

City of Westland, Michigan

Financial Report with Supplemental Information June 30, 2015

City of Westland, Michigan

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City of Westland, Michigan

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Independent Auditor's Report

To the City Council
City of Westland, 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 Westland, Michigan (the "City") as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the City of Westland, 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 an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the District Court Funds of District No. 18 were not audited under *Government Auditing Standards*.

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.

To the City Council
City of Westland, Michigan

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 Westland, Michigan as of June 30, 2015 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.

Emphasis of Matter

As explained in Note 1, the financial statements include investments valued at approximately \$27,900,000 (representing approximately 18 percent of net position) at June 30, 2015 whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by the investment managers, periodic appraisal, real estate advisors, general partners, or other means. Our opinion has not been modified with respect to this matter.

Also, as described in Note 18, during the year ended June 30, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of implementing this pronouncement, the City's net pension liability has been recognized on the government-wide and proprietary statements, and as discussed in Note 18, the 2014 financial statements have been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, 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.

To the City Council
City of Westland, Michigan

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Westland, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015 on our consideration of the City of Westland, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Westland, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 11, 2015

City of Westland, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Westland, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015 and should be read in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2015:

- During the year, the City completed the repurposing and refurbishment of a vacant warehouse into a state of the art facility at 36300 Warren Road. This new City Hall location combines many City services under one roof, gaining efficiencies. These services include youth assistance, cable television, building and planning, Department of Public Service, finance, assessing, parks and recreation, economic development, Information Technology, personnel, city clerk, and the mayor's office.
- Construction of a new fire station was completed and placed in service during the year.
- The new Farmers Market pavilion opened in the fall of 2014.
- Constitutional sales tax revenue from the State of Michigan increased by \$160,000 from the previous year.
- The City complied with the requirements from the State of Michigan for the new City, Village, Township Revenue Sharing (CVTRS) program, which replaces the former Economic Vitality Incentive Program (EVIP), and received \$1.35 million for the fiscal year.
- The City issued bonds during the year to finance the water meter project and other capital projects in the amounts of \$14,700,000 and \$1,700,000, respectively.
- During the year, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Largely as a result of this change, the total net position related to the City's governmental activities decreased by approximately \$12.9 million. In addition, fund balances for the combined governmental funds decreased by approximately \$1.0 million during the year due mainly to the use of the Capital Project Fund. The General Fund unassigned fund balance increased by \$975,000.

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.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the current fiscal 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 of Westland as a Whole

The following table shows, in a condensed format, the net position as of the current date as compared to the previous year:

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Assets | | | | | | |
| Current assets | \$ 25,079,046 | \$ 27,243,181 | \$ 20,132,661 | \$ 17,107,370 | \$ 45,211,707 | \$ 44,350,551 |
| Noncurrent assets | 219,390,113 | 220,598,342 | 88,745,794 | 74,138,252 | 308,135,907 | 294,736,594 |
| Total assets | 244,469,159 | 247,841,523 | 108,878,455 | 91,245,622 | 353,347,614 | 339,087,145 |
| Deferred outflows of resources | 16,025,387 | - | 923,982 | - | 16,949,369 | - |
| Liabilities | | | | | | |
| Current liabilities | 9,858,726 | 9,766,672 | 4,682,826 | 3,323,212 | 14,541,552 | 13,089,884 |
| Long-term liabilities | 159,507,850 | 133,984,635 | 40,921,703 | 25,832,765 | 200,429,553 | 159,817,400 |
| Total liabilities | 169,366,576 | 143,751,307 | 45,604,529 | 29,155,977 | 214,971,105 | 172,907,284 |
| Net Position | | | | | | |
| Net investment in capital assets | 207,173,610 | 209,422,520 | 69,651,633 | 69,507,586 | 276,825,243 | 278,930,106 |
| Restricted | 8,108,241 | 8,610,277 | 177,500 | 225,000 | 8,285,741 | 8,835,277 |
| Unrestricted (deficit) | (124,153,881) | (113,942,581) | (5,631,225) | (7,642,941) | (129,785,106) | (121,585,522) |
| Total net position | <u>\$ 91,127,970</u> | <u>\$ 104,090,216</u> | <u>\$ 64,197,908</u> | <u>\$ 62,089,645</u> | <u>\$ 155,325,878</u> | <u>\$ 166,179,861</u> |

The City's combined net position decreased 12.4 percent from a year ago - decreasing from \$104,090,216 to \$91,127,970. The decrease was mainly a result of implementation of GASB 68.

Unrestricted net position in governmental activities - the part of net position that can be used to finance operations - is currently at a deficit of \$124,153,881 for governmental activities. This is generally a result of the accrual of the pension liability, compensated absences, and other postemployment benefits, which will be paid from future revenue sources. This accrual is approximately \$155,700,000.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net position during the current year from the previous year:

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Net Position - Beginning of year | \$ 104,090,216 | \$ 99,468,148 | \$ 62,089,645 | \$ 59,798,336 | \$ 166,179,861 | \$ 159,266,484 |
| Revenue | | | | | | |
| Program revenue: | | | | | | |
| Charges for services | 21,233,940 | 19,931,829 | 27,660,198 | 27,997,829 | 48,894,138 | 47,929,658 |
| Operating grants and contributions | 9,151,555 | 10,126,196 | - | - | 9,151,555 | 10,126,196 |
| Capital grants and contributions | 6,738,951 | 8,357,109 | 655,212 | 162,120 | 7,394,163 | 8,519,229 |
| General revenue: | | | | | | |
| Property taxes | 28,823,876 | 24,134,703 | - | - | 28,823,876 | 24,134,703 |
| State-shared revenue | 7,751,131 | 7,612,168 | - | - | 7,751,131 | 7,612,168 |
| Interest | 93,477 | 76,851 | 27,091 | 17,928 | 120,568 | 94,779 |
| Gain on sale of fixed assets | 14,055 | 104,480 | - | - | 14,055 | 104,480 |
| Other revenue | 1,159,130 | 743,934 | - | - | 1,159,130 | 743,934 |
| Total revenue | 74,966,115 | 71,087,270 | 28,342,501 | 28,177,877 | 103,308,616 | 99,265,147 |
| Program Expenses | | | | | | |
| General government | 17,983,338 | 16,098,093 | - | - | 17,983,338 | 16,098,093 |
| Public safety | 42,406,710 | 38,418,046 | - | - | 42,406,710 | 38,418,046 |
| Public works | 19,814,418 | 18,770,314 | - | - | 19,814,418 | 18,770,314 |
| Community and economic development | 2,909,679 | 2,136,418 | - | - | 2,909,679 | 2,136,418 |
| Cultural and recreation | 4,674,459 | 4,584,972 | - | - | 4,674,459 | 4,584,972 |
| Interest on long-term debt | 139,757 | 190,597 | - | - | 139,757 | 190,597 |
| Water and sewer | - | - | 26,234,238 | 25,886,568 | 26,234,238 | 25,886,568 |
| Total program expenses | 87,928,361 | 80,198,440 | 26,234,238 | 25,886,568 | 114,162,599 | 106,085,008 |
| Extraordinary/Special Items | - | 13,733,238 | - | - | - | 13,733,238 |
| Change in Net Position | (12,962,246) | 4,622,068 | 2,108,263 | 2,291,309 | (10,853,983) | 6,913,377 |
| Net Position - End of year | \$ 91,127,970 | \$ 104,090,216 | \$ 64,197,908 | \$ 62,089,645 | \$ 155,325,878 | \$ 166,179,861 |

Governmental Activities

The City's total governmental revenue increased by approximately \$3,900,000. The increase, which represents approximately 5.5 percent, was primarily due to increasing taxable values of the City's properties.

Expenses increased by approximately \$7,700,000 during the year. A big part of this increase was police and fire pension expense. There was also a minor increase in public works expenditures.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund. The City provides water to residents from the Detroit water system. The City also provides sewage treatment through Wayne County. The usage of the water system increased slightly from usage in the prior year. Effective July 1, 2015, the City Council increased the water and sewer rates by 2.15 percent and 4.07 percent, respectively.

The City of Westland's Funds

Our analysis of the City's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The Westland City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as community development block grant and debt service. The City's major fund for 2015 is the General Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$35 million in 2015. Other government services accounted for in the General Fund include general government (finance, city clerk, city assessor, economic development, community development, personnel, and the mayor's office), sanitation, and recreation. General Fund expenditures decreased by approximately \$260,000. This was due mainly to decreased public safety expenditures.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events that occurred during the year. One of the amendments was to account for a grant received for \$500,000 to help pay for four additional police officers. Another amendment was approved for a Storm Water, Asset Management and Wastewater (SAW) grant in the amount of \$970,000. A few departments went over budget by small amounts, which included personnel, housing, insurance, and the Fire Department.

The General Fund fund balance increased from \$5,614,861 to \$7,073,257.

As of June 30, 2015, the City had a total of approximately \$290 million invested in a broad range of capital assets, including roads, buildings, police and fire equipment, and water and sewer lines.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

The City had significant capital expenditures during the fiscal year; the following represents the most significant capital purchases for the year ended June 30, 2015:

- \$1,008,000 was used to purchase garbage trucks used for collection of rubbish and recycling.
- \$1,700,000 was spent on the purchase of garbage carts for the weekly curbside pick-up of garbage.
- \$184,836 was used to purchase one ambulance, three ordinance, and six administrative cars for the Fire Department.
- The Police Station is currently being renovated. During the fiscal year, \$477,000 was spent. The project when finished is expected to have a total cost of \$2.3 million.
- The Inkster Road Pump Station and the water meter replacement programs both started during the fiscal year ending June 30, 2015.

Debt service makes up approximately 1.85 percent of the total expenditures of the governmental funds.

More detailed information concerning capital assets and long-term debt can be found in Notes 5 and 8, respectively, in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The City's budget for the fiscal year ending June 30, 2016 takes into consideration a continued slow-moving economic climate. Although the taxable values for residential property increased slightly for the 2015 taxable year, the overall taxable value for the City declined around 1 percent. The Michigan tax tribunal cases have decreased substantially. The state-shared revenue has had slight increases over the last two years and will be monitored closely going forward. Moving ahead, the City will continue to comply with the requirements outlined by the State. All City employees are now contributing toward their health care under the "hard cap" option in accordance with Public Act 152. This will continue to help with the budget, but throughout the year, the City will monitor the budget very closely and continue to make adjustments as necessary.

As discussed above, the fiscal year ending June 30, 2016 budget anticipates that the water and sewer costs will increase. The City Council has approved increases over the last several years and the City will bring any further recommendations to the City Council as necessary.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. For additional questions about this report or additional information, requests should be directed to the finance department.

City of Westland, Michigan

Statement of Net Position June 30, 2015

| | Primary Government | | | Component Units |
|--|----------------------------|-----------------------------|-----------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and cash equivalents (Note 3) | \$ 20,039,172 | \$ 8,367,118 | \$ 28,406,290 | \$ 1,968,661 |
| Investments (Note 3) | - | - | - | 131,236 |
| Receivables - Net (Note 4) | 4,920,355 | 11,410,505 | 16,330,860 | 105,505 |
| Due from component units | 10,339 | - | 10,339 | - |
| Due from primary government | - | - | - | 370,496 |
| Internal balances | (197,481) | 197,481 | - | - |
| Inventories | 9,588 | 128,571 | 138,159 | - |
| Prepaid costs and other assets | 297,073 | 28,986 | 326,059 | 2,050 |
| Restricted assets (Note 6) | - | 13,592,985 | 13,592,985 | 2,165,352 |
| Land held for resale | 1,001,759 | - | 1,001,759 | - |
| Capital assets - Net (Note 5): | | | | |
| Not being depreciated | 3,335,379 | - | 3,335,379 | 90,000 |
| Depreciable - Net | 211,223,470 | 75,152,809 | 286,376,279 | 5,931,486 |
| Note receivable | 3,829,505 | - | 3,829,505 | - |
| Total assets | 244,469,159 | 108,878,455 | 353,347,614 | 10,764,786 |
| Deferred Outflows of Resources | 16,025,387 | 923,982 | 16,949,369 | - |
| Liabilities | | | | |
| Accounts payable | 2,093,067 | 2,186,607 | 4,279,674 | 437,624 |
| Due to component units | 370,496 | - | 370,496 | - |
| Due to primary government | - | - | - | 10,339 |
| Deposits | - | 414,342 | 414,342 | - |
| Accrued and other liabilities | 2,117,963 | 258,145 | 2,376,108 | 355,253 |
| Unearned revenue (Note 4) | 103,543 | - | 103,543 | - |
| Noncurrent liabilities: | | | | |
| Due within one year: | | | | |
| Compensated absences (Note 8) | 3,133,944 | 253,762 | 3,387,706 | - |
| Provision for claims (Note 10) | 750,695 | 175,624 | 926,319 | - |
| Current portion of long-term debt (Note 8) | 1,218,564 | 1,394,346 | 2,612,910 | 865,000 |
| Due in more than one year: | | | | |
| Compensated absences (Note 8) | 4,665,963 | - | 4,665,963 | - |
| Provision for claims (Note 10) | 848,819 | 356,257 | 1,205,076 | - |
| Net other postemployment benefits liability (Note 17) | 48,321,836 | 5,140,981 | 53,462,817 | - |
| Net pension obligation - > 1 yr | 99,575,011 | 17,902,150 | 117,477,161 | - |
| Long-term debt- Net of current portion (Note 8) | 6,166,675 | 17,522,315 | 23,688,990 | 18,655,000 |
| Total liabilities | 169,366,576 | 45,604,529 | 214,971,105 | 20,323,216 |
| Net Position | | | | |
| Net investment in capital assets | 207,173,610 | 69,651,633 | 276,825,243 | 3,001,486 |
| Restricted for: | | | | |
| Retirement system | 342,000 | - | 342,000 | - |
| Sanitation | 43,000 | - | 43,000 | - |
| Road improvements | 3,098,371 | - | 3,098,371 | - |
| Library operations | 2,508,065 | - | 2,508,065 | - |
| Other (Note 13) | 2,116,805 | 177,500 | 2,294,305 | - |
| Unrestricted | (124,153,881) | (5,631,225) | (129,785,106) | (12,559,916) |
| Total net position | \$ 91,127,970 | \$ 64,197,908 | \$ 155,325,878 | \$ (9,558,430) |

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

City of Westland, Michigan

| | Program Revenue | | | |
|---|-----------------------|----------------------|------------------------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | |
| Functions/Programs | | | | |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 17,983,338 | \$ 8,087,261 | \$ 114,466 | \$ 3,720,604 |
| Public safety | 42,406,710 | 9,360,481 | 566,660 | 2,854,746 |
| Public works | 19,814,418 | 1,372,698 | 5,278,001 | 163,601 |
| Community and economic development | 2,909,679 | - | 1,812,444 | - |
| Cultural and recreation | 4,674,459 | 2,413,500 | 1,379,984 | - |
| Interest on long-term debt | 139,757 | - | - | - |
| Total governmental activities | 87,928,361 | 21,233,940 | 9,151,555 | 6,738,951 |
| Business-type activities - Water and sewer | 26,234,238 | 27,660,198 | - | 655,212 |
| Total primary government | <u>\$ 114,162,599</u> | <u>\$ 48,894,138</u> | <u>\$ 9,151,555</u> | <u>\$ 7,394,163</u> |
| Component units | <u>\$ 9,079,278</u> | <u>\$ -</u> | <u>\$ 61,570</u> | <u>\$ -</u> |
| General revenue: | | | | |
| Property taxes | | | | |
| State-shared revenue | | | | |
| Interest and sundry | | | | |
| Other income | | | | |
| Gain on sale of fixed assets | | | | |
| Total general revenue | | | | |
| Change in Net Position | | | | |
| Net Position - Beginning of year (as restated) (Note 18) | | | | |
| Net Position - End of year | | | | |

Statement of Activities
Year Ended June 30, 2015

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|-----------------------------|-----------------------|-----------------------|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| \$ (6,061,007) | \$ - | \$ (6,061,007) | \$ - |
| (29,624,823) | - | (29,624,823) | - |
| (13,000,118) | - | (13,000,118) | - |
| (1,097,235) | - | (1,097,235) | - |
| (880,975) | - | (880,975) | - |
| (139,757) | - | (139,757) | - |
| (50,803,915) | - | (50,803,915) | - |
| - | 2,081,172 | 2,081,172 | - |
| (50,803,915) | 2,081,172 | (48,722,743) | - |
| - | - | - | (9,017,708) |
| 28,823,876 | - | 28,823,876 | 3,796,544 |
| 7,751,131 | - | 7,751,131 | - |
| 93,477 | 27,091 | 120,568 | 22,437 |
| 1,159,130 | - | 1,159,130 | 37,758 |
| 14,055 | - | 14,055 | - |
| 37,841,669 | 27,091 | 37,868,760 | 3,856,739 |
| (12,962,246) | 2,108,263 | (10,853,983) | (5,160,969) |
| 104,090,216 | 62,089,645 | 166,179,861 | (4,397,461) |
| \$ 91,127,970 | \$ 64,197,908 | \$ 155,325,878 | \$ (9,558,430) |

City of Westland, Michigan

Governmental Funds Balance Sheet June 30, 2015

| | General Fund | Nonmajor Funds | Total |
|--|----------------------|----------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents (Note 3) | \$ 10,212,073 | \$ 9,827,099 | \$ 20,039,172 |
| Receivables - Net (Note 4) | 3,795,464 | 1,124,891 | 4,920,355 |
| Due from component units | 10,339 | - | 10,339 |
| Due from other funds (Note 7) | 308,973 | 2,990,505 | 3,299,478 |
| Inventory | 9,588 | - | 9,588 |
| Prepaid costs and other assets | 245,342 | 51,731 | 297,073 |
| Land held for resale | - | 1,001,759 | 1,001,759 |
| Note receivable | 3,829,505 | - | 3,829,505 |
| | <u>\$ 18,411,284</u> | <u>\$ 14,995,985</u> | <u>\$ 33,407,269</u> |
| Total assets | | | |
| Liabilities | | | |
| Accounts payable | \$ 1,452,837 | \$ 640,230 | \$ 2,093,067 |
| Due to component units | 370,496 | - | 370,496 |
| Due to other funds | 2,702,416 | 794,543 | 3,496,959 |
| Accrued and other liabilities | 1,900,090 | 43,011 | 1,943,101 |
| Unearned revenue (Note 4) | 103,543 | - | 103,543 |
| | <u>6,529,382</u> | <u>1,477,784</u> | <u>8,007,166</u> |
| Total liabilities | | | |
| Deferred Inflows of Resources - | | | |
| Unavailable revenue (Note 4) | 4,808,645 | 147,295 | 4,955,940 |
| Fund Balances | | | |
| Nonspendable - Prepaids/Inventory | 254,930 | 51,731 | 306,661 |
| Restricted: | | | |
| Roads | - | 3,037,335 | 3,037,335 |
| Police and Fire retirement | 342,000 | - | 342,000 |
| Community development | - | 1,251,675 | 1,251,675 |
| Parks and recreation | 209,370 | - | 209,370 |
| Drug forfeiture activities | - | 6,132 | 6,132 |
| Library | - | 2,370,075 | 2,370,075 |
| Street lighting | - | 316,469 | 316,469 |
| Metroact Broadband | 193,755 | - | 193,755 |
| Sanitation | 43,000 | - | 43,000 |
| Assigned - Capital projects | - | 6,337,489 | 6,337,489 |
| Unassigned | 6,030,202 | - | 6,030,202 |
| | <u>7,073,257</u> | <u>13,370,906</u> | <u>20,444,163</u> |
| Total fund balances | | | |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 18,411,284</u> | <u>\$ 14,995,985</u> | <u>\$ 33,407,269</u> |

City of Westland, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2015

| | | |
|---|-----------|-------------------|
| Fund Balance Reported in Governmental Funds | \$ | 20,444,163 |
| 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 | | 214,558,849 |
| Deferred outflows of resources related to pension are reported in the government-wide statements, but not in the governmental funds | | 16,025,387 |
| Other long-term liabilities, such as incurred but not reported liabilities, do not present a claim on current financial resources and are not reported as fund liabilities | | (1,599,514) |
| Deferred inflows of resources are reported in the governmental funds, but not in the government-wide statements | | 4,955,940 |
| Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities | | (7,799,907) |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds | | (7,314,785) |
| Accrued interest on long-term liabilities is not reported in the funds | | (34,862) |
| Unamortized bond premium | | (70,454) |
| Net other postemployment benefit obligation is not recorded as a liability in the funds | | (48,321,836) |
| Net pension obligation is not recorded as a liability in the funds | | (99,575,011) |
| Net pollution remediation liability is not recorded as a liability in the funds | | (140,000) |
| Net Position of Governmental Activities | \$ | 91,127,970 |

City of Westland, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2015

| | General Fund | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------|---|--------------------------------|
| Revenue | | | |
| Property taxes | \$ 25,136,237 | \$ 2,678,032 | \$ 27,814,269 |
| Licenses and permits | 1,244,772 | - | 1,244,772 |
| Federal sources | 196,582 | 1,822,468 | 2,019,050 |
| State sources | 9,073,394 | 5,883,245 | 14,956,639 |
| Charges for services | 7,039,270 | - | 7,039,270 |
| Court fines and fees | 4,891,466 | - | 4,891,466 |
| Interest income | 62,438 | 30,595 | 93,033 |
| Other revenue: | | | |
| Special assessments | - | 1,610,373 | 1,610,373 |
| Local sources | 2,881,731 | 84,125 | 2,965,856 |
| Cable franchise fees | 1,828,665 | - | 1,828,665 |
| Refund of captured property taxes | 904,784 | 105,823 | 1,010,607 |
| Other income | 5,400,716 | 18,140 | 5,418,856 |
| Total revenue | 58,660,055 | 12,232,801 | 70,892,856 |
| Expenditures | | | |
| Current: | | | |
| General government | 15,410,512 | 373,775 | 15,784,287 |
| Street lighting | 51,021 | 1,419,589 | 1,470,610 |
| Public safety | 34,777,061 | 1,357,379 | 36,134,440 |
| Highway, streets, and drains | - | 5,644,040 | 5,644,040 |
| Sanitation | 3,254,480 | 2,672,639 | 5,927,119 |
| Community and economic development | 803,482 | 2,044,973 | 2,848,455 |
| Cultural and recreation | 2,133,509 | 2,647,133 | 4,780,642 |
| Debt service | 373,429 | 779,125 | 1,152,554 |
| Total expenditures | 56,803,494 | 16,938,653 | 73,742,147 |
| Excess of Revenue Over (Under) Expenditures | 1,856,561 | (4,705,852) | (2,849,291) |
| Other Financing Sources (Uses) | | | |
| Face value of debt issue | - | 1,700,000 | 1,700,000 |
| Debt premium on debt issue | - | 70,454 | 70,454 |
| Proceeds from sale of capital assets | 14,285 | - | 14,285 |
| Transfers in (Note 7) | 15,000 | 1,235,652 | 1,250,652 |
| Transfers out (Note 7) | (427,450) | (823,202) | (1,250,652) |
| Total other financing (uses) sources | (398,165) | 2,182,904 | 1,784,739 |
| Net Change in Fund Balances | 1,458,396 | (2,522,948) | (1,064,552) |
| Fund Balances - Beginning of year | 5,614,861 | 15,893,854 | 21,508,715 |
| Fund Balances - End of year | \$ 7,073,257 | \$ 13,370,906 | \$ 20,444,163 |

City of Westland, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2015

| | |
|---|-------------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (1,064,552) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation | (8,025,542) |
| Capital assets contributed to the City are recorded as revenue in the statement of activities but are not recognized in the governmental funds | 6,458,472 |
| Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end | (37,000) |
| Special assessment revenue is recorded in the statement of activities when the assessment is set; it is not reported in the funds until collected or collectible within 60 days of year end | (30,518) |
| Proceeds from long-term debt provide current financial resources to governmental funds, but debt increases long-term liabilities in the statement of net position | (1,770,454) |
| Repayment of debt principal is an expenditure in the governmental funds, but not in the government-wide statements (where it reduces long-term debt) | 1,158,614 |
| Change in accrued interest on long-term debt is not recorded in the governmental funds | 7,527 |
| Changes in liabilities incurred but not reported are not recorded in the governmental funds | 235,191 |
| Change in other postemployment benefit liability is not recorded in the governmental funds | (6,862,953) |
| Change in pension benefit liability is not recorded in the governmental funds | (2,523,700) |
| Change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities | (507,331) |
| Change in Net Position of Governmental Activities | <u>\$ (12,962,246)</u> |

City of Westland, Michigan

Proprietary Funds Statement of Net Position June 30, 2015

| | <u>Enterprise Fund - Water and Sewer</u> |
|---|--|
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 8,367,118 |
| Receivables - Net | 11,410,505 |
| Due from other funds | 2,247,792 |
| Inventories | 128,571 |
| Prepaid costs and other assets | <u>28,986</u> |
| Total current assets | 22,182,972 |
| Noncurrent assets: | |
| Restricted assets (Note 6) | 13,592,985 |
| Capital assets - Net (Note 5) | <u>75,152,809</u> |
| Total noncurrent assets | <u>88,745,794</u> |
| Total assets | 110,928,766 |
| Deferred Outflows of Resources | 923,982 |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | 2,186,607 |
| Due to other funds | 2,050,311 |
| Escrow deposits and other | 414,342 |
| Accrued and other liabilities | 258,145 |
| Compensated absences | 253,762 |
| Provision for claims (Note 10) | 175,624 |
| Current portion of long-term debt | <u>1,394,346</u> |
| Total current liabilities | 6,733,137 |
| Noncurrent liabilities: | |
| Provision for claims (Notes 9, 10, and 12) | 356,257 |
| Net other postemployment benefits liability (Note 17) | 5,140,981 |
| Net pension liability (Note 15) | 17,902,150 |
| Long-term debt - Net of current portion | <u>17,522,315</u> |
| Total noncurrent liabilities | <u>40,921,703</u> |
| Total liabilities | <u>47,654,840</u> |
| Net Position | |
| Net investment in capital assets | 69,651,633 |
| Restricted (Note 13) | 177,500 |
| Unrestricted | <u>(5,631,225)</u> |
| Total net position | <u>\$ 64,197,908</u> |

City of Westland, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

| | Enterprise Fund - Water and Sewer |
|---|--------------------------------------|
| Operating Revenue | |
| Water and sewer | \$ 26,449,136 |
| Penalties | 1,074,847 |
| Other | 136,215 |
| Total operating revenue | <u>27,660,198</u> |
| Operating Expenses | |
| Cost of water | 4,967,560 |
| Cost of sewage disposal | 9,023,500 |
| Sundry | 508,208 |
| Wage and fringe benefits | 4,724,310 |
| Contracted services | 4,165,275 |
| Operating supplies | 318,689 |
| Repairs and maintenance | 478,454 |
| Rent, insurance claims, and other | 57,955 |
| Depreciation | 1,709,977 |
| Total operating expenses | <u>25,953,928</u> |
| Operating Income | 1,706,270 |
| Nonoperating Revenue (Expenses) | |
| Interest income | 27,091 |
| Interest expense | (280,310) |
| Total nonoperating expenses | <u>(253,219)</u> |
| Income - Before contributions | 1,453,051 |
| Capital Contributions - Lines donated by developers | <u>655,212</u> |
| Change in Net Position | 2,108,263 |
| Net Position - Beginning of year (as restated) (Note 18) | <u>62,089,645</u> |
| Net Position - End of year | <u><u>\$ 64,197,908</u></u> |

City of Westland, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2015

| | <u>Enterprise Fund - Water and Sewer</u> |
|---|--|
| Cash Flows from Operating Activities | |
| Receipts from customers | \$ 26,995,750 |
| Payments to suppliers | (18,997,319) |
| Payments to employees | (3,966,856) |
| Internal activity - Payments to other funds | (199,895) |
| Claims paid | (294,310) |
| | 3,537,370 |
| Cash Flows from Capital and Related Financing Activities | |
| Proceeds from issuance of long-term debt | 15,167,776 |
| Receipt of capital grants | 45,145 |
| Purchase of capital assets | (2,339,467) |
| Principal and interest paid on long-term debt | (887,734) |
| | 11,985,720 |
| Cash Flows from Investing Activities - Interest received on investments and other assets | 27,091 |
| Net Increase in Cash and Cash Equivalents | 15,550,181 |
| Cash and Cash Equivalents - Beginning of year | 6,409,922 |
| Cash and Cash Equivalents - End of year | \$ 21,960,103 |
| Balance Sheet Classification of Cash and Cash Equivalents | |
| Cash and cash equivalents | \$ 8,367,118 |
| Investments | 13,415,485 |
| Restricted assets (Note 6) | 177,500 |
| | \$ 21,960,103 |
| Reconciliation of Operating Income to Net Cash from Operating Activities | |
| Operating income | \$ 1,706,270 |
| Adjustments to reconcile operating income to net cash from operating activities: | |
| Depreciation | 1,709,977 |
| Changes in assets and liabilities: | |
| Receivables | (664,448) |
| Inventories | 21,248 |
| Accounts payable | 446,857 |
| Due to others | (199,895) |
| Estimated claims liability | (288,006) |
| Accrued and other liabilities | 805,367 |
| | \$ 3,537,370 |

Noncash Activities - During the year ended June 30, 2015, developers donated \$610,067 of water and sewer lines to the City.

City of Westland, Michigan

Fiduciary Funds Statement of Net Position June 30, 2015

| | Pension Trust Fund - Police and Fire Retirement | Agency Funds |
|--|--|---------------------|
| Assets | | |
| Cash and cash equivalents (Note 3) | \$ 3,998 | \$ 2,400,309 |
| Investments (Note 3): | | |
| U.S. government securities | 6,589,061 | - |
| Common stock | 67,838,101 | - |
| Corporate bonds | 12,593,884 | - |
| Real estate | 9,616,789 | - |
| Mutual funds | 53,915,197 | - |
| Securities lending - Mutual funds | 1,860,041 | - |
| Closely held - Equity | 7,027,111 | - |
| Accrued interest and other assets | 327,655 | - |
| Prepaid expenses and other assets | - | 95 |
| | 159,771,837 | \$ 2,400,404 |
| Total assets | | |
| Liabilities | | |
| Accounts payable | 1,243,503 | \$ - |
| Due to other governmental units | - | 1,063,069 |
| Accrued and other liabilities | - | 1,337,335 |
| Obligations under securities lending agreements | 1,991,610 | - |
| Due to brokers | 440,730 | - |
| | 3,675,843 | \$ 2,400,404 |
| Total liabilities | | |
| Net Position Held in Trust for Pension Benefits | \$ 156,095,994 | |

City of Westland, Michigan

Fiduciary Funds Statement of Changes in Plan Net Position Year Ended June 30, 2015

| | Pension Trust Fund - Police and Fire Retirement |
|--|--|
| Additions | |
| Investment income (loss): | |
| Interest and dividends | \$ 4,888,201 |
| Net decrease in fair value of investments | (583,686) |
| Investment-related expenses | (986,270) |
| Net investment income | 3,318,245 |
| Employer contributions - Pension | 6,693,504 |
| Employee contributions and service credits | 326,793 |
| Total additions | 10,338,542 |
| Deductions - Benefit payments | 15,123,670 |
| Net Decrease | (4,785,128) |
| Net Position Held in Trust for Pension Benefits - Beginning of year | 160,881,122 |
| Net Position Held in Trust for Pension Benefits - End of year | \$ 156,095,994 |

City of Westland, Michigan

Component Units Statement of Net Position June 30, 2015

| | Downtown Development Authority | Local Development Finance Authority | Tax Increment Finance Authority | Brownfield Redevelopment Authority | Total |
|---|--------------------------------------|--|---------------------------------------|--|-----------------------|
| Assets | | | | | |
| Cash and cash equivalents (Note 3) | \$ 645,532 | \$ 246,120 | \$ 840,257 | \$ 236,752 | \$ 1,968,661 |
| Investments (Note 3) | - | - | 131,236 | - | 131,236 |
| Receivables - Net | - | - | 105,505 | - | 105,505 |
| Due from primary government | - | - | 370,496 | - | 370,496 |
| Prepaid costs and other assets | 2,050 | - | - | - | 2,050 |
| Restricted assets (Note 6) | - | - | 2,165,352 | - | 2,165,352 |
| Capital assets - Net | 5,682,862 | - | 338,624 | - | 6,021,486 |
| Total assets | 6,330,444 | 246,120 | 3,951,470 | 236,752 | 10,764,786 |
| Liabilities | | | | | |
| Accounts payable | 10,502 | 202 | 426,920 | - | 437,624 |
| Due to primary government | 82 | - | - | 10,257 | 10,339 |
| Accrued and other liabilities | 59,005 | - | 296,248 | - | 355,253 |
| Current portion of long-term debt | 275,000 | - | 590,000 | - | 865,000 |
| Long-term debt - Net of current portion | 2,745,000 | - | 15,910,000 | - | 18,655,000 |
| Total liabilities | 3,089,589 | 202 | 17,223,168 | 10,257 | 20,323,216 |
| Net Position | | | | | |
| Net investment in capital assets | 2,662,862 | - | 338,624 | - | 3,001,486 |
| Unrestricted | 577,993 | 245,918 | (13,610,322) | 226,495 | (12,559,916) |
| Total net position | \$ 3,240,855 | \$ 245,918 | \$ (13,271,698) | \$ 226,495 | \$ (9,558,430) |

City of Westland, Michigan

| | Program Revenue | | | Net (Expense) |
|--|---------------------|------------------------------------|----------------------------------|-------------------------------------|
| | Expenses | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position |
| Component Units | | | | |
| Downtown Development Authority - Operations | \$ 897,555 | \$ 61,570 | \$ - | \$ (835,985) |
| Local Development Finance Authority - Operations | 167,121 | - | - | - |
| Tax Increment Finance Authority - Operations | 8,009,231 | - | - | - |
| Brownfield Redevelopment Authority - Operations | 5,371 | - | - | - |
| Total component units | \$ 9,079,278 | \$ 61,570 | \$ - | (835,985) |
| General revenue: | | | | |
| Property taxes | | | | 1,536,913 |
| Interest income | | | | 3,573 |
| Other income | | | | - |
| Total general revenue | | | | 1,540,486 |
| Change in Net Position | | | | 704,501 |
| Net Position - Beginning of year | | | | 2,536,354 |
| Net Position - End of year | | | | \$ 3,240,855 |

**Component Units
Statement of Activities
Year Ended June 30, 2015**

| <u>Net (Expense) Revenue and Changes in Net Position</u> | | | |
|--|---------------------------------------|--|-----------------------|
| Local | | | |
| Development Finance Authority | Tax Increment Finance Authority | Brownfield Redevelopment Authority | Total |
| \$ - | \$ - | \$ - | \$ (835,985) |
| (167,121) | - | - | (167,121) |
| - | (8,009,231) | - | (8,009,231) |
| - | - | (5,371) | (5,371) |
| (167,121) | (8,009,231) | (5,371) | (9,017,708) |
| 158,175 | 1,945,421 | 156,035 | 3,796,544 |
| 583 | 18,038 | 243 | 22,437 |
| - | 37,758 | - | 37,758 |
| 158,758 | 2,001,217 | 156,278 | 3,856,739 |
| (8,363) | (6,008,014) | 150,907 | (5,160,969) |
| 254,281 | (7,263,684) | 75,588 | (4,397,461) |
| \$ 245,918 | \$ (13,271,698) | \$ 226,495 | \$ (9,558,430) |

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

The City of Westland, Michigan (the "City") is governed by an elected mayor and an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City, and separate financial statements are not issued.

The City of Westland Building Authority is governed by a three-member board that is appointed by the mayor and approved by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The activity of the City of Westland Building Authority is reported within the Building Authority Debt - 2005 Refunding Debt Service Fund.

Discretely Presented Component Units

Local Development Finance Authority - The Local Development Finance Authority and the Tax Increment Finance Authority were created to promote economic growth and business development within the community. The Local Development Finance Authority governing body consists of 11 individuals. The mayor appoints seven of these individuals, and the other four individuals are made up of one member appointed by the County Board of Commissioners, one representative of the local community college, and two members appointed by the local school district. The Tax Increment Finance Authority's governing bodies each consist of nine individuals. These individuals are all appointed by the mayor and confirmed by the City Council. In addition, each Authority's budget is subject to approval by the City Council. The Local Development Finance Authority does not issue its own financial statements.

Economic Development Corporation - The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to residents of the City. The Corporation's governing body consists of nine individuals who are appointed by the mayor and confirmed by the City Council. The Economic Development Corporation does not issue its own financial statements. The corporation had no financial activity in the current year.

Note I - Summary of Significant Accounting Policies (Continued)

Downtown Development Authority - The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 11 individuals, is appointed by the mayor and confirmed by the City Council. In addition, the Authority's budget is subject to approval by the City Council. The Downtown Development Authority does not issue its own financial statements.

Brownfield Redevelopment Authority - The Brownfield Redevelopment Authority was created to remediate contaminated properties located within the City and to promote economic growth for these properties through the use of a state-approved revolving loan fund. The properties included are listed as contaminated by the Environmental Protection Agency. The Authority's governing body, which consists of nine individuals, is appointed by the mayor and confirmed by the City Council. In addition, the Authority's budget is subject to approval by the City Council. The Brownfield Redevelopment Authority does not issue its own financial statements.

Tax Increment Finance Authority - The Tax Increment Finance Authority was created to implement infrastructure improvement within the specified district. The Authority's governing body, which consists of nine individuals, is appointed by the mayor and confirmed by the City Council. In addition, the Authority's budget is subject to approval by the City Council. The Tax Increment Finance Authority does not issue its own financial statements.

Report Presentation

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

Note I - Summary of Significant Accounting Policies (Continued)

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

For the most part, the effect of interfund activity has been removed from these statements.

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

Fund Accounting

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

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

- **The General Fund** is the City's primary operating fund; it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following fund as a “major” enterprise fund:

- The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Note I - Summary of Significant Accounting Policies (Continued)

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include:

- The Police and Fire Retirement Pension Trust Fund accounts for the activities of the police and fire employees' retirement system, which accumulates resources for pension and benefit payments to qualified police and fire employees.
- The trust and agency funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. 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 government 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 funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

Basis of Accounting

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

Note I - Summary of Significant Accounting Policies (Continued)

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.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are 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, district court fines, and interest associated with the current fiscal period. Conversely, some property taxes, special assessments, and grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow of resources."

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

Specific Balances and Transactions

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

Methods Used to Value Investments - Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments. The fair value of real estate investments is based on periodic appraisals as well as the judgment of independent real estate advisors and management. Investments that do not have an established market value are reported at estimated fair value as determined by the plan's management.

Approximately 18.00 percent of the plan's assets as of June 30, 2015 are not publicly traded and therefore do not always have a readily determinable market value. Management's estimates of these values are based on information provided by investment managers, general partners, real estate advisors, and other means. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

Note I - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the City believes all receivables will be collected.

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

Restricted Assets - The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

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 \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

| <u>Capital Asset Class</u> | <u>Lives</u> |
|--------------------------------------|--------------|
| Roads and sidewalks | 30-40 years |
| Buildings and improvements | 20-40 years |
| Water and sewer distribution systems | 5-100 years |
| Tools and equipment | 2-40 years |

Note I - Summary of Significant Accounting Policies (Continued)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government-wide statements and proprietary fund report deferred outflows from the difference between projected and actual investment earnings of the pension plan, differences between expected and actual experience in the police and fire plan, as well as city contributions made after the measurement date of the net pension liability.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenue from multiple sources: grants, special assessments, delinquent personal property tax, and long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

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

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumption

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The 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 City for specific purposes but do not meet the criteria to be classified as committed. 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.

Property Tax Revenue

Property taxes are levied and become a lien on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on August 15, with the final collection date of February 28 before they are added to the delinquent county tax rolls.

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2014 taxable valuation of the City totaled \$1.57 billion (a portion of which is abated and a portion of which is captured by the TIFA and DDA), on which taxes levied consisted of 6.4834 mills for the City's operating purposes, 1.9377 mills for operation of the library, 8.0000 mills for the Police and Fire Pension Fund, and 2.4300 mills for sanitation. The ad valorem taxes levied raised approximately \$10.2 million for City operations, approximately \$3.1 million for operation of the library, approximately \$12.6 million for the Police and Fire Pension Fund, and approximately \$3.8 million for sanitation. Portions of the amounts levied have been captured by the tax increment financing authorities reported in the component units. These amounts, net of the amounts reported by the component units, are recognized in the respective General Fund and Special Revenue Fund financial statements as taxes receivable or as tax revenue.

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

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation (the General Fund and Water and Sewer fund primarily) are used to liquidate this obligation.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 revenues of the Water and Sewer Fund and internal service funds are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

Note 2 - Stewardship, Compliance, and Accountability

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

| | |
|---------------------------------------|-----------------------|
| Cumulative shortfall at July 1, 2014 | \$ (2,211,473) |
| Current year permit revenue | 1,132,350 |
| Related expenses | <u>1,270,619</u> |
| Current year shortfall | <u>(138,269)</u> |
| Cumulative shortfall at June 30, 2015 | <u>\$ (2,349,742)</u> |

Note 3 - Deposits and Investments

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

The pension trust fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated three 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 investment policies are in accordance with statutory authority.

As permitted by state statutes and under the provisions of a securities lending authorization agreement, the City of Westland's Police and Fire Employees' Retirement System (the "System") lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The System's custodial bank manages the securities lending program and receives cash as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended June 30, 2015, only United States currency was received as collateral. The City then converts that cash received as collateral into other investments.

The System does not impose a limit on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

Note 3 - Deposits and Investments (Continued)

The City of Westland's Police and Fire Employees' Retirement System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pools as of June 30, 2015 was one day because the loans are terminable on demand; their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2015, the System had no credit risk exposure to borrowers. The collateral held (at cost) and the fair market value of the underlying securities on loan for the System as of June 30, 2015 was \$1,991,610 and \$1,930,053, respectively.

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 \$44,728,614 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. At year end, the component units had \$3,898,613 of bank deposits that were uninsured and uncollateralized.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, no investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

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

City of Westland, Michigan

Notes to Financial Statements June 30, 2015

Note 3 - Deposits and Investments (Continued)

At year end, the City had the following investments:

| Investment | Fair Value | Weighted Average Maturity (years) |
|--|--------------|--|
| Pension funds: | | |
| U.S. Treasury | \$ 2,553,727 | 13.00 |
| U.S. government agency securities | 4,464,111 | 24.06 |
| Corporate securities | 11,876,529 | 9.75 |
| Component units - U.S. Treasury securities | 441,883 | 1.87 |

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

| Investment | Fair Value | Rating | Rating Organization |
|---|--------------|--------|------------------------|
| Fiduciary funds: | | | |
| Corporate securities (pension) | \$ 2,231,183 | A | S&P |
| Corporate securities (pension) | 642,085 | AA | S&P |
| Corporate securities (pension) | 576,650 | AAA | S&P |
| Corporate securities (pension) | 782,138 | B | S&P |
| Corporate securities (pension) | 2,467,448 | BB | S&P |
| Corporate securities (pension) | 4,182,287 | BBB | S&P |
| Corporate securities (pension) | 75,700 | CCC | S&P |
| Corporate securities (pension) | 919,038 | NR | S&P |
| Foreign bonds (pension) | 526,964 | A | S&P |
| Foreign bonds (pension) | 206,490 | AA | S&P |
| Foreign bonds (pension) | 128,442 | AAA | S&P |
| Foreign bonds (pension) | 516,068 | BB | S&P |
| Foreign bonds (pension) | 1,221,148 | BBB | S&P |
| Foreign bonds (pension) | 252,401 | NR | S&P |
| U.S. government agency securities (pension) | 247,632 | AA | S&P |
| U.S. government agency securities (pension) | 94,050 | BB | S&P |
| U.S. government agency securities (pension) | 6,676,155 | NR | S&P |

Concentration of Credit Risk - The City places no limit on the amount it may invest in any one issuer. For the year ended June 30, 2015, the City had investments in Loomis Sayles Small Midcap Core Trust, comprising 8.64 percent of total investments.

City of Westland, Michigan

Notes to Financial Statements June 30, 2015

Note 4 - Receivables

The City's receivables of governmental activities are as follows:

| Receivables: | General Fund | Capital Projects Fund | Nonmajor Funds | Total | | Total Primary Government | Component Units |
|-----------------------------------|---------------------|--------------------------|---------------------|----------------------------|-----------------------------|-----------------------------|--------------------|
| | | | | Governmental Activities | Business-type Activities | | |
| Property taxes receivable | \$ 841,286 | \$ - | \$ 154,696 | \$ 995,982 | \$ 1,318,312 | \$ 2,314,294 | \$ - |
| Special assessments | - | - | 61,036 | 61,036 | - | 61,036 | - |
| Customer receivables | 20,173 | - | - | 20,173 | 10,090,894 | 10,111,067 | - |
| Interest | 282,027 | - | - | 282,027 | 1,299 | 283,326 | 105,505 |
| Other receivables | 473,246 | - | - | 473,246 | - | 473,246 | - |
| Due from other governmental units | 2,178,732 | - | 909,159 | 3,087,891 | - | 3,087,891 | - |
| Total receivables | \$ 3,795,464 | \$ - | \$ 1,124,891 | \$ 4,920,355 | \$ 11,410,505 | \$ 16,330,860 | \$ 105,505 |

The delinquent real property taxes of the City are purchased by the County of Wayne. The County issues tax notes, the proceeds of which were used to pay the City for these property taxes. These taxes have been recorded as revenue for the current year.

The City considers all receivables to be collectible and has not recorded an allowance for doubtful accounts.

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

| | Revenue Not Available | Revenue Not Earned |
|--|--------------------------|-----------------------|
| General Fund - Personal property tax | \$ 841,286 | \$ - |
| General Fund - E-911 wireless revenue | 171,000 | - |
| General Fund - Advanced engineering fees | - | 103,543 |
| General Fund - Transfer receivables | 3,791,559 | - |
| General Fund - False alarms receivable | 4,800 | - |
| Local Roads Fund - Special assessment revenue | 61,036 | - |
| Other nonmajor governmental funds - Library personal property tax | 86,259 | - |
| Total | \$ 4,955,940 | \$ 103,543 |

Note 5 - Capital Assets

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

| | Balance July 1, 2014 | Additions | Disposals and Adjustments | Balance June 30, 2015 |
|--|-------------------------|-----------------------|------------------------------|--------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated - Land | \$ 3,335,379 | \$ - | \$ - | \$ 3,335,379 |
| Capital assets being depreciated: | | | | |
| Roads and sidewalks | 718,020,118 | 2,099,442 | 14,973,801 | 705,145,759 |
| Building and improvements | 26,184,501 | 6,291,726 | - | 32,476,227 |
| Other tools and equipment | 30,507,727 | 3,528,876 | 250,925 | 33,785,678 |
| Subtotal | 774,712,346 | 11,920,044 | 15,224,726 | 771,407,664 |
| Accumulated depreciation: | | | | |
| Roads and sidewalks | 534,244,670 | 10,813,757 | 14,973,801 | 530,084,626 |
| Building and improvements | 7,080,299 | 550,910 | - | 7,631,209 |
| Other tools and equipment | 20,596,837 | 2,106,958 | 235,436 | 22,468,359 |
| Subtotal | 561,921,806 | 13,471,625 | 15,209,237 | 560,184,194 |
| Net capital assets being depreciated | 212,790,540 | (1,551,581) | 15,489 | 211,223,470 |
| Net capital assets | <u>\$ 216,125,919</u> | <u>\$ (1,551,581)</u> | <u>\$ 15,489</u> | <u>\$ 214,558,849</u> |
| Business-type Activities | | | | |
| Capital assets being depreciated - Water and sewer distribution systems | \$ 113,005,341 | \$ 2,949,534 | \$ - | \$ 115,954,875 |
| Accumulated depreciation - Water and sewer distribution systems | 39,092,089 | 1,709,977 | - | 40,802,066 |
| Net capital assets | <u>\$ 73,913,252</u> | <u>\$ 1,239,557</u> | <u>\$ -</u> | <u>\$ 75,152,809</u> |
| Component Units | | | | |
| Capital assets not being depreciated - Land | \$ 90,000 | \$ - | \$ - | \$ 90,000 |
| Capital assets being depreciated: | | | | |
| DDA improvements | 5,532,582 | 1,192,771 | - | 6,725,353 |
| TIFA improvements | 391,958 | 107,900 | - | 499,858 |
| Subtotal | 5,924,540 | 1,300,671 | - | 7,225,211 |
| Accumulated depreciation: | | | | |
| DDA improvements | 972,971 | 159,519 | - | 1,132,490 |
| TIFA improvements | 137,760 | 23,475 | - | 161,235 |
| Subtotal | 1,110,731 | 182,994 | - | 1,293,725 |
| Net capital assets being depreciated | 4,813,809 | 1,117,677 | - | 5,931,486 |
| Net capital assets | <u>\$ 4,903,809</u> | <u>\$ 1,117,677</u> | <u>\$ -</u> | <u>\$ 6,021,486</u> |

City of Westland, Michigan

Notes to Financial Statements June 30, 2015

Note 5 - Capital Assets (Continued)

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

Governmental activities:

| | |
|--|----------------------|
| General government | \$ 1,911,455 |
| Public safety | 452,920 |
| Public works | 10,946,209 |
| Recreation and culture | 161,041 |
| Total governmental activities | <u>\$ 13,471,625</u> |
| Business-type activities - Enterprise Fund - Water and sewer | <u>\$ 1,709,977</u> |

Note 6 - Restricted Assets

Restricted assets at June 30, 2015 consist of bond reserve cash, unspent bond proceeds in the Water and Sewer Fund, and unspent bond proceeds in the Tax Increment Finance Authority Fund for the following purposes:

| | <u>Business-type Activities</u> | <u>Component Units</u> |
|---|-------------------------------------|----------------------------|
| Bond reserve for 1998 Water and Sewer Revenue Bonds | \$ 147,500 | \$ - |
| Bond reserve for 2006 Water and Sewer Revenue Bonds | 30,000 | - |
| Unspent bond proceeds | <u>13,415,485</u> | <u>2,165,352</u> |
| Total restricted assets | <u>\$ 13,592,985</u> | <u>\$ 2,165,352</u> |

City of Westland, Michigan

Notes to Financial Statements June 30, 2015

Note 7 - Interfund Balances and Operating Transfers

The composition of interfund receivables and payables balances is as follows:

| Receivable Fund | Payable Fund | Amount |
|---|---|---------------------|
| General Fund | Other nonmajor governmental funds | \$ 308,973 |
| Other nonmajor governmental funds | General Fund | 454,624 |
| | Water and Sewer Fund | 2,050,311 |
| | Other nonmajor governmental funds | 485,570 |
| | Total other nonmajor governmental funds | 2,990,505 |
| Water and Sewer Fund | General Fund | 2,247,792 |
| | Total interfund activity | <u>\$ 5,547,270</u> |
| Receivable Fund | Payable Fund | Amount |
| Due to/from Primary Government and Component Units | | |
| Primary government - General Fund | Component unit - Downtown Development Authority | \$ 82 |
| | Component unit - Brownfield Redevelopment Authority | 10,257 |
| | Total primary government - General Fund | <u>\$ 10,339</u> |
| Component unit - Tax Increment Finance Authority | Primary government - General Fund | <u>\$ 370,496</u> |

City of Westland, Michigan

Notes to Financial Statements June 30, 2015

Note 7 - Interfund Balances and Operating Transfers (Continued)

The composition of operating transfers is as follows:

| <u>Operating Transfer Out</u> | <u>Operating Transfer In</u> | <u>Amount</u> |
|-------------------------------|--------------------------------|----------------------------|
| General Fund | Other governmental funds (1) | \$ 427,450 |
| Other governmental funds | General Fund (3) | 15,000 |
| | Other governmental funds (1) | 351,675 |
| | Other governmental funds (2) | <u>456,527</u> |
| | Total other governmental funds | <u>823,202</u> |
| | Total operating transfers | <u><u>\$ 1,250,652</u></u> |

(1) Transfer for debt service

(2) Transfer for local road construction and maintenance

(3) Transfer for capital improvements

City of Westland, Michigan

Notes to Financial Statements June 30, 2015

Note 8 - 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. County contractual agreements and installment purchase agreements are also general obligations of the government.

| | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|---------------------------|-------------------|---------------|--------------|----------------|---------------------|
| Governmental Activities | | | | | | | |
| General obligation bonds: | | | | | | | |
| 2004 Michigan Transportation Fund Bonds | 3.000%-4.000% | \$300,000 | \$ 1,500,000 | \$ - | \$ 300,000 | \$ 1,200,000 | \$ 300,000 |
| 2005 Building Authority Refunding Bonds | 4.000%-5.000% | \$330,000-\$500,000 | 2,465,000 | - | 330,000 | 2,135,000 | 380,000 |
| 2015 Capital Improvement Bond | 3.000%-5.000% | \$61,140-\$102,895 | - | 1,700,000 | - | 1,700,000 | 74,561 |
| Unamortized bond premium | n/a | \$3,523 | - | 70,453 | - | 70,453 | - |
| Installment purchase agreement: | | | | | | | |
| 2009 recycle containers | 5.980% | \$122,768-\$146,135 | 536,902 | - | 122,768 | 414,134 | 130,109 |
| 2013 New City Hall | 2.600% | \$80,000-\$145,000 | 1,525,000 | - | 80,000 | 1,445,000 | 80,000 |
| 2013 Fire Truck | 3.440% | \$86,372-\$89,343 | 175,715 | - | 86,372 | 89,343 | 89,344 |
| Other equipment | 5.600% | \$7,102 | 7,102 | - | 7,102 | - | - |
| 2014 Police Cars | 2.500% | \$162,371-\$166,759 | 493,680 | - | 162,371 | 331,309 | 164,550 |
| Total governmental bonds | | | 6,703,399 | 1,770,453 | 1,088,613 | 7,385,239 | 1,218,564 |
| Compensated absences | | | 7,292,576 | 6,727,507 | 6,220,176 | 7,799,907 | 3,133,944 |
| Total governmental bonds | | | \$ 13,995,975 | \$ 8,497,960 | \$ 7,308,789 | \$ 15,185,146 | \$ 4,352,508 |
| Business-type Activities | | | | | | | |
| Revenue bonds: | | | | | | | |
| 1998 Water and Sewer Revenue Bonds | 3.875%-3.900% | \$200,000-\$250,000 | \$ 925,000 | \$ - | \$ 200,000 | \$ 725,000 | \$ 225,000 |
| 2006 Water and Sewer Revenue Bonds | 3.900% | \$275,000-\$300,000 | 575,000 | - | 275,000 | 300,000 | 300,000 |
| General obligation bonds: | | | | | | | |
| 2010 State Revolving Fund Loan | 2.500% | \$25,000-\$35,000 | 462,794 | - | 25,000 | 437,794 | 25,000 |
| 2010 Strategic Water Quality Initiatives Loan | 2.500% | \$110,000-\$317,183 | 2,262,183 | - | 110,000 | 2,152,183 | 110,000 |
| 2015 Capital Improvement Bond | 3.000%-5.000% | \$348,860-\$587,105 | - | 9,700,000 | - | 9,700,000 | 425,439 |
| 2014 Capital Improvement Bond | 2.000%-3.750% | \$175,000-\$400,000 | - | 5,000,000 | - | 5,000,000 | 175,000 |
| Unamortized bond premium | n/a | \$23,517 | - | 467,776 | - | 467,776 | 23,517 |
| Installment purchase agreement - | | | | | | | |
| Other equipment | 4.800% | \$46,781-\$133,908 | 180,689 | - | 46,781 | 133,908 | 133,908 |
| Compensated absences | | | 240,161 | 228,650 | 215,049 | 253,762 | 253,762 |
| Total business-type activities | | | \$ 4,645,827 | \$ 15,396,426 | \$ 871,830 | \$ 19,170,423 | \$ 1,671,626 |
| Component Unit Activities | | | | | | | |
| General obligation bonds: | | | | | | | |
| 2013 Tax Increment Financing Bonds - City Hall and Fire Station | 3.000%-5.250% | \$0-\$1,285,000 | \$ 16,500,000 | \$ - | \$ - | \$ 16,500,000 | \$ 590,000 |
| 2014 Downtown Development Bonds - Farmer's Market | 3.500% | \$225,000-\$325,000 | 3,300,000 | - | 280,000 | 3,020,000 | 275,000 |
| Total bonds payable | | | \$ 19,800,000 | \$ - | \$ 280,000 | \$ 19,520,000 | \$ 865,000 |

Note 8 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

| Years Ending June 30 | Governmental Activities | | | Business-type Activities | | | Component Unit Activities | | |
|-------------------------|-------------------------|---------------------|---------------------|--------------------------|---------------------|----------------------|---------------------------|---------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2016 | \$ 1,218,563 | \$ 242,023 | \$ 1,460,586 | \$ 1,394,347 | \$ 587,486 | \$ 1,981,833 | \$ 865,000 | \$ 835,805 | \$ 1,700,805 |
| 2017 | 1,160,789 | 211,999 | 1,372,788 | 913,860 | 630,356 | 1,544,216 | 885,000 | 812,606 | 1,697,606 |
| 2018 | 1,004,512 | 169,467 | 1,173,979 | 951,623 | 598,152 | 1,549,775 | 915,000 | 782,806 | 1,697,806 |
| 2019 | 911,360 | 127,098 | 1,038,458 | 723,640 | 564,937 | 1,288,577 | 945,000 | 751,906 | 1,696,906 |
| 2020 | 669,342 | 96,280 | 765,622 | 770,658 | 538,380 | 1,309,038 | 975,000 | 719,906 | 1,694,906 |
| 2021-2025 | 976,140 | 333,442 | 1,309,582 | 4,348,860 | 2,197,185 | 6,546,045 | 5,390,000 | 3,105,567 | 8,495,567 |
| 2026-2030 | 906,580 | 163,156 | 1,069,736 | 5,478,397 | 1,346,163 | 6,824,560 | 4,775,000 | 1,977,810 | 6,752,810 |
| Thereafter | 467,500 | 47,384 | 514,884 | 3,867,500 | 450,437 | 4,317,937 | 4,770,000 | 639,048 | 5,409,048 |
| Total | \$ 7,314,786 | \$ 1,390,849 | \$ 8,705,635 | \$ 18,448,885 | \$ 6,913,096 | \$ 25,361,981 | \$ 19,520,000 | \$ 9,625,454 | \$ 29,145,454 |

Total interest incurred related to governmental and business-type activities and component units for the year approximated \$224,000, \$279,000, and \$821,000, respectively.

Future Revenue Pledged for Debt Payments - The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the above water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the water supply and sewage disposal systems. The bonds are payable solely from the net revenue of the water and sewer system. The remaining principal and interest to be paid on the bonds total \$1,103,075. During the current year, net revenue of the system was \$1,590,806 compared to the annual debt requirements of \$569,325.

Note 9 - Other Liabilities

Environmental Cleanup - Central City Park had been closed due to environmental contamination since 2007, but reopened during the current fiscal year. During a previous year, the County deeded the property to the City and the City and County came to a shared agreement and remediation plan. According to the agreement, the City paid the County \$765,000 during fiscal year 2011 and then will reimburse the County an additional \$350,000, in total, over the next five years, beginning November 2012. The remaining balance of \$140,000 is recorded on the government-wide statements. According to the contract, the City of Westland shall be responsible for any additional costs that are incurred during the remediation process that are above the County's contribution of \$1,500,000. As of the report date, the remediation was completed and the City did not incur any material additional costs.

City of Westland, Michigan

Notes to Financial Statements June 30, 2015

Note 10 - 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 is self-insured for medical claims and participates in the Michigan Municipal Risk Management Authority (the "Authority") risk pool for claims relating to property loss, torts, and errors and omissions; the City is uninsured for workers' compensation claims. 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 Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City estimates the liability for general liability claims, workers' compensation claims, and health insurance claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported. The estimate for the general liability, workers' compensation, and health claims are all included in the government-wide statement of net position allocated between governmental and business-type activities. Changes in the estimated liabilities for the years ended June 30, 2015 and 2014 were as follows:

| | General Liability | | Workers' Compensation | | Health Insurance Claims | |
|---|-------------------|--------------|-----------------------|--------------|-------------------------|--------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Estimated liability - Beginning of year | \$ 1,359,877 | \$ 1,883,511 | \$ 1,031,397 | \$ 2,348,379 | \$ (138,292) | \$ (264,996) |
| Estimated claims incurred, including changes in estimates | 1,449,205 | 1,217,148 | (353,375) | (909,699) | 8,710,335 | 7,048,605 |
| Claim payments | (1,294,175) | (1,740,782) | (314,167) | (407,283) | (8,426,694) | (6,921,901) |
| Estimated liability - End of year | \$ 1,514,907 | \$ 1,359,877 | \$ 363,855 | \$ 1,031,397 | \$ 145,349 | \$ (138,292) |

Note 11 - Joint Ventures

The City participates in the Nankin Transit Commission with the City of Garden City, the City of Inkster, and the City of Wayne. The City appoints two members to the Nankin Transit Commission's governing board, which then approves the annual budget.

The City also participates in the Central Wayne County Sanitation Authority with the City of Dearborn Heights, the City of Garden City, the City of Inkster, and the City of Wayne. The City appoints one member to the Central Wayne County Sanitation Authority's board, which then approves the annual budget.

City of Westland, Michigan

Notes to Financial Statements June 30, 2015

Note 11 - Joint Ventures (Continued)

The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Nankin Transit Commission and the Central Wayne County Sanitation Authority can be obtained from their administrative offices at William J. Engle Memorial Building, 37137 Marquette St., Westland, MI 48185 and 3759 Commerce Court, Wayne, MI 48184, respectively.

Note 12 - Contingent Liabilities

Open Litigation - Several other claims have been filed against the City that may affect the General and Water and Sewer Funds; however, litigation for those claims is still in the very early stages and the outcome cannot be determined at this time. The City is vigorously defending its position and does not believe any of these cases will result in a material liability. No liability has been recorded related to this litigation at this time.

Note 13 - Restricted Net Position

In addition to net position restricted for retirement system, sanitation, road improvements, and library operations, net position has been restricted for the following purposes:

| | Total Governmental Activities | Total Business-type Activities |
|---------------------------------|-------------------------------------|--------------------------------------|
| Public Safety - E-911 | \$ 139,404 | \$ - |
| Public Safety - Drug Forfeiture | 6,132 | - |
| Parks and Recreation | 209,370 | - |
| Metroact Broadband | 193,755 | - |
| Street Lighting | 316,469 | - |
| Community Development | 1,251,675 | - |
| Revenue Bonds | - | 177,500 |
| Total | <u>\$ 2,116,805</u> | <u>\$ 177,500</u> |

Note 14 - Commitments

The City has entered into several construction and maintenance contracts totaling \$17,058,041. As of June 30, 2015, the City has not recorded expenditures relating to these projects, as the work has not yet been performed.

Note 15 - Agent Defined Benefit Pension Plan Description

Plan Description - The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS of Michigan), which covers all employees of the City other than police and fire employees. 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.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided - The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. Benefit terms are established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process.

City of Westland, Michigan

Notes to Financial Statements June 30, 2015

Note 15 - Agent Defined Benefit Pension Plan Description (Continued)

The benefits are defined as follows:

Service Retirement:

| Unit | Multiplier | Max. | Final Avg. Comp. | Member Contrib. | COLA (Noncompound) | | |
|---|------------|--------|------------------|-----------------|--------------------|----------|------------------|
| | | | | | Percent | Start | Max. |
| AFSCME (closed to new hires) | 2.80% | 80% | 3 years | 5% | 2.5% | 55 | 15 yrs. |
| Supervisory | 2.80% | 80% | 3 years | 5% | 2.5% | 55 | 15 yrs. |
| Mayor, staff (closed to new hires) | 2.80% | 80% | 3 years | 5% | 2.5% | 55 | 15 yrs. |
| Judges, Crt. Super (closed to new hires) | 2.80% | 80% | 3 years | 5% | 2.5% | 55 | 15 yrs. |
| Court (closed to new hires) | 2.80% | 80% | 3 years | 0% | 2.5% | 55 | 15 yrs. |
| AFSCME | 2.25% | 80% | 3 years | 5% | 2.5% | 55 | 15 yrs. |
| Dispatchers (closed to new hires) | 2.50% | 80% | 3 years | 0% | 2.5% | 55 | 15 yrs. |
| Mayor staff hired after 1/1/08 | 2.80% | no max | 3 years | 5% | 2.5% | 55 | 15 yrs. |
| Court Union (closed to new hires) | 2.0% | no max | 5 years | 0% | 2.5% | 50 55 | 25 yrs 15 yrs |
| Dispatchers hired before 7/1/14 (Closed to new hires) | 2.5% | 80% | 3 years | 5% | 2.5% | 50 55 | 25 yrs 15 yrs |
| Court Union hired after 7/1/10 | 1.5% | no max | 5 years | 5% | n/a | 50 55 | 25 yrs 15 yrs |
| Eld HC Admin (closed to new hires) | 2.5% | | 3 years | 5% | n/a | 50 55 | 25 yrs 15 yrs |
| Eld HC General (closed to new hires) | 2.25% | 80% | 3 years | 5% | n/a | 50 55 | 25 yrs 15 yrs |

Note 15 - Agent Defined Benefit Pension Plan Description (Continued)

Deferred Retirement:

Annual Amount: Computed as service retirement but based upon service, AFC, and benefit multiplier in effect of termination. Benefits begin at the date retirement would have occurred had the member remained in employment.

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 June 30, 2015 measurement date, the following employees were covered by the benefit terms:

| | |
|---|-------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 288 |
| Inactive plan members entitled to but not yet receiving benefits | 37 |
| Active plan members | <u>131</u> |
| Total employees covered by MERS | <u><u>456</u></u> |

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

For the year ended June 30, 2015, the average active employee contribution rate was 3.9 percent of annual pay and the City's average contribution rate was 73.5 of annual payroll.

Net Pension Liability

The net pension liability reported at June 30, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

City of Westland, Michigan

Notes to Financial Statements June 30, 2015

Note 15 - Agent Defined Benefit Pension Plan Description (Continued)

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

| Changes in Net Pension Liability | Increase (Decrease) | | |
|-------------------------------------|-------------------------|----------------------|-----------------------|
| | Total Pension Liability | Plan Net Position | Net Pension Liability |
| Balance at June 30, 2014 | \$ 118,203,471 | \$ 53,625,123 | \$ 64,578,348 |
| Service cost | 1,373,374 | - | 1,373,374 |
| Interest | 9,483,985 | - | 9,483,985 |
| Contributions - Employer | - | 5,699,179 | (5,699,179) |
| Contributions - Employee | - | 299,758 | (299,758) |
| Net investment income | - | 3,253,267 | (3,253,267) |
| Benefit payments, including refunds | (7,865,543) | (7,865,543) | - |
| Administrative expenses | - | (120,757) | 120,757 |
| Net changes | <u>2,991,816</u> | <u>1,265,904</u> | <u>1,725,912</u> |
| Balance at December 31, 2014 | <u>\$ 121,195,287</u> | <u>\$ 54,891,027</u> | <u>\$ 66,304,260</u> |

Of the net total pension liability, \$48,402,110 has been allocated to governmental activities and \$17,902,150 has been allocated to the Water and Sewer Fund.

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

For the year ended June 30, 2015, the City recognized pension expense of \$510,204. At June 30, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources |
|--|--------------------------------|
| Net difference between projected and actual earnings on pension plan investments | \$ 871,061 |
| Employer contributions to the plan subsequent to the measurement date | <u>2,551,094</u> |
| Total | <u>\$ 3,422,155</u> |

Of the net deferred outflows of resources, \$2,498,173 has been allocated to governmental activities and \$923,982 has been allocated to the Water and Sewer Fund.

City of Westland, Michigan

Notes to Financial Statements June 30, 2015

Note 15 - Agent Defined Benefit Pension Plan Description (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of employer contributions to the plan made subsequent to the measurement date (\$2,551,094), which will impact the net pension liability in fiscal year 2016, rather than pension expense.

| Years Ending June 30 | Amount |
|-------------------------|------------|
| 2016 | \$ 217,765 |
| 2017 | 217,765 |
| 2018 | 217,765 |
| 2019 | 217,765 |

Actuarial Assumptions - The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 3.0 % |
| Salary increases | 4.5 % In the long term, 1 percent, 2 percent, and 3 percent for calendar years 2014, 2015, and 2016, respectively, including inflation |
| Investment rate of return | 8.3 % Net of pension plan investment expense, including inflation |

Mortality rates were based on the 1994 Group Annuity Mortality Table of a 50 percent male and 50 percent female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of the most recent actuarial experience study in 2008. The MERS retirement board is currently conducting an actuarial experience study covering the period from January 1, 2009 through December 31, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Note 15 - Agent Defined Benefit Pension Plan Description (Continued)

Projected Cash Flows

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

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, 2014, the measurement date, for each major asset class are summarized in the following table:

| Asset Class | Target Allocation (%) | Long-term Expected Real Rate of Return |
|-------------------------|--------------------------|--|
| Global equity | 58 % | 5.0 % |
| Global fixed income | 20 | 2.2 |
| Real assets | 12 | 4.2 |
| Diversifying strategies | 10 | 6.6 |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 8.25 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 (7.25 percent) or 1 percentage point higher (9.25 percent) than the current rate:

| | 1% Decrease (7.25%) | Current Discount Rate (8.25%) | 1% Increase (9.25%) |
|-----------------------------------|------------------------|-------------------------------------|------------------------|
| Net pension liability of the City | \$ 79,358,747 | \$ 66,304,260 | \$ 55,260,512 |

Note 15 - Agent Defined Benefit Pension Plan Description (Continued)

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

Note 16 - Defined Benefit Pension Plan - Police and Fire Retirement System

Pension Plan Description

Plan Description - The Police and Fire Pension Board administers the City of Westland, Michigan Pension Plan (the "Plan") - a single-employer defined benefit pension plan that provides pensions for all permanent full-time police and fire employees of the City. Benefit terms have been established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process.

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

Management of the Plan is vested in the Pension Board, which consists of seven members- three elected by plan members, three appointed by the City, and the City Treasurer, who serves as an ex-officio member.

Employees Covered by Benefit Terms - At June 30, 2015, the following employees were covered by the benefit terms:

| | |
|---|-------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 269 |
| Inactive plan members entitled to but not yet receiving benefits | 2 |
| Active plan members | <u>130</u> |
| Total employees covered by the plan | <u><u>401</u></u> |

Benefits Provided - The Plan provides retirement, disability, and death benefits.

Note 16 - Defined Benefit Pension Plan - Police and Fire Retirement System (Continued)

Retirement benefits for police members hired before July 1, 2014 and fire members hired before November 1, 2014 are 2.8 percent of the member's final three-year average final compensation (AFC) times the member's first 30 years of service, plus 1 percent of AFC times years of service in excess of 30 years. These plan members are eligible to retire with 25 or more years of service, regardless of age.

Retirement benefits for police members hired on or after July 1, 2014 are 1.75 percent of the member's five-year AFC times all years of service. These plan members are eligible to retire with 25 or more years of service at age 50.

Retirement benefits for fire members hired on or after November 1, 2014 are 2.25 percent of five-year AFC times the first 30 years of service plus 1 percent of AFC times years of service in excess of 30 years. These plan members are eligible to retire with 25 or more years of service at age 50.

All plan members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Non-duty disability retirement benefits are determined at 1.5 percent of AFC times years of actual services until age 55. At age 55, the pension is determined the same as service retirement pension with actual years of service. Duty-related disability benefits are determined at 85 percent of base pay for members before conversion. Plan members after conversion receive benefits calculated the same as a service retirement pension with service credit granted for the period on disability retirement. Conversion occurs at a date regular retirement would have occurred had the member remained in active employment.

Non-duty death benefits are payable to a surviving spouse, if any, upon death of a member with 10 years or more of service. Benefits are calculated as a straight life pension actuarially reduced in accordance with an Option I election. Duty death benefits are payable to a surviving spouse, if any, for the life of the spouse or until remarriage of the surviving spouse.

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, the Pension Board retains an independent actuary to determine the annual contribution. 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. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2015, the average active member contribution rate ranged from 3.0 to 5.0 percent of base pay and the City's average contribution rate was 1.0 of annual payroll.

Note 16 - Defined Benefit Pension Plan - Police and Fire Retirement System (Continued)

Payable to the Pension Plan

At June 30, 2015, the City reported a payable of \$1,243,503 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2015.

Pension Plan Investments - Policy and Rate of Return

Investment Policy - The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Pension Board's adopted asset allocation policy as of June 30, 2015:

| Asset Class | Target Allocation |
|--------------------------|-------------------|
| Domestic equities | 41 % |
| International equities | 13 % |
| Global fixed income | 30 % |
| Hedge funds | 8 % |
| Real estate | 6 % |
| Cash or cash equivalents | 2 % |

Rate of Return - For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.51 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Reserves

In accordance with plan provisions, the following reserves are required to be set aside within the Plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

Note 16 - Defined Benefit Pension Plan - Police and Fire Retirement System (Continued)

The employee reserve is credited as employee contributions are received throughout the year; the Plan maintains a record of the amount contributed by each employee and credits interest annually at a rate of 10.0 percent. For any employee who terminates before vesting in the Plan, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

The employer reserve account is used to account for the residual net position balance in the Plan after funding the above two reserves.

The balances of the reserve accounts at June 30, 2015 are as follows:

| | <u>Required Reserve</u> | <u>Amount Funded</u> |
|------------------|-----------------------------|--------------------------|
| Retiree reserve | \$ 163,496,476 | \$ 160,218,213 |
| Employee reserve | 662,909 | 662,909 |

Net Pension Liability

The components of the net pension liability of the City at June 30, 2015 were as follows:

| | |
|--|----------------------|
| Total pension liability | \$ 207,268,894 |
| Plan fiduciary net position | <u>(156,095,994)</u> |
| City's net pension liability | <u>\$ 51,172,900</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 75.3 % |

The City has chosen to use June 30, 2015 as its measurement date for the net pension liability. The June 30, 2015 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of June 30, 2015. The June 30, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

City of Westland, Michigan

Notes to Financial Statements June 30, 2015

Note 16 - Defined Benefit Pension Plan - Police and Fire Retirement System (Continued)

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

| Changes in Net Pension Liability | Increase (Decrease) | | |
|--|-------------------------|-----------------------|-----------------------|
| | Total Pension Liability | Plan Net Position | Net Pension Liability |
| Balance at June 30, 2014 | \$ 196,375,558 | \$ 160,881,122 | \$ 35,494,436 |
| Service cost | 2,860,595 | - | 2,860,595 |
| Interest | 14,268,302 | - | 14,268,302 |
| Differences between expected and actual experience | 8,888,109 | - | 8,888,109 |
| Contributions - Employer | - | 6,693,504 | (6,693,504) |
| Contributions - Employee | - | 326,793 | (326,793) |
| Net investment income | - | 3,318,245 | (3,318,245) |
| Benefit payments, including refunds | (15,123,670) | (15,123,670) | - |
| Net changes | 10,893,336 | (4,785,128) | 15,678,464 |
| Balance at June 30, 2015 | <u>\$ 207,268,894</u> | <u>\$ 156,095,994</u> | <u>\$ 51,172,900</u> |

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

For the year ended June 30, 2015, the City recognized pension expense of \$2,151,251. At June 30, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources |
|--|--------------------------------|
| Difference between expected and actual experience | \$ 6,772,044 |
| Net difference between projected and actual earnings on pension plan investments | 6,755,170 |
| Total | <u>\$ 13,527,214</u> |

Note 16 - Defined Benefit Pension Plan - Police and Fire Retirement System (Continued)

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 |
|-------------------------|--------------|
| 2016 | \$ 3,804,858 |
| 2017 | 3,804,858 |
| 2018 | 3,804,858 |
| 2019 | 2,112,640 |

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 4 % |
| Salary increases | 4.0 - 8.0% Average, including inflation |
| Investment rate of return | 7.50% Net of pension plan investment expense, including inflation |

Mortality rates were based on the TP-2000 male (unadjusted) and female (unadjusted) Healthy Life Mortality Table projected 20 years.

Discount Rate - The discount rate used to measure the total pension liability was 7.5 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.

Projected Cash Flows

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

Note 16 - Defined Benefit Pension Plan - Police and Fire Retirement System (Continued)

The long-term expected rate of return on pension 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 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. Best estimates of arithmetic real rates of return as of June 30, 2015 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

| Asset Class | Long-term Expected Real Rate of Return |
|-----------------------|--|
| Domestic equity | 8.0 % |
| International equity | 8.1 % |
| Global fixed income | 3.3 % |
| Hedge funds | 4.0 % |
| Real estate | 3.7 % |
| Cash/Cash equivalents | 1.0 % |

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 7.5 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 (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|-----------------------------------|-----------------------|------------------------------------|-----------------------|
| Net pension liability of the City | \$ 74,438,334 | \$ 51,172,900 | \$ 31,687,061 |

Note 16 - Defined Benefit Pension Plan - Police and Fire Retirement System (Continued)

Pension Plan Fiduciary Net Position - Detailed information about the Plan's fiduciary net position is not available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the Plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are report by the Plan. The Plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 17 - Other Postemployment Benefits

Plan Description - The City provides retiree healthcare benefits to eligible employees and their spouses.

This is a single employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements.

Funding Policy - The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (i.e., the obligation may be financed on a "pay-as-you-go" basis).

Funding Progress - For the year ended June 30, 2015, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2015. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

| | |
|---|----------------------|
| Annual required contribution (recommended) | \$ 14,532,590 |
| Interest on the prior year's net OPEB obligation | 2,069,444 |
| Less adjustment to the annual required contribution | <u>(1,903,050)</u> |
| Total annual OPEB cost | 14,698,984 |
| Amounts contributed - Payments of current premiums | <u>(7,223,809)</u> |
| Increase in net OPEB obligation | 7,475,175 |
| OPEB obligation - Beginning of year | <u>45,987,642</u> |
| OPEB obligation - End of year | <u>\$ 53,462,817</u> |

City of Westland, Michigan

Notes to Financial Statements June 30, 2015

Note 17 - Other Postemployment Benefits (Continued)

| Fiscal Year Ended | Actuarial Valuation Date | Annual OPEB Costs | Employer Contributions Percentage OPEB Costs Contributed | Net OPEB Obligation |
|-------------------|--------------------------|-------------------|--|---------------------|
| 6/30/10 | 6/30/08 | \$ 12,445,760 | 35.9 | \$ 15,307,135 |
| 6/30/11 | 6/30/11 | 12,769,427 | 36.8 | 23,378,403 |
| 6/30/12 | 6/30/11 | 12,798,630 | 41.6 | 30,849,306 |
| 6/30/13 | 6/30/13 | 13,932,870 | 47.0 | 38,231,921 |
| 6/30/14 | 6/30/13 | 13,959,582 | 44.0 | 45,987,642 |
| 6/30/15 | 6/30/15 | 14,698,984 | 49.0 | 53,462,817 |

The funding progress of the plan as of the most recent valuation date is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Annual Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------|---------------------------|-----------------------------------|---------------------|--------------|------------------------|---|
| 6/30/08 | \$ - | \$ 181,861,454 | \$ 181,861,454 | - | \$ 20,474,568 | 888.2 |
| 6/30/11 | - | 216,389,936 | 216,389,936 | - | 15,986,830 | 1,353.6 |
| 6/30/13 | - | 235,582,416 | 235,582,416 | - | 15,531,926 | 1,516.8 |
| 6/30/15 | - | 279,605,383 | 279,605,383 | - | 15,247,849 | 1,833.7 |

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

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

Note 17 - Other Postemployment Benefits (Continued)

In the June 30, 2015 actuarial valuation, the projected unit credit with linear proration to decrement cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 5 percent after eight years. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 30 years.

Note 18 - Reporting Change (Prior Period Adjustments)

During the current year, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the government-wide statements and the proprietary funds now include a liability for our unfunded legacy costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to the pension footnote for further details.

The effect of these changes is as follows:

| | Governmental Activities | Business-type Activities |
|---|----------------------------|-----------------------------|
| Net position - June 30, 2014 - As previously reported | \$ 185,116,140 | \$ 78,930,058 |
| Net pension liability upon implementation of GASB Statement No. 68 | <u>(81,025,924)</u> | <u>(16,840,413)</u> |
| Net position - June 30, 2014 - As restated | <u>\$ 104,090,216</u> | <u>\$ 62,089,645</u> |

Note 19 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2015-2016 fiscal year.

Note 19 - Upcoming Accounting Pronouncements (Continued)

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the City will, after adoption of GASB 75, recognize on the face of the financial statements its net OPEB liability. The City is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB Statement No. 75 is effective one year later.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement will require governments to disclose in their financial statements information related to tax abatement agreements. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the 2016-2017 fiscal year.

Required Supplemental Information

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|--|-----------------|----------------|---------------|---------------------------------|
| Revenue | | | | |
| Property taxes | \$ 25,390,917 | \$ 25,215,818 | \$ 25,136,237 | \$ (79,581) |
| Licenses and permits | 1,319,774 | 1,245,844 | 1,244,772 | (1,072) |
| Federal sources | 148,500 | 287,722 | 196,582 | (91,140) |
| State sources | 9,105,495 | 9,887,892 | 9,073,394 | (814,498) |
| Charges for services | 4,109,120 | 3,727,350 | 3,639,270 | (88,080) |
| Court fines and fees | 4,075,000 | 4,700,000 | 4,891,466 | 191,466 |
| Interest income | 90,000 | 90,000 | 62,162 | (27,838) |
| Other: | | | | |
| Local sources | 2,025,706 | 2,142,868 | 2,223,458 | 80,590 |
| Cable franchise fees | 1,630,000 | 1,725,000 | 1,828,665 | 103,665 |
| Refund of captured property taxes | 1,555,276 | 900,000 | 904,784 | 4,784 |
| Other miscellaneous income | 6,293,957 | 6,552,256 | 7,052,085 | 499,829 |
| Total revenue | 55,743,745 | 56,474,750 | 56,252,875 | (221,875) |
| Expenditures | | | | |
| Current: | | | | |
| General government: | | | | |
| Legislative | 101,219 | 101,219 | 97,623 | 3,596 |
| Executive | 749,788 | 733,762 | 707,189 | 26,573 |
| Computer information systems | 750,000 | 1,438,889 | 1,309,327 | 129,562 |
| Law | 800,000 | 800,000 | 726,535 | 73,465 |
| Finance | 1,702,532 | 1,702,532 | 1,527,218 | 175,314 |
| Assessment | 459,162 | 459,162 | 455,712 | 3,450 |
| City clerk | 866,642 | 900,742 | 865,069 | 35,673 |
| City hall and grounds | 315,195 | 429,195 | 408,674 | 20,521 |
| Personnel | 378,347 | 378,347 | 381,894 | (3,547) |
| Housing | 590,191 | 590,191 | 592,320 | (2,129) |
| Insurance and bonds | 1,640,000 | 1,640,000 | 1,690,251 | (50,251) |
| General government | 6,204,412 | 6,339,260 | 6,085,784 | 253,476 |
| Community development | 540,736 | 582,436 | 562,916 | 19,520 |
| Total general government | 15,098,224 | 16,095,735 | 15,410,512 | 685,223 |
| Public safety: | | | | |
| Police | 16,908,639 | 17,051,434 | 16,573,702 | 477,732 |
| Joint dispatch | 1,965,475 | 2,030,475 | 2,002,208 | 28,267 |
| Fire | 12,792,114 | 12,865,419 | 12,901,233 | (35,814) |
| Police and Fire Retirement Board | 55,000 | 55,000 | 29,220 | 25,780 |
| District Court | 3,316,405 | 3,316,405 | 3,267,257 | 49,148 |
| Total public safety | 35,037,633 | 35,318,733 | 34,773,620 | 545,113 |
| Highway maintenance | | | | |
| Highway maintenance | 1,554,090 | 1,604,090 | 1,651,369 | (47,279) |
| Sanitation | | | | |
| Sanitation | 2,910,169 | 3,270,125 | 3,254,480 | 15,645 |
| Youth Assistance Program | | | | |
| Youth Assistance Program | 911,382 | 911,382 | 803,482 | 107,900 |
| Recreation and culture: | | | | |
| Parks and recreation | 994,917 | 1,016,943 | 996,127 | 20,816 |
| Ice arena | 327,317 | 347,565 | 342,541 | 5,024 |
| Senior resources | 466,655 | 466,655 | 458,716 | 7,939 |
| Golf course | 313,889 | 343,891 | 336,125 | 7,766 |
| Total recreation and culture | 2,102,778 | 2,175,054 | 2,133,509 | 41,545 |
| Debt service | | | | |
| Debt service | 409,367 | 409,367 | 373,429 | 35,938 |
| Total expenditures | 58,023,643 | 59,784,486 | 58,400,401 | 1,384,085 |
| Excess of Expenditures Over Revenue | (2,279,898) | (3,309,736) | (2,147,526) | 1,162,210 |

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2015

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | Variance with <u>Amended Budget</u> |
|---|----------------------------|----------------------------|----------------------------|--|
| Other Financing Sources (Uses) | | | | |
| Proceeds from sale of capital assets | \$ 50,000 | \$ 50,000 | \$ 14,285 | \$ (35,715) |
| Transfers in | 3,890,000 | 3,890,000 | 3,890,000 | - |
| Transfers out | <u>(243,992)</u> | <u>(243,992)</u> | <u>(239,368)</u> | <u>4,624</u> |
| Total other financing sources | <u>3,696,008</u> | <u>3,696,008</u> | <u>3,664,917</u> | <u>(31,091)</u> |
| Net Change in Fund Balance | 1,416,110 | 386,272 | 1,517,391 | 1,131,119 |
| Fund Balance - Beginning of year | <u>5,393,707</u> | <u>5,393,707</u> | <u>5,393,707</u> | <u>-</u> |
| Fund Balance - End of year | <u>\$ 6,809,817</u> | <u>\$ 5,779,979</u> | <u>\$ 6,911,098</u> | <u>\$ 1,131,119</u> |

City of Westland, Michigan

Note to Required Supplemental Information Year Ended June 30, 2015

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all special revenue funds, except that reimbursements to the General Fund from other funds have been included in revenue, rather than as a reduction of expenditures. The City adopts each fund's budget individually, so budgeted amounts in the General Fund include only General Fund activity, not including the funds rolled into the Combining General Fund as a result of GASB No. 54. As a result, the revenue and expenditures of these funds are not included in the General Fund budget.

The annual budget is prepared by the City management and submitted to the City Council by April 1 of each year. The budget is adopted by the City Council at the first council meeting in June. Subsequent amendments are approved by the City Council. Amendments may be made by the City Council up until the last day of the fiscal year. The General Fund budget, including the District Court, has been adopted on a departmental basis. The other funds' budgets have been adopted at the fund level; expenditures at this level in excess of amounts budgeted are a violation of Michigan law.

Unexpended appropriations lapse at year end. The amount of encumbrances outstanding at June 30, 2015 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

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

| | <u>Total Revenue</u> | <u>Total Expenditures</u> |
|---|--------------------------|-------------------------------|
| General Fund: | | |
| Amounts per operating statement | \$ 58,660,055 | \$ 56,803,494 |
| Reimbursements from other funds recorded as revenue | 1,651,369 | 1,651,369 |
| E-911 Fund | (469,195) | (3,441) |
| Metro Act - Broadband Fund | <u>(189,354)</u> | <u>(51,021)</u> |
| Amounts per budget statement | <u>\$ 59,652,875</u> | <u>\$ 58,400,401</u> |

City of Westland, Michigan

Note to Required Supplemental Information (Continued) Year Ended June 30, 2015

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City of Westland, Michigan incurred expenditures that were in excess of the amounts budgeted, as follows:

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---------------------|---------------|---------------|-----------------|
| General Fund: | | | |
| Personnel | \$ 378,347 | \$ 381,894 | \$ (3,547) |
| Housing | 590,191 | 592,320 | (2,129) |
| Insurance and bonds | 1,640,000 | 1,690,251 | (50,251) |
| Highway maintenance | 1,604,090 | 1,651,369 | (47,279) |
| Fire | 12,865,419 | 12,901,233 | (35,814) |

City of Westland, Michigan

Required Supplemental Information Schedule of Changes in the MERS Net Pension Liability and Related Ratios Last Ten Fiscal Years (Prospectively built from 2015)

| | 2014 |
|---|-----------------------|
| Total Pension Liability | |
| Service cost | \$ 1,373,374 |
| Interest | 9,483,985 |
| Changes in benefit terms | - |
| Differences between expected and actual experience | - |
| Changes in assumptions | - |
| Benefit payments, including refunds | (7,865,543) |
| Net Change in Total Pension Liability | 2,991,816 |
| Total Pension Liability - Beginning of year | 118,203,471 |
| Total Pension Liability - End of year | \$ 121,195,287 |
| Plan Fiduciary Net Position | |
| Contributions - Employer | \$ 5,699,179 |
| Contributions - Member | 299,758 |
| Net investment income | 3,253,267 |
| Administrative expenses | (120,757) |
| Benefit payments, including refunds | (7,865,543) |
| Other | - |
| Net Change in Plan Fiduciary Net Position | 1,265,904 |
| Plan Fiduciary Net Position - Beginning of year | 53,625,123 |
| Plan Fiduciary Net Position - End of year | \$ 54,891,027 |
| City's Net Pension Liability - Ending | \$ 66,304,260 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 45.29 % |
| Covered Employee Payroll | \$ 7,555,355 |
| City's Net Pension Liability as a Percentage of Covered Employee Payroll | 877.6 % |

City of Westland, Michigan

Required Supplemental Information Schedule of Changes in the Police and Fire Net Pension Liability and Related Ratios Last Ten Fiscal Years (Prospectively built from 2014)

| | 2015 | 2014 |
|---|-----------------------|-----------------------|
| Total Pension Liability | | |
| Service cost | \$ 2,860,595 | \$ 3,222,792 |
| Interest | 14,268,302 | 14,057,789 |
| Changes in benefit terms | - | - |
| Differences between expected and actual experience | 8,888,109 | - |
| Changes in assumptions | - | - |
| Benefit payments, including refunds | (15,123,670) | (13,461,635) |
| Net Change in Total Pension Liability | 10,893,336 | 3,818,946 |
| Total Pension Liability - Beginning of year | 196,375,558 | 192,556,612 |
| Total Pension Liability - End of year | \$ 207,268,894 | \$ 196,375,558 |
| Plan Fiduciary Net Position | | |
| Contributions - Employer | \$ 6,693,504 | \$ 5,813,007 |
| Contributions - Member | 326,793 | 116,709 |
| Net investment income | 3,318,245 | 26,067,511 |
| Administrative expenses | - | - |
| Benefit payments, including refunds | (15,123,670) | (13,461,635) |
| Other | - | - |
| Net Change in Plan Fiduciary Net Position | (4,785,128) | 18,535,592 |
| Plan Fiduciary Net Position - Beginning of year | 160,881,122 | 141,409,908 |
| Plan Fiduciary Net Position - End of year | \$ 156,095,994 | \$ 159,945,500 |
| City's Net Pension Liability - Ending | \$ 51,172,900 | \$ 36,430,058 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 75.31 % | 81.45 % |
| Covered Employee Payroll | \$ 9,126,696 | \$ 10,198,898 |
| City's Net Pension Liability as a Percentage of Covered Employee Payroll | 560.7 % | 357.2 % |

City of Westland, Michigan

Required Supplemental Information Schedule of Police and Fire Pension Contributions Last Ten Fiscal Years

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution | \$ 6,693,504 | \$ 5,813,007 | \$ 4,990,887 | \$ 4,494,952 | \$ 4,137,201 | \$ 3,829,140 | \$ 4,738,178 | \$ 5,085,329 | \$ 4,281,154 | \$ 4,069,216 |
| Contributions in relation to the actuarially determined contribution | 6,693,504 | 5,813,007 | 4,990,887 | 4,494,952 | 4,137,201 | 3,829,140 | 4,738,178 | 5,085,329 | 4,281,154 | 4,069,216 |
| Contribution Deficiency | \$ - |
| Covered Employee Payroll | \$ 9,126,969 | \$10,198,898 | \$10,609,537 | \$10,840,217 | \$10,939,952 | \$12,951,032 | \$12,862,009 | \$12,661,870 | \$12,580,386 | \$11,291,224 |
| Contributions as a Percentage of Covered Employee Payroll | 73.3 % | 57.0 % | 47.0 % | 41.5 % | 37.8 % | 29.6 % | 36.8 % | 40.2 % | 34.0 % | 36.0 % |

Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

| | |
|---|--|
| Valuation date | Actuarially determined valuation rates were calculated as of June 30 each year, which is one year prior to the beginning of the fiscal year in which contributions are reported. |
| Methods and assumptions used to determine contribution rates: | |
| Actuarial cost method | Entry age actuarial cost method |
| Amortization method | Level percent of payroll |
| Remaining amortization period | 20 years, closed |
| Asset valuation method | Five-year smoothed market |
| Inflation | 4.0% |
| Salary increases | 4.0%-8.0% including inflation |
| Investment rate of return | 7.5% |
| Mortality | Experience-based table of rates that are specific to the type of eligibility condition. RP-2000 Males (unadjusted) and Females (unadjusted) Healthy Life Mortality Table projected 20 years. |
| Other information | None |

City of Westland, Michigan

Required Supplemental Information Schedule of Police and Fire Pension Investment Returns Last Ten Fiscal Years (Prospectively built from 2014)

| | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 2.5 % | 18.6 % |

City of Westland, Michigan

Required Supplemental Information OPEB System Schedule Year Ended June 30, 2015

The schedule of funding progress is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (Percent) (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll |
|-----------------------------|--|--|---------------------------------|------------------------------------|---------------------------|--|
| 6/30/11 | \$ - | \$ 216,389,936 | \$ 216,389,936 | - | \$ 15,986,830 | 1,353.6 |
| 6/30/13 | - | 235,582,416 | 235,582,416 | - | 15,531,926 | 1,516.8 |
| 6/30/15 | - | 279,605,383 | 279,605,383 | - | 15,247,849 | 1,833.7 |

Other Supplemental Information

City of Westland, Michigan

| | Personnel Services | | Supplies | | Services and Charges | |
|---|----------------------|----------------------|---------------------|---------------------|----------------------|----------------------|
| | Budget | Actual | Budget | Actual | Budget | Actual |
| General Government | | | | | | |
| Legislative | \$ 96,318 | \$ 96,688 | \$ 1,951 | \$ 688 | \$ 2,950 | \$ 247 |
| City clerk | 690,705 | 658,017 | 28,237 | 44,772 | 181,800 | 162,280 |
| Executive | 716,662 | 692,024 | 7,400 | 7,523 | 9,700 | 7,642 |
| Elections | - | - | - | - | - | - |
| Assessment | 2,520 | 300 | 4,600 | 2,556 | 452,042 | 452,856 |
| Computer information systems | 214,625 | 222,134 | 81,000 | 175,426 | 1,143,264 | 911,767 |
| General - Law | - | - | - | - | 800,000 | 726,535 |
| General - Civil service | - | - | - | - | - | - |
| Police and fire civil service | - | - | - | - | - | - |
| Finance | 1,474,190 | 1,297,149 | 69,084 | 75,450 | 159,258 | 154,619 |
| Board of Review | - | - | - | - | - | - |
| City hall and grounds | - | - | 55,000 | 47,678 | 374,195 | 360,996 |
| General government | 3,428,425 | 3,402,931 | 50,000 | 57,431 | 420,300 | 406,805 |
| Engineering | - | - | - | - | - | - |
| General maintenance | 199,859 | 213,244 | 500,000 | 408,759 | 176,404 | 127,592 |
| Planning | 482,657 | 477,466 | 6,200 | 6,517 | 709,410 | 667,686 |
| Planning Commission | - | - | - | - | - | - |
| Zoning Board of Appeals | - | - | - | - | - | - |
| Economic development | 307,176 | 289,039 | 5,650 | 5,384 | 3,179 | 2,989 |
| Community development programs | 427,328 | 418,216 | 4,350 | 3,215 | 150,758 | 141,485 |
| Housing development | 590,191 | 592,320 | - | - | - | - |
| Insurance and bonds | 40,000 | - | - | - | 1,600,000 | 1,690,251 |
| Personnel | 346,067 | 347,087 | 1,950 | 2,689 | 30,330 | 32,118 |
| Total general government | 9,016,723 | 8,706,615 | 815,422 | 838,088 | 6,213,590 | 5,845,868 |
| Public Safety | | | | | | |
| District Court | 2,777,255 | 2,733,246 | 105,500 | 103,103 | 428,650 | 426,800 |
| Police | 15,946,975 | 15,175,519 | 156,817 | 228,404 | 778,645 | 955,669 |
| Fire | 11,795,754 | 11,446,703 | 155,500 | 185,480 | 914,165 | 1,147,388 |
| Police and Fire Retirement Board | - | - | - | - | 55,000 | 29,220 |
| Joint dispatch | 2,002,575 | 1,940,799 | 3,700 | 3,719 | 24,200 | 33,921 |
| Building | - | - | - | - | - | - |
| Total public safety | 32,522,559 | 31,296,267 | 421,517 | 520,706 | 2,200,660 | 2,592,998 |
| Highways and Streets | 1,033,698 | 1,065,035 | 281,792 | 323,424 | 288,700 | 262,910 |
| Building Authority Debt - Tower - Operating transfer | - | - | - | - | - | - |
| Sanitation | (145,000) | - | 160,250 | 131,210 | 3,254,875 | 3,123,270 |
| Cultural and Recreation | | | | | | |
| Youth assistance | - | - | 14,150 | 3,854 | 897,232 | 799,628 |
| Senior resource department | 304,916 | 313,994 | 53,400 | 55,180 | 108,339 | 89,542 |
| Parks and recreation | 222,159 | 215,425 | 55,502 | 58,494 | 269,800 | 264,773 |
| Golf course | - | - | 41,500 | 49,606 | 302,391 | 286,519 |
| Cable | - | - | 434,382 | 431,808 | 23,000 | 18,543 |
| Historical committee | - | - | 1,150 | - | 10,950 | 7,084 |
| Therapeutic program | - | - | - | - | - | - |
| Ice arena | - | - | 37,100 | 42,733 | 310,465 | 299,808 |
| Commission on Aging | - | - | - | - | - | - |
| Total cultural and recreation | 527,075 | 529,419 | 637,184 | 641,675 | 1,922,177 | 1,765,897 |
| Debt Service | - | - | - | - | - | - |
| Total expenditures and other operating transfers | \$ 42,955,055 | \$ 41,597,336 | \$ 2,316,165 | \$ 2,455,103 | \$ 13,880,002 | \$ 13,590,943 |

* The "total" column represents the budget as adopted on a departmental basis. The additional detail presented here is for information purposes only.

Other Supplemental Information
Schedule of Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2015

| Capital Outlay | | Debt Service | | Total* | |
|------------------|-------------------|-------------------|-------------------|----------------------|----------------------|
| Budget | Actual | Budget | Actual | Budget | Actual |
| \$ - | \$ - | \$ - | \$ - | \$ 101,219 | \$ 97,623 |
| - | - | - | - | 900,742 | 865,069 |
| - | - | - | - | 733,762 | 707,189 |
| - | - | - | - | - | - |
| - | - | - | - | 459,162 | 455,712 |
| - | - | - | - | 1,438,889 | 1,309,327 |
| - | - | - | - | 800,000 | 726,535 |
| - | - | - | - | - | - |
| - | - | - | - | 1,702,532 | 1,527,218 |
| - | - | - | - | - | - |
| - | - | - | - | 429,195 | 408,674 |
| 50,000 | 19,941 | - | - | 3,948,725 | 3,887,108 |
| - | - | - | - | - | - |
| - | - | - | - | 876,263 | 749,595 |
| - | - | - | - | 1,198,267 | 1,151,669 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 316,005 | 297,412 |
| - | - | - | - | 582,436 | 562,916 |
| - | - | - | - | 590,191 | 592,320 |
| - | - | - | - | 1,640,000 | 1,690,251 |
| - | - | - | - | 378,347 | 381,894 |
| 50,000 | 19,941 | - | - | 16,095,735 | 15,410,512 |
| 5,000 | 4,108 | - | - | 3,316,405 | 3,267,257 |
| - | 45,113 | 168,997 | 168,997 | 17,051,434 | 16,573,702 |
| - | 121,662 | - | - | 12,865,419 | 12,901,233 |
| - | - | - | - | 55,000 | 29,220 |
| - | 23,769 | - | - | 2,030,475 | 2,002,208 |
| - | - | - | - | - | - |
| 5,000 | 194,652 | 168,997 | 168,997 | 35,318,733 | 34,773,620 |
| - | - | - | - | 1,604,190 | 1,651,369 |
| - | - | 243,992 | 239,368 | 243,992 | 239,368 |
| - | - | - | - | 3,270,125 | 3,254,480 |
| - | - | - | - | 911,382 | 803,482 |
| - | - | - | - | 466,655 | 458,716 |
| - | - | - | - | 547,461 | 538,692 |
| - | - | - | - | 343,891 | 336,125 |
| - | - | - | - | 457,382 | 450,351 |
| - | - | - | - | 12,100 | 7,084 |
| - | - | - | - | - | - |
| - | - | - | - | 347,565 | 342,541 |
| - | - | - | - | - | - |
| - | - | - | - | 3,086,436 | 2,936,991 |
| - | - | 409,367 | 373,429 | 409,367 | 373,429 |
| \$ 55,000 | \$ 214,593 | \$ 822,356 | \$ 781,794 | \$ 60,028,578 | \$ 58,639,769 |

City of Westland, Michigan

| | Special Revenue Funds | | | | | |
|--|-----------------------|---------------------|---|--------------------|--------------------|---------------------|
| | Major Roads Fund | Local Roads Fund | Community Development Block Grant | Street Lighting | Drug Forfeiture | Library |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 111,148 | \$ 2,648,588 | \$ 194,368 | \$ 214,904 | \$ 24,697 | \$ 2,231,594 |
| Receivables - Net | 678,699 | 266,501 | - | - | - | 179,691 |
| Due from other funds | 513,331 | - | 237,658 | 101,565 | - | 115,400 |
| Prepaid expenses and other assets | - | - | - | - | - | 51,731 |
| Assets held for resale | - | - | 1,001,759 | - | - | - |
| Total assets | \$ 1,303,178 | \$ 2,915,089 | \$ 1,433,785 | \$ 316,469 | \$ 24,697 | \$ 2,578,416 |
| Liabilities | | | | | | |
| Accounts payable | \$ 281,196 | \$ 63,698 | \$ 182,110 | \$ - | \$ 8,441 | \$ 27,340 |
| Due to other funds | 265,337 | 509,665 | - | - | 10,124 | - |
| Accrued and other liabilities | - | - | - | - | - | 43,011 |
| Total liabilities | 546,533 | 573,363 | 182,110 | - | 18,565 | 70,351 |
| Deferred Inflows of Resources - | | | | | | |
| Unavailable revenue | - | 61,036 | - | - | - | 86,259 |
| Fund Balances | | | | | | |
| Nonspendable - Major roads | - | - | - | - | - | 51,731 |
| Restricted: | | | | | | |
| Roads | 756,645 | 2,280,690 | - | - | - | - |
| Community development | - | - | 1,251,675 | - | - | - |
| Drug forfeiture | - | - | - | - | 6,132 | - |
| Library | - | - | - | - | - | 2,370,075 |
| Street lighting | - | - | - | 316,469 | - | - |
| Assigned | - | - | - | - | - | - |
| Total fund balances | 756,645 | 2,280,690 | 1,251,675 | 316,469 | 6,132 | 2,421,806 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 1,303,178 | \$ 2,915,089 | \$ 1,433,785 | \$ 316,469 | \$ 24,697 | \$ 2,578,416 |

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

| Special Revenue Funds | Debt Service Funds | | | Total Nonmajor Governmental Funds |
|-----------------------------|---|---|-------------------------|--|
| 800 MHZ | Motor Vehicle Highway Debt - Newburgh | Building Authority Debt - 2005 Refunding | Capital Project Fund | Funds |
| \$ - | \$ - | \$ - | \$ 4,401,800 | \$ 9,827,099 |
| - | - | - | - | 1,124,891 |
| - | - | - | 2,022,551 | 2,990,505 |
| - | - | - | - | 51,731 |
| - | - | - | - | 1,001,759 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,424,351</u> | <u>\$ 14,995,985</u> |
| \$ - | \$ - | \$ - | \$ 77,445 | \$ 640,230 |
| - | - | - | 9,417 | 794,543 |
| - | - | - | - | 43,011 |
| - | - | - | 86,862 | 1,477,784 |
| - | - | - | - | 147,295 |
| - | - | - | - | 51,731 |
| - | - | - | - | 3,037,335 |
| - | - | - | - | 1,251,675 |
| - | - | - | - | 6,132 |
| - | - | - | - | 2,370,075 |
| - | - | - | - | 316,469 |
| - | - | - | 6,337,489 | 6,337,489 |
| - | - | - | 6,337,489 | 13,370,906 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,424,351</u> | <u>\$ 14,995,985</u> |

City of Westland, Michigan

| | Special Revenue Funds | | | | | |
|--|-----------------------|---------------------|----------------------------|-------------------|-----------------|---------------------|
| | Major Roads | Local Roads | Community | Street | Drug | |
| | Fund | Fund | Development Block Grant | Lighting | Forfeiture | Library |
| Revenue | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,678,032 |
| Federal sources | - | - | 1,822,468 | - | - | - |
| State sources | 3,996,153 | 1,281,848 | - | - | 486,244 | 119,000 |
| Interest income | 6,514 | 5,289 | 824 | 545 | 212 | 6,567 |
| Other revenue: | | | | | | |
| Special assessments | - | 36,409 | - | 1,573,964 | - | - |
| Local sources | - | - | - | - | - | 84,125 |
| Refund of captured property taxes | - | - | - | - | - | 105,823 |
| Other income | 6,686 | - | - | - | 5,910 | 5,544 |
| Total revenue | 4,009,353 | 1,323,546 | 1,823,292 | 1,574,509 | 492,366 | 2,999,091 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General government | - | - | - | - | - | - |
| Street lighting | - | - | - | 1,419,589 | - | - |
| Public safety | - | - | - | - | 517,854 | - |
| Highway, streets, and drains | 3,766,299 | 1,877,741 | - | - | - | - |
| Health and welfare | - | - | - | - | - | - |
| Community and economic development | - | - | 2,044,973 | - | - | - |
| Cultural and recreation | - | - | - | - | - | 2,647,133 |
| Debt service | - | - | - | - | - | - |
| Total expenditures | 3,766,299 | 1,877,741 | 2,044,973 | 1,419,589 | 517,854 | 2,647,133 |
| Excess of Revenue Over (Under) Expenditures | 243,054 | (554,195) | (221,681) | 154,920 | (25,488) | 351,958 |
| Other Financing Sources (Uses) | | | | | | |
| Face value of debt issue | - | - | - | - | - | - |
| Debt premium or discount | - | - | - | - | - | - |
| Transfers in | - | 456,527 | - | - | - | - |
| Transfers out | (808,202) | - | - | (15,000) | - | - |
| Total other financing (uses) sources | (808,202) | 456,527 | - | (15,000) | - | - |
| Net Change in Fund Balances | (565,148) | (97,668) | (221,681) | 139,920 | (25,488) | 351,958 |
| Fund Balances - Beginning of year | 1,321,793 | 2,378,358 | 1,473,356 | 176,549 | 31,620 | 2,069,848 |
| Fund Balances - End of year | \$ 756,645 | \$ 2,280,690 | \$ 1,251,675 | \$ 316,469 | \$ 6,132 | \$ 2,421,806 |

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2015**

| Special Revenue Funds | Debt Service Funds | | | Capital Project Fund | Total Nonmajor Governmental Funds |
|-----------------------------|--|---|--------------------|-------------------------|--|
| | Motor Vehicle Highway Debt - Newburgh | Building Authority Debt - 2005 Refunding | | | |
| 800 MHZ | | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,678,032 |
| - | - | - | - | - | 1,822,468 |
| - | - | - | - | - | 5,883,245 |
| - | - | - | 10,644 | - | 30,595 |
| - | - | - | - | - | 1,610,373 |
| - | - | - | - | - | 84,125 |
| - | - | - | - | - | 105,823 |
| - | - | - | - | - | 18,140 |
| - | - | - | 10,644 | - | 12,232,801 |
| 355,155 | - | - | 18,620 | - | 373,775 |
| - | - | - | - | - | 1,419,589 |
| - | - | - | 839,525 | - | 1,357,379 |
| - | - | - | - | - | 5,644,040 |
| - | - | - | 2,672,639 | - | 2,672,639 |
| - | - | - | - | - | 2,044,973 |
| - | - | - | - | - | 2,647,133 |
| - | 351,675 | 427,450 | - | - | 779,125 |
| <u>355,155</u> | <u>351,675</u> | <u>427,450</u> | <u>3,530,784</u> | <u>-</u> | <u>16,938,653</u> |
| (355,155) | (351,675) | (427,450) | (3,520,140) | - | (4,705,852) |
| - | - | - | 1,700,000 | - | 1,700,000 |
| - | - | - | 70,454 | - | 70,454 |
| - | 351,675 | 427,450 | - | - | 1,235,652 |
| - | - | - | - | - | (823,202) |
| - | 351,675 | 427,450 | 1,770,454 | - | 2,182,904 |
| (355,155) | - | - | (1,749,686) | - | (2,522,948) |
| <u>355,155</u> | <u>-</u> | <u>-</u> | <u>8,087,175</u> | <u>-</u> | <u>15,893,854</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$6,337,489</u> | <u>\$13,370,906</u> | |

City of Westland, Michigan

Other Supplemental Information Combining Balance Sheet Fiduciary Funds - Agency Funds June 30, 2015

| | Agency Funds | | | Total Agency Funds |
|-----------------------------------|----------------------------|---------------------------------|--------------------------|----------------------------|
| | Trust and Agency | Undistributed Tax Collection | District Court | |
| Assets | | | | |
| Cash and cash equivalents | \$ 1,089,852 | \$ 941,825 | \$ 368,632 | \$ 2,400,309 |
| Prepaid expenses and other assets | 95 | - | - | 95 |
| Total assets | <u><u>\$ 1,089,947</u></u> | <u><u>\$ 941,825</u></u> | <u><u>\$ 368,632</u></u> | <u><u>\$ 2,400,404</u></u> |
| Liabilities | | | | |
| Due to other governmental units | \$ - | \$ 941,825 | \$ 121,244 | \$ 1,063,069 |
| Accrued liabilities and other | 1,089,947 | - | 247,388 | 1,337,335 |
| Total liabilities | <u><u>\$ 1,089,947</u></u> | <u><u>\$ 941,825</u></u> | <u><u>\$ 368,632</u></u> | <u><u>\$ 2,400,404</u></u> |