **Local Road Capital Improvement Fund** - This fund was established to account for the payment for local road maintenance and repair. Financing is provided from an elected millage and Act 51 state distributions.

Note 1 - Significant Accounting Policies (Continued)

- **Capital Improvement Fund** - This fund was established to record bond proceeds or other revenue specifically designated for acquiring new buildings, equipment and technology upgrades and for remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.

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.
- **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.

Note 1 - Significant Accounting Policies (Continued)

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.

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

The LDFA contributed capital of \$341,023 to the City of Wixom, Michigan during the year ended June 30, 2019. The LDFA plan has expired; however, funds on hand that were previously captured from taxes are used in accordance with LDFA board designations.

Note 1 - Significant Accounting Policies (Continued)

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as "other financing sources" 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.

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 OPEB, as well as unavailable revenue. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from two sources: special assessments and capital improvements. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position

Net position of the City is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

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.

Note 1 - Significant Accounting Policies (Continued)

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.

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 two-thirds 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 two-thirds 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, 2019 of the stabilization amount, which is reported in the General Fund, is \$2,352,965.

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 2018 property tax revenue was levied and collectible on July 1, 2018 and is recognized as revenue in the year ended June 30, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

Note 1 - Significant Accounting Policies (Continued)

The 2018 taxable valuation of the City totaled \$703.3 million (a portion of which is abated and a portion of which is captured by the LDFA and DDA). Taxes were levied as follows:

Purpose	Millage Rate	Revenue
General Fund - Operating	11.0429	\$ 7,600,000
Local Road Capital Improvement Fund - Capital	1.1500	791,000
Safety Path Road Program Fund - Capital	.3000	206,000
Water Fund - Debt	1.5300	1,089,000
DDA special millage	1.4932	10,000
Total		<u>\$ 9,696,000</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.

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 and administrative expenses and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Note 1 - Significant Accounting Policies (Continued)

Use of Estimates

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

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 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 June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the City's financial statements for the June 30, 2021 fiscal year.

In August 2018, the Governmental Accounting Standards Board issued Statement No. 90, *Majority Equity Interests*. This statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the year ending June 30, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The requirements of the standard will be applied retrospectively and are effective for the City's financial statements for the June 30, 2022 fiscal year.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

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

Cumulative shortfall at July 1, 2018	\$ (1,003,291)
Current year permit revenue	807,427
Less related direct costs	<u>646,109</u>
Current year surplus	<u>161,318</u>
Cumulative shortfall June 30, 2019	<u><u>\$ (841,973)</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 that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that 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.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$3,934,989 of bank deposits (certificates of deposit and checking and savings accounts), of which \$2,434,989 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.

June 30, 2019

Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Value	Weighted- average Maturity (Days)
Primary Government		
U.S. government agency securities	\$ 967,997	286
U.S. Treasury bonds	93,801	305
Local government investment pool	3,887,967	260
FNMA mortgage	1,071,808	484
FHLMC mortgage	37,688	885
Municipal bonds	3,575,713	681
Total	<u>\$ 9,634,974</u>	

Investment	Fair Value	Weighted- average Maturity (Days)
Component Units		
U.S. government agency securities	\$ 66,997	286
U.S. Treasury bonds	6,492	305
FNMA mortgage	74,182	484
FHLMC mortgage	2,608	885
Municipal bonds	247,483	681
Total	<u>\$ 397,762</u>	

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, 2019, 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	\$ 3,887,967	NR	N/A
U.S. Treasury	93,801	AA+	S&P
U.S. government agency	967,997	AA+	S&P
FHLMC mortgage	37,688	AA+	S&P
FNMA mortgage	1,071,808	AA+	S&P
Municipal bond	46,865	A+	S&P
Municipal bond	607,015	AA	S&P
Municipal bond	1,444,499	AA-	S&P
Municipal bond	213,287	AA+	S&P
Municipal bond	1,264,047	NR	N/A
Total	<u>\$ 9,634,974</u>		

Note 3 - Deposits and Investments (Continued)

Investment	Fair Value	Rating	Rating Organization
Component Units			
U.S. Treasury	\$ 6,492	AA+	S&P
U.S. government agency	66,997	AA+	S&P
FHLMC mortgage	2,608	AA+	S&P
FNMA mortgage	74,182	AA+	S&P
Municipal bond	3,244	A+	S&P
Municipal bond	42,013	AA	S&P
Municipal bond	99,977	AA-	S&P
Municipal bond	14,762	AA+	S&P
Municipal bond	87,487	NR	N/A
Total	<u>\$ 397,762</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 32 percent. The LGIP is not registered with the SEC and does not issue a separate report. The LGIP is managed as a 2(a)(7) fund with its net asset value maintained at \$1. Fair value of the position in the pool is the same as the value of the pool shares.

Pooled Investments that Are 2a7-like

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

At June 30, 2019, the City had \$14,679,894 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 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.

June 30, 2019

Note 3 - Deposits and Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2019:

	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, 2019
Debt securities:				
U.S. Treasury securities	\$ 100,293	\$ -	\$ -	\$ 100,293
Residential mortgage-backed securities	1,186,286	-	-	1,186,286
Agency bonds	1,034,994	-	-	1,034,994
Municipal bonds	-	3,823,195	-	3,823,195
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total investments by fair value level	<u>\$ 2,321,573</u>	<u>\$ 3,823,195</u>	<u>\$ -</u>	<u>\$ 6,144,768</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, 2019 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.

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, 2019, 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 Local Government Investment Pool	\$ 3,887,967	\$ -	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.

June 30, 2019

Note 4 - Capital Assets

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

Governmental Activities

	Balance July 1, 2018	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated - Land	\$ 4,698,574	\$ -	\$ -	\$ 4,698,574
Capital assets being depreciated:				
Roads and sidewalks	68,007,911	3,052,070	-	71,059,981
Buildings, drains, and improvements	21,919,107	2,110,747	-	24,029,854
Machinery and equipment	4,135,828	284,187	(138,947)	4,281,068
Vehicles	5,160,836	226,736	(109,010)	5,278,562
Furniture and fixtures	1,026,038	27,075	(29,853)	1,023,260
Subtotal	100,249,720	5,700,815	(277,810)	105,672,725
Accumulated depreciation:				
Roads and sidewalks	51,829,329	2,046,083	-	53,875,412
Buildings, drains, and improvements	10,353,763	579,326	-	10,933,089
Machinery and equipment	3,231,031	220,261	(138,765)	3,312,527
Vehicles	3,443,965	355,395	(108,915)	3,690,445
Furniture and fixtures	847,945	26,170	(29,853)	844,262
Subtotal	69,706,033	3,227,235	(277,533)	72,655,735
Net capital assets being depreciated	30,543,687	2,473,580	(277)	33,016,990
Net capital assets	<u>\$ 35,242,261</u>	<u>\$ 2,473,580</u>	<u>\$ (277)</u>	<u>\$ 37,715,564</u>

During the year ended June 30, 2019, the LDFA contributed capital in the amount of \$341,023 to the primary government.

Business-type Activities

	Balance July 1, 2018	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets being depreciated:				
Water and sewer lines	\$ 59,952,540	\$ 2,111,882	\$ -	\$ 62,064,422
Buildings and improvements	22,637,785	-	-	22,637,785
Machinery and equipment	1,670,169	-	-	1,670,169
Office furnishings	68,670	-	-	68,670
Information technology	62,693	-	-	62,693
Subtotal	84,391,857	2,111,882	-	86,503,739
Accumulated depreciation:				
Water and sewer lines	17,867,537	1,282,764	-	19,150,301
Buildings and improvements	11,779,328	537,952	-	12,317,280
Machinery and equipment	1,581,567	13,875	-	1,595,442
Office furnishings	68,670	-	-	68,670
Information technology	61,182	-	-	61,182
Subtotal	31,358,284	1,834,591	-	33,192,875
Net capital assets	<u>\$ 53,033,573</u>	<u>\$ 277,291</u>	<u>\$ -</u>	<u>\$ 53,310,864</u>

June 30, 2019

Note 4 - Capital Assets (Continued)

Component Unit - Downton Development Authority

	Balance July 1, 2018	Additions	Disposals and Adjustments	Balance June 30, 2019
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	406,913	7,376	-	414,289
Other tools and equipment	60,913	-	-	60,913
Subtotal	467,826	7,376	-	475,202
Net capital assets being depreciated	92,979	(7,376)	-	85,603
Net capital assets	<u>\$ 247,275</u>	<u>\$ (7,376)</u>	<u>\$ -</u>	<u>\$ 239,899</u>

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

Governmental activities:	
General government	\$ 164,548
Public safety	323,893
Public works	2,236,759
Economic development	143,923
Recreation and culture	80,579
Total governmental activities	<u>\$ 2,949,702</u>
Business-type activities:	
Water	\$ 764,764
Sewer	1,069,827
Total business-type activities	<u>\$ 1,834,591</u>

Construction Commitments

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

	Spent to Date	Remaining Commitment
Street projects	\$ 2,473,303	\$ 277,255
Sewer projects	185,489	78,071
Capital improvement projects	1,781,247	631,736
Total	<u>\$ 4,440,039</u>	<u>\$ 987,062</u>

June 30, 2019

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Major Road Capital Improvement Fund	\$ 17,234
	Sewer Fund	120,687
	Special Assessment Fund	18,500
	Community Development	9,199
	Solid Waste Collection Fund	417
	General Fund	166,037
Local Road Capital Improvement Fund	General Fund	178,484
Capital Improvement Fund	General Fund	91,041
Nonmajor funds	General Fund	349,236
Water Fund	General Fund	126,518
	Total	<u>\$ 911,316</u>

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

Receivable	Payable	Amount
General Fund	Local Development Finance Authority	\$ 18,443
Downtown Development Authority	General Fund	974

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.

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Capital Improvement Fund	\$ 1,603,772
Downtown Development Authority	DDA/VCA Development Bonds Fund	437,131
	General Fund	49,444

The General Fund transfers represented the use of unrestricted resources into the funds where they will be spent.

June 30, 2019

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, 2019 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:							
Other debt:							
DDA/VCA refunding bonds 2015	4.00%	\$300,000 - \$450,000	\$ 3,390,000	\$ -	\$ (300,000)	\$ 3,090,000	\$ 320,000
Bond premiums			322,676	-	(46,097)	276,579	46,097
General obligation pension bonds	2.55% - 4.15%	\$235,000 - \$1,375,000	-	15,430,000	(235,000)	15,195,000	340,000
General obligation healthcare bonds	2.55% - 4.13%	\$200,000 - \$485,000	-	6,445,000	(200,000)	6,245,000	280,000
Total other debt			3,712,676	21,875,000	(781,097)	24,806,579	986,097
Direct borrowings and direct placements -							
Contractual obligation with Oakland County, Michigan - Special assessment bonds	4.0% - 4.40%	\$150,000 - \$200,000	1,255,000	-	(150,000)	1,105,000	175,000
Total bonds and contracts payable			4,967,676	21,875,000	(931,097)	25,911,579	1,161,097
Accumulated compensated absences			831,088	36,196	(64,396)	802,888	84,062
Total governmental activities long- term debt			<u>\$ 5,798,764</u>	<u>\$ 21,911,196</u>	<u>\$ (995,493)</u>	<u>\$ 26,714,467</u>	<u>\$ 1,245,159</u>

June 30, 2019

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
Bonds and contracts payable:							
Direct borrowings and direct placements:							
		\$162,637 -					
Water SRF Series 1	2.50%	\$231,327	\$ 393,963	\$ -	\$ (231,326)	\$ 162,637	\$ 162,637
		\$380,000 -					
Water SRF Series 2	2.50%	\$390,000	770,000	-	(380,000)	390,000	390,000
		\$450,000 -					
Water SRF Series 3	2.50%	\$453,331	903,331	-	(450,000)	453,331	453,331
Water Series 4	5.15%	\$85,000	170,000	-	(85,000)	85,000	85,000
Total business-type activities long-term debt			<u>\$ 2,237,294</u>	<u>\$ -</u>	<u>\$ (1,146,326)</u>	<u>\$ 1,090,968</u>	<u>\$ 1,090,968</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 \$955,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2020	\$ 175,000	\$ 46,853	\$ 986,097	\$ 925,748	\$ 2,133,698
2021	175,000	39,765	1,021,097	895,898	2,131,760
2022	175,000	32,590	1,161,097	864,518	2,233,205
2023	180,000	25,240	1,211,097	827,518	2,243,855
2024	200,000	17,500	1,356,097	787,591	2,361,188
2025-2029	200,000	8,800	7,226,094	6,740,300	14,175,194
Thereafter	-	-	11,845,000	2,063,521	13,908,521
Total	<u>\$ 1,105,000</u>	<u>\$ 170,748</u>	<u>\$ 24,806,579</u>	<u>\$ 13,105,094</u>	<u>\$ 39,187,421</u>

Note 6 - Long-term Debt (Continued)

Years Ending June 30	Business-type Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2020	\$ 1,090,968	\$ 16,953	\$ -	\$ -	\$ 1,107,921
2021	-	-	-	-	-
2022	-	-	-	-	-
2023	-	-	-	-	-
2024	-	-	-	-	-
2025-2029	-	-	-	-	-
Thereafter	-	-	-	-	-
Total	\$ 1,090,968	\$ 16,953	\$ -	\$ -	\$ 1,107,921

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.

The Michigan Municipal Risk Management Authority's State Pool program (the "Risk 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 Risk Authority itself.

Note 8 - Regional Authority Cooperative Ventures

The City is a member of the Western Oakland County Cable Communication Authority (the "Cable Authority"), a cooperative venture of western Oakland County, Michigan communities. The City appoints one member to the Cable Authority's governing board, which then approves the annual budget. The Cable 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 Cable Authority can be obtained from the administrative offices at 3978 Chanda Court, Highland, MI 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, and Wixom and the Charter City of Lyon, Michigan. 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, MI 48375.

Note 8 - Regional Authority Cooperative Ventures (Continued)

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 as one of two cost-sharing employers within 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, MI 48917. The City has allowed the Wixom Public Library, a separate governmental entity, to also participate in the same plan (thus, the cost-sharing nature of this plan). The plan was closed to new employees on the following dates: June 30, 2006 for nonunion employees; August 12, 2014 for Department of Public Works Union employees; December 17, 2013 for Police Officers Union employees; June 10, 2013 for Clerical Union employees; and June 19, 2014 for Police Sergeant Union employees.

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.

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, 2018 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	58
Inactive plan members entitled to but not yet receiving benefits	13
Active plan members	23
	<hr/>
Total employees covered by MERS	<u>94</u>

Note 9 - Pension Plan (Continued)

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, 2019, 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 \$140,667 per month of covered payroll prior to issuance of general obligation pension bond and \$18,903 per month of covered payroll subsequent to issuance of general obligation pension bond.

Net Pension Liability

The net pension liability reported at June 30, 2019 was determined using a measure of the total pension liability and the pension net position as of December 31, 2018. The December 31, 2018 total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
*Balance at January 1, 2018	\$ 34,660,221	\$ 20,330,092	\$ 14,330,129
Changes for the year:			
Service cost	273,070	-	273,070
Interest	2,706,735	-	2,706,735
Differences between expected and actual experience	511,272	-	511,272
Contributions - Employer	-	16,281,743	(16,281,743)
Contributions - Employee	-	118,330	(118,330)
Net investment loss	-	(1,519,822)	1,519,822
Benefit payments, including refunds	(1,925,124)	(1,925,124)	-
Administrative expenses	-	(51,033)	51,033
Net changes	1,565,953	12,904,094	(11,338,141)
Balance at December 31, 2018	\$ 36,226,174	\$ 33,234,186	\$ 2,991,988

*Beginning of year total pension liability and plan fiduciary net position do not agree to prior year ending total pension liability and plan fiduciary net position due to the City reporting the plan as a whole not the City's allocated portion.

At June 30, 2019, the City reported a liability of \$2,960,159 for its proportionate share of the net pension liability that is allocated along with the Wixom Public Library.

June 30, 2019

Note 9 - Pension Plan (Continued)

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

For the year ended June 30, 2019, the plan recognized pension expense of \$1,911,937. 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 Capital Improvement, Local Road Capital Improvement, Water, and Sewer funds. The General Fund does charge an administrative charge intended to cover some of the DPW costs.

At June 30, 2019, the plan 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
Net difference between projected and actual earnings on pension plan investments	\$ 2,512,843	\$ -
Employer contributions to the plan subsequent to the measurement date	113,927	-
Total	\$ 2,626,770	\$ -

At June 30, 2019, the City reported deferred outflows of \$2,600,038 for its proportionate share of deferred outflows that is allocated along with the Wixom Public Library.

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
2020	\$ 778,105
2021	437,294
2022	552,807
2023	744,637
Total	\$ 2,512,843

Actuarial Assumptions

The total pension liability in the December 31, 2018 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, 2018 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.

Note 9 - Pension Plan (Continued)

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, 2018, 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 %	6.15 %
Global fixed income	18.50	1.26
Real assets	13.50	7.22
Diversifying strategies	12.50	5.00

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	\$ 7,256,420	\$ 2,991,988	\$ (587,090)

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 57 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 cost-sharing multiple-employer plan, with two employers - the City and the Wixom Public Library. The benefits are provided under collective bargaining agreements or executive directives approved by the City Council. The plan does not issue separate stand-alone financial statements. 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 plan was closed to new employees on the following dates; June 30, 2006 for nonunion employees; August 12, 2014 for Department of Public Works Union employees; December 17, 2013 for Police Officers Union employees; June 10, 2013 for Clerical Union employees; and June 19, 2014 for Police Sergeant Union employees.

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 is 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	30
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	23
Total plan members	57

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

Net OPEB Asset

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB asset. The June 30, 2019 fiscal year end reported net OPEB asset was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2019 measurement date. The June 30, 2019 measurement date total OPEB liability was determined by an actuarial valuation performed as of that date.

Note 10 - Other Postemployment Benefit Plan (Continued)

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

Changes in Net OPEB Liability (Asset)	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability (Asset)
Balance at July 1, 2018	\$ 13,964,734	\$ 8,481,454	\$ 5,483,280
Changes for the year:			
Service cost	121,675	-	121,675
Interest	962,530	-	962,530
Differences between expected and actual experience	(2,247,293)	-	(2,247,293)
Changes in assumptions	(350,889)	-	(350,889)
Contributions - Employer	-	6,635,633	(6,635,633)
Contributions - Employee	-	18,582	(18,582)
Net investment income	-	331,591	(331,591)
Benefit payments, including refunds	(550,288)	(550,288)	-
Miscellaneous other charges	-	(903)	903
Net changes	(2,064,265)	6,434,615	(8,498,880)
Balance at June 30, 2019	\$ 11,900,469	\$ 14,916,069	\$ (3,015,600)

*Beginning of year total OPEB liability and plan fiduciary net position do not agree to prior year ending total OPEB liability and plan fiduciary net position due to the City reporting the plan as a whole not the City's allocated portion.

The plan's fiduciary net position represents 125.3 percent of the total OPEB liability. At June 30, 2019, the City reported an asset of \$2,933,290 for its proportionate share of the net OPEB asset that is allocated along with the Wixom Public Library.

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

For the year ended June 30, 2019, the City recognized OPEB recovery of \$(460,685).

At June 30, 2019, the plan 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	\$ 67,429	\$ 1,526,244
Changes in assumptions	-	238,305
Net difference between projected and actual earnings on OPEB plan investments	362,278	-
Total	\$ 429,707	\$ 1,764,549

Note 10 - Other Postemployment Benefit Plan (Continued)

At June 30, 2019, the City reported deferred outflows of \$2,600,038 and deferred inflows of \$1,716,387 for its proportionate share of deferred outflows and deferred inflows that is allocated along with the Wixom Public Library.

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
2020	\$ (719,904)
2021	(719,904)
2022	9,823
2023	95,143
Total	<u>\$ (1,334,842)</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using an inflation assumption of 2 to 4 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 2019, 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 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 7.0 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.

Note 10 - Other Postemployment Benefit Plan (Continued)

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, 2019 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 table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50 %	6.15 %
Global fixed income	18.50	1.26
Real assets	13.50	7.22
Diversifying strategies	12.50	5.00

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

The following presents the net OPEB asset of the City, calculated using the discount rate of 7.0 percent, as well as what the City's net OPEB asset 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 asset of the plan	\$ (1,426,205)	\$ (3,015,600)	\$ (4,330,688)

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

The following presents the net OPEB asset of the City, calculated using the healthcare cost trend rate of 9.0 percent, as well as what the City's net OPEB asset 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 asset of the Plan	\$ (4,473,224)	\$ (3,015,600)	\$ (1,245,836)

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 asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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 11 - Other Postemployment Benefits - MERS Healthcare Plan

Plan Description

The City provides funding of retiree healthcare benefits to eligible employees and their dependents through the Municipal Employees' Retirement System Health Funding Vehicle. Nonunion employees hired after June 30, 2006; Department of Public Works Union employees hired after August 12, 2014; Police Officers Union employees hired after December 17, 2013; Police Sergeant Union employees hired after June 19, 2014; and Clerical Union employees hired after June 10, 2013 are eligible to use the balance of their accounts to fund medical insurance premiums and expenses upon retirement. Benefits depend solely on the amount contributed to the plan, plus investment earnings. Employees contribute 1 percent and the City contributes 3 percent of gross wages. Employee contributions are immediately vested. Earnings and the employer match are fully vested after seven years of service.

During the year ended June 30, 2019, the City made contributions of \$53,840, and plan members contributed \$17,910 to the plan.

Note 12 - Defined Contribution Pension Plan

The City provides benefits to recently hired employees that are not eligible for the defined benefit plans through a defined contribution plan. Nonunion employees hired after June 30, 2006; Department of Public Works Union employees hired after August 12, 2014; Police Officers Union employees hired after December 17, 2013; Police Sergeant Union employees hired after June 19, 2014; and Clerical Union employees hired after June 10, 2013 are eligible to participate in the plan, which is administered by the Municipal Employees' Retirement System. Benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of hire. As established by various collective bargaining agreements, the employees are permitted to contribute up to 2 percent of their earnings. The City contributes 9 percent of employee earnings. Employee contributions are immediately vested. Employer match contributions are fully vested after seven years of service.

In accordance with these provisions, the City contributed \$147,127, and employees contributed \$33,309 for the year ended June 30, 2019

Note 13 - 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 14 - 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 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 \$17,829 in captured revenue for the Brownfield Redevelopment Authority during fiscal year 2019.

Note 15 - 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, 2019, the City abated \$85,009 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 14), 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, 2019, the authority abated \$5,210 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.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 7,937,099	\$ 7,947,587	\$ 7,997,818	\$ 50,231
Intergovernmental:				
Federal grants	800	800	-	(800)
State sources	1,499,077	1,857,777	1,893,405	35,628
Charges for services	1,248,745	1,153,756	1,132,956	(20,800)
Fines and forfeitures	37,000	46,000	53,034	7,034
Licenses and permits	63,000	63,000	56,167	(6,833)
Interest and rentals	289,434	355,324	383,344	28,020
Other revenue	894,923	141,483	355,473	213,990
Total revenue	11,970,078	11,565,727	11,872,197	306,470
Expenditures				
Current services:				
General government:				
Legislative	16,526	16,526	13,433	3,093
City manager	288,430	283,565	254,619	28,946
Financial administration	375,362	371,440	352,175	19,265
Information systems	118,343	118,343	106,652	11,691
Assessing	311,950	294,509	241,851	52,658
Board of review	2,546	2,546	1,639	907
Clerk	204,164	223,674	220,439	3,235
Buildings and grounds	80,804	80,804	59,469	21,335
Legal counsel and assistance	80,500	88,000	82,848	5,152
General operating	2,253,935	815,756	659,953	155,803
Pension and OPEB lump-sum payments	-	21,803,900	21,866,244	(62,344)
Public safety:				
Police/Sheriff	3,442,583	3,303,617	2,960,356	343,261
Fire	1,074,209	1,066,303	972,451	93,852
Building inspections and related	694,729	706,204	536,547	169,657
Public works	728,169	718,537	586,505	132,032
Community and economic development - Planning, zoning, and related	106,650	106,650	88,429	18,221
Recreation and culture:				
Parks and recreation	344,975	330,609	279,306	51,303
Cultural center	327,257	320,456	251,617	68,839
Senior citizen committee	60,065	68,051	67,126	925
Debt service	-	1,031,378	1,031,376	2
Total expenditures	10,511,197	31,750,868	30,633,035	1,117,833
Excess of Revenue Over (Under) Expenditures	1,458,881	(20,185,141)	(18,760,838)	1,424,303
Other Financing Sources (Uses)				
Transfers in	49,444	49,444	49,444	-
Transfers out	(1,526,325)	(1,694,960)	(1,603,772)	91,188
Issuance of pension/healthcare bonds	-	21,812,657	21,875,000	62,343
Sale of capital assets	18,000	18,000	42,874	24,874
Total other financing (uses) sources	(1,458,881)	20,185,141	20,363,546	178,405
Net Change in Fund Balances	-	-	1,602,708	1,602,708
Fund Balances - Beginning of year	3,603,172	3,603,172	3,603,172	-
Fund Balances - End of year	\$ 3,603,172	\$ 3,603,172	\$ 5,205,880	\$ 1,602,708

Required Supplemental Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Cost Sharing Plan

	Last Five Plan Years				
	Plan Years Ended June 30				
	2019	2018	2017	2016	2015
City's proportion of the net pension liability	98.93617 %	96.17633 %	96.69933 %	98.94750 %	98.94737 %
City's proportionate share of the net pension liability	\$ 2,960,159	\$ 13,884,065	\$ 14,974,219	\$ 15,257,723	\$ 11,516,991
City's covered payroll	\$ 1,802,784	\$ 1,975,451	\$ 2,061,173	\$ 2,184,701	\$ 2,394,251
City's proportionate share of the net pension liability as a percentage of its covered payroll	164.20 %	702.83 %	726.49 %	698.39 %	481.03 %
Plan fiduciary net position as a percentage of total pension liability	91.74 %	58.62 %	54.23 %	52.35 %	60.36 %

Required Supplemental Information
Schedule of Pension Contributions
Cost Sharing Plan

Last Ten Fiscal Years
Years Ended June 30

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 1,568,052	\$ 1,269,089	\$ 1,039,531	\$ 962,726	\$ 833,137	\$ 783,319	\$ 772,277	\$ 784,321	\$ 895,324	\$ 757,748
Contributions in relation to the contractually required contribution	16,281,743	1,269,089	1,039,531	962,726	833,137	783,319	772,277	784,321	895,324	757,748
Contribution Excess	\$ 14,713,691	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Employee Payroll	\$ 1,802,784	\$ 1,975,451	\$ 2,061,173	\$ 2,185,701	\$ 2,368,906	\$ 2,410,014	\$ 2,818,735	\$ 3,239,998	\$ 3,376,512	\$ 3,371,441
Contributions as a Percentage of Covered Employee Payroll	903.14 %	64.24 %	50.43 %	44.05 %	35.17 %	32.50 %	27.40 %	24.21 %	26.52 %	22.48 %

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date December 31, 2016 (contribution rates are calculated as of December 31, 18 months prior to the start of the fiscal year in which the contributions are required)

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	23 years
Asset valuation method	Five-year smoothed
Inflation	2.5 percent
Salary increase	3.75 percent
Investment rate of return	8.0 percent
Retirement age	Various
Mortality	50 percent female/50 percent male RF-2014 Group Annuity Mortality Table
Other information	None

Required Supplemental Information
 Schedule of the City's Proportionate Share of the Net OPEB Liability
 Cost Sharing Plan

	Last Two Plan Years	
	Plan Years Ended June 30	
	2019	2018
City's proportion of the net OPEB (asset) liability	97.27054 %	97.86439 %
City's proportionate share of the net OPEB (asset) liability	\$ (2,933,290)	\$ 5,366,179
City's covered employee payroll	\$ 1,858,200	\$ 2,145,023
City's proportionate share of the net OPEB (asset) liability as a percentage of its covered employee payroll	(157.86)%	250.17 %
Plan fiduciary net position as a percentage of total OPEB (asset) liability	125.34 %	60.73 %

City of Wixom, Michigan

Required Supplemental Information Schedule of OPEB Contributions Cost Sharing Plan

**Last Ten Fiscal Years
Years Ended June 30**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 702,395	\$ 722,604	\$ 563,990	\$ 569,089	\$ 537,268	\$ 651,658	\$ 651,658	\$ 651,658	\$ 625,283	\$ 481,351
Contributions in relation to the contractually required contribution	6,635,633	829,505	792,941	925,989	1,313,642	1,059,189	524,362	230,304	320,458	1,011,750
Contribution Excess (Deficiency)	\$ 5,933,238	\$ 106,901	\$ 228,951	\$ 356,900	\$ 776,374	\$ 407,531	\$ (127,296)	\$ (421,354)	\$ (304,825)	\$ 530,399
City's Covered Employee Payroll	\$ 1,858,200	\$ 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
Contributions as a Percentage of Covered Employee payroll	357.10 %	38.67 %	32.48 %	37.93 %	53.81 %	30.43 %	15.06 %	6.62 %	8.85 %	27.99 %

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 or 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	\$ 11,945,020	\$ 30,633,035	\$ 20,363,546
Budget Stabilization Fund revenue	(72,823)	-	-
Amounts per budget statement	<u>\$ 11,872,197</u>	<u>\$ 30,633,035</u>	<u>\$ 20,363,546</u>

The City had expenditures in excess of those budgeted related to unforeseen bond issuance costs in general government.

Other Supplemental Information

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

	Special Revenue Funds								Debt Service Fund	Total Nonmajor Governmental Funds
	Special Agency Fund	Community Development Fund	Major Road Capital Improvement Fund	Land Acquisition Fund	Safety Path Road Program Fund	Solid Waste Collection Fund	Forfeiture Funds	Cemetery Fund	DDA/VCA Development Bonds Fund	
Assets										
Cash and investments	\$ 1,249,708	\$ -	\$ 1,671,453	\$ 1,513,973	\$ 1,063,510	\$ 122,941	\$ 7,511	\$ 105,855	\$ 21,617	\$ 5,756,568
Receivables - Due from other governments	-	81,741	146,646	-	-	-	-	-	-	228,387
Due from other funds	132,990	5,948	-	-	10,202	-	199,096	1,000	-	349,236
Inventory	-	-	36,577	-	-	-	-	-	-	36,577
Total assets	\$ 1,382,698	\$ 87,689	\$ 1,854,676	\$ 1,513,973	\$ 1,073,712	\$ 122,941	\$ 206,607	\$ 106,855	\$ 21,617	\$ 6,370,768
Liabilities										
Accounts payable	\$ 89,046	\$ 81,741	\$ 43,732	\$ -	\$ 1,906	\$ 43,923	\$ 340	\$ -	\$ -	\$ 260,688
Due to other funds	-	-	17,234	-	-	417	-	-	-	17,651
Refundable deposits, bonds, etc.	172	-	-	-	-	-	-	-	-	172
Unearned revenue	409,600	-	-	-	-	-	-	-	-	409,600
Total liabilities	498,818	81,741	60,966	-	1,906	44,340	340	-	-	688,111
Deferred Inflows of Resources -										
Unavailable revenue	-	73,567	-	-	-	-	-	-	-	73,567
Total liabilities and deferred inflows of resources	498,818	155,308	60,966	-	1,906	44,340	340	-	-	761,678
Fund Balances										
Nonspendable	-	-	36,577	-	-	-	-	-	-	36,577
Restricted:										
Roads	-	-	1,757,133	-	1,071,806	-	-	-	-	2,828,939
Debt service	-	-	-	-	-	-	-	-	21,617	21,617
Land acquisition	-	-	-	1,513,973	-	-	-	-	-	1,513,973
Police forfeiture	-	-	-	-	-	-	206,267	-	-	206,267
Solid waste	-	-	-	-	-	78,601	-	-	-	78,601
Development contracts	883,880	-	-	-	-	-	-	-	-	883,880
Committed - Cemetery	-	-	-	-	-	-	-	106,855	-	106,855
Unassigned - Community Development	-	(67,619)	-	-	-	-	-	-	-	(67,619)
Total fund balances	883,880	(67,619)	1,793,710	1,513,973	1,071,806	78,601	206,267	106,855	21,617	5,609,090
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,382,698	\$ 87,689	\$ 1,854,676	\$ 1,513,973	\$ 1,073,712	\$ 122,941	\$ 206,607	\$ 106,855	\$ 21,617	\$ 6,370,768

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

Year Ended June 30, 2019

	Special Revenue Funds							Debt Service Fund	Total Nonmajor Governmental Funds	
	Special Agency Fund	Community Development Fund	Major Road Capital Improvement Fund	Land Acquisition Fund	Safety Path Road Program Fund	Solid Waste Collection Fund	Forfeiture Funds	Cemetery Fund		DDA/VCA Development Bonds Fund
Revenue										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 229,327	\$ -	\$ -	\$ -	\$ -	\$ 229,327
Intergovernmental:										
Federal grants	-	16,334	-	-	-	-	-	-	-	16,334
State sources	3,191	-	842,665	-	-	-	-	-	-	845,856
Charges for services	500,616	-	-	-	-	554,537	-	21,100	-	1,076,253
Fines and forfeitures	-	-	-	-	-	-	6,623	-	-	6,623
Interest and rentals	26,356	-	17,017	31,941	21,380	7,029	158	1,859	-	105,740
Other revenue	10,400	-	-	-	-	1,048	-	-	-	11,448
Total revenue	540,563	16,334	859,682	31,941	250,707	562,614	6,781	22,959	-	2,291,581
Expenditures										
Current services:										
General government	-	-	-	812	-	-	-	325	651	1,788
Public safety	3,500	-	-	-	-	-	-	-	-	3,500
Public works	-	-	378,210	-	-	560,778	-	2,508	-	941,496
Community and economic development	536,712	93,858	-	-	-	-	-	-	-	630,570
Capital outlay	-	-	-	-	54,346	-	-	-	-	54,346
Debt service:										
Principal	-	-	-	-	-	-	-	-	300,000	300,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	136,399	136,399
Total expenditures	540,212	93,858	378,210	812	54,346	560,778	-	2,833	437,050	2,068,099
Excess of Revenue Over (Under) Expenditures	351	(77,524)	481,472	31,129	196,361	1,836	6,781	20,126	(437,050)	223,482
Other Financing Sources - Transfers in	-	-	-	-	-	-	-	-	437,131	437,131
Net Change in Fund Balances	351	(77,524)	481,472	31,129	196,361	1,836	6,781	20,126	81	660,613
Fund Balances - Beginning of year	883,529	9,905	1,312,238	1,482,844	875,445	76,765	199,486	86,729	21,536	4,948,477
Fund Balances - End of year	\$ 883,880	\$ (67,619)	\$ 1,793,710	\$ 1,513,973	\$ 1,071,806	\$ 78,601	\$ 206,267	\$ 106,855	\$ 21,617	\$ 5,609,090