

CITY OF WAYNE, MICHIGAN

**FINANCIAL REPORT
WITH
SUPPLEMENTAL INFORMATION**

JUNE 30, 2020

CITY OF WAYNE, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Wayne, 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 Wayne, Michigan (the City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in note 6 to the financial statements, the City adopted the provisions of GASB 84 *Fiduciary Activities* during the year. As a result, certain activities previously reported as fiduciary activities are now reported in the general fund. Adoption of this provision resulted in a restatement of beginning fund balance and net position of \$50,820.

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, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary 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 who 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements are the responsibility of management and were derived from and relate 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, based on our audit, the procedures performed as described above, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Alan C. Young, Assoc.

Detroit, Michigan
December 18, 2020

Our discussion and analysis of the City of Wayne, Michigan's (the "City" or "Wayne") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

The City has experienced financial difficulties for several years as a result of declining revenue sources, primarily property taxes and state shared revenue, and increasing costs, most notably pension contributions and retiree healthcare. As a result, the City's financial position has been eroding for several years. Fiscal year 2020 continued this slide. Significant financial events this year include:

- During fiscal year 2020, the City's MERS defined benefit pension system's funding status improved slightly from 55.2 percent in fiscal year 2019 to 56.8 percent. During fiscal year 2020, although the pension funding as a percentage has improved, the net pension liability increased by \$1.1 million. Additionally, beginning in April 2020, the City only paid 25% of the actuarially determined pension contribution.
- In 2017, the City Council voted to reduce the healthcare benefits offered to retirees to a fixed stipend instead of the City providing health insurance. This action was initially blocked in court, but subsequently that decision was reversed. Legal challenges from retirees continued, but those challenges have also been dismissed by the Court. The City implemented the stipend effective January 1, 2019 and immediately experienced financial savings. In fiscal year 2020, the City continued to provide the stipend to retirees. The new actuarial valuation calculates the City's Other Postemployment Benefits (OPEB) liability as \$4.8 million, a reduction of \$444,000 from fiscal year 2019 and over \$80 million from just three years ago.
- General Fund performed better than budgeted; however, it still incurred a loss of approximately \$950,000. Even after the change in OPEB noted above and many other difficult but necessary financial decisions, the City still struggles on a year to year basis to balance the budget. The City is still feeling the lingering effects of the Great Recession, i.e. home values have improved, but taxable value increases have been capped by Headlee and Proposal A which has prevented the City's taxable value, and therefore property tax revenues, from a similar improvement.
- Under full accrual accounting, the Governmental activities of the City of Wayne's net position declined by approximately \$2.3 million, primarily due to aging infrastructure and the increase to the net pension liability.
- The Water and Sewer Fund continues to improve its financial position. Net position improved by approximately \$695,000 during the year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

CITY OF WAYNE, MICHIGAN

Management's Discussion and Analysis (Continued) June 30, 2020

REPORTING THE CITY AS A WHOLE

The following table shows the net position of the City as of June 30, 2020 and 2019:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current Assets	\$ 10,281,676	\$ 9,286,399	\$ 10,195,759	\$ 10,396,452	\$ 20,477,435	\$ 19,682,851
Capital and other Assets	35,273,987	36,373,679	26,727,543	26,853,101	62,001,530	63,226,780
Total Assets	45,555,663	45,660,078	36,923,302	37,249,553	82,478,965	82,909,631
Deferred Outflows	5,236,329	6,579,210	445,332	564,513	5,681,661	7,143,723
Liabilities						
Current Liabilities	4,252,072	3,433,089	2,147,675	2,703,184	6,399,747	6,136,273
Debt and Long-term Liabilities	60,774,472	61,060,618	13,574,589	14,166,320	74,349,061	75,226,938
Total Liabilities	65,026,544	64,493,707	15,722,264	16,869,504	80,748,808	81,363,211
Deferred Inflows	313,138	15,428	7,675	1,342	320,813	16,770
Net Position						
Net Investment in Capital Assets	27,011,767	26,754,797	16,747,543	16,228,101	43,759,310	42,982,898
Restricted	6,307,969	5,479,109	-	-	6,307,969	5,479,109
Unrestricted	(47,867,426)	(44,503,753)	4,891,152	4,715,119	(42,976,274)	(39,788,634)
Total Net Position	\$ (14,547,690)	\$ (12,269,847)	\$ 21,638,695	\$ 20,943,220	\$ 7,091,005	\$ 8,673,373

The following table shows the changes in net position for the years ended June 30, 2020 and 2019:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue						
General Revenue	\$11,317,318	\$11,240,862	\$ 47,561	\$ 45,297	\$ 11,364,879	\$ 11,286,159
Charge for Service	6,225,698	5,912,224	11,580,891	10,553,333	17,806,589	16,465,557
Grants and Contributions	3,116,091	4,112,959	-	-	3,116,091	4,112,959
Total Revenue	20,659,107	21,266,045	11,628,452	10,598,630	32,287,559	31,864,675
Program Expenses						
General Government	4,245,045	3,168,695	-	-	4,245,045	3,168,695
District Court	1,112,306	1,064,398	-	-	1,112,306	1,064,398
Public Safety	8,779,831	6,742,819	-	-	8,779,831	6,742,819
Public Services	4,976,345	4,662,494	-	-	4,976,345	4,662,494
Health and Welfare	-	-	-	-	-	-
Recreation and Cultural	1,978,996	2,355,908	-	-	1,978,996	2,355,908
Interest on Long-term Debt	1,313,120	689,698	-	-	1,313,120	689,698
Community and Economic Development	531,307	620,325	-	-	531,307	620,325
Water and Sewer	-	-	10,932,977	10,150,448	10,932,977	10,150,448
Total Expenses	22,936,950	19,304,337	10,932,977	10,150,448	33,869,927	29,454,785
Change in Net Position	\$ (2,277,843)	\$ 1,961,708	\$ 695,475	\$ 448,182	\$ (1,582,368)	\$ 2,409,890

GOVERNMENTAL ACTIVITIES

Net Position of the City's governmental activities decreased by approximately \$2.3 million, increasing the deficit of Net Position from (\$12.3) million to (\$14.6) million.

The City paid down \$1.4 million of structured long-term liabilities (i.e., bonds).

In addition, the City spent \$1.1 million on infrastructure improvements and various equipment.

CITY OF WAYNE, MICHIGAN

Management's Discussion and Analysis (Continued)

June 30, 2020

GOVERNMENTAL ACTIVITIES (CONTINUED)

The City's primary revenue sources, property taxes and state-shared revenues, continue to grow at approximately the rate of inflation, 1.5% to 3% annually. Unfortunately, this is not sufficient to eliminate the structural deficit the City has in place. The massive taxable value losses the City incurred during the Great Recession cut taxable values in the City by approximately 45 percent. The City continues to cut costs or freeze spending where it can, but remaining expenses such as pension contributions continually increase. Even with the changes to retiree healthcare benefits noted earlier, the City's revenue streams are not adequate. The City of Wayne has a revenue problem, not an expenditure problem.

BUSINESS-TYPE ACTIVITIES

The City has one business-type activity - the Water and Sewer System Fund, whose sole purpose is to provide water and sewer services to the City. The City purchased water from the City of Detroit, and then from the Great Lakes Water Authority beginning in January 2016. Sewer services are purchased from Wayne County.

Total net position of the business-type activities increased for the year by approximately \$695,000. The net investment in capital assets increased by \$0.5 million, mostly due to new capital purchases and payments of bonded debt exceeding the depreciation expense. The unrestricted net position increased by \$0.2 million due to the operational income being partially offset by an increase in pension liability.

THE CITY'S FUNDS

As of June 30, 2020, the governmental funds of the City, as presented in the balance sheet on page 10, reported a combined fund balance of \$7.7 million. This is a decrease of approximately \$0.2 million from prior year.

General Fund incurred a loss of nearly \$950,000, but that is better than the budget projected by nearly \$1.6 million. This savings compared to the budget can be attributed to the retiree healthcare stipend, the City transitioning back to fully insured healthcare plans, projects planned for FY2020 that were delayed until FY2021, DPW staff spending more time in other funds, and a reduction in the general liability insurance reserves.

The rest of the governmental funds together created a surplus of \$712,000. Most significantly, the major and local street funds generated a combined surplus of approximately \$450,000. Other non-major funds that account for such activity as refuse collections and the library posted modest surpluses this year. The Library reaped the benefit of a new millage approved by Wayne voters last year.

The Covid-19 pandemic also affected the City's finances, although the financial impact will be greater in FY2021 when federal funding is received.

CITY OF WAYNE, MICHIGAN

Management's Discussion and Analysis (Continued)

June 30, 2020

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's General Fund original budget for fiscal 2020 began with an expected loss of approximately \$600,000. Amendments throughout the year for pension contributions, healthcare, public safety overtime, and others increased that projected loss to \$2.5 million; however, many planned expenditures that were included in those budget amendments did not occur, partially due to the Covid-19 pandemic shutting down certain operations of the City. Total revenues ended up \$172,000 under budget, primarily due to CARES Act funding to replace the August statutory state shared revenue needing to be recorded in FY2021. Expenditures ended up \$1.8 million under budget for reasons noted above. Altogether, the General Fund performed better than the original budget by \$1.6 million; however, it still lost nearly \$1 million.

CAPITAL ASSETS

At the end of June 30, 2020, after depreciation expense, the City (excluding Component Units) had \$61.7 million invested in capital assets including land and land improvements, buildings, improvements, equipment (including police and fire equipment), park facilities, roads, bridges and water and sewer lines. This represents a decrease of \$1.3 million from the previous year as the City's depreciation expense exceeds the new investment in infrastructure like roads and the water and sewer systems. Last year, the capital asset balance declined \$0.3 million.

New additions and improvements included road resurfacing, police and fire equipment, security cameras, election equipment, a new roof for the library, repairs to the Fire station parking lot, the beginning of the new Veteran's Memorial, Mildred Street water main, sewer slip lining, sewer inspection system, and two trucks for Water and Sewer. In total, the City added \$2.0 million of new capital assets, less depreciation expense of \$3.3 million.

DEBT ADMINISTRATION

At year end, the City has approximately \$18.0 million in outstanding general obligation bonds, notes payable, and capital leases payable. Principal payments on this debt were approximately \$2.1 million, with another \$0.7 million paid in interest.

There was no new structured debt incurred during fiscal year 2020.

In addition, the City has \$2.2 million of accrued sick and vacation benefits which will be extinguished almost entirely out of the General Fund as the liability matures.

CITY OF WAYNE, MICHIGAN

Management's Discussion and Analysis (Continued) June 30, 2020

NEXT YEAR'S BUDGET

In May 2020, the City approved the original budget for the new fiscal year beginning July 1, 2020 (FY2021). That approved budget, based on the amended FY2020 budget at that time, assumed FY2020 would finish with the City's General Fund having only \$38,765 of remaining fund balance. Approved revenues and expenditures for the original FY2021 budget were \$15,165,150 and \$19,000,856, respectively. As adopted, this budget for FY2021 projected an ending fund balance deficit as of June 30, 2021 of (\$3,796,941). A deficit of that magnitude would result in the General Fund running out of cash before the end of FY2021. As such, the City made the determination to begin paying only 25 percent of its monthly pension obligation to MERS. Subsequently, MERS filed a lawsuit against the City of Wayne for breach of contract. Ultimately, that lawsuit was settled in Wayne County Circuit Court on November 12, 2020 when the Honorable Judge Edward Ewell mandated a judgement property tax levy be placed on the City's Winter 2020 tax roll for \$4,753,409.

Since July 1, 2020, the City has continued to amend the FY2021 budget as new developments, like the judgement levy have occurred, including new grant revenues and expenditures, federal stimulus funding from the CARES Act to combat Covid-19, the end of the management contract for the City's recreation center with HYPE Athletics, and a negotiated decrease in the City's pension contributions to MERS via changes to the amortization period for certain divisions within the retirement system. The financial outlook for FY2021 is dramatically improved from the original adopted budget. Balancing the budget on an ongoing basis for FY2022 and beyond will continue to be problematic.

The City continues to look for ways to reduce costs internally, share services with surrounding communities, and other cost saving initiatives; however, these opportunities are very limited. The City of Wayne has been dealing with significant financial hardships dating back to the beginning of the Great Recession in 2008. Through hard work, discipline, and shared sacrifice, the City – its residents, its business partners, and its employees - has weathered the storm so far. Challenges remain, but with continued cooperation, hard work, shared sacrifice, and a little bit of luck, the City is optimistic that it is properly prepared to overcome them.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, contact the City's finance office at 3355 South Wayne Road, Wayne, Michigan 48184.

CITY OF WAYNE, MICHIGAN

Statement of Net Position June 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 8,473,491	\$ 7,311,899	\$ 15,785,390	\$ 523,508
Receivables, Net	1,342,255	2,781,511	4,123,766	-
Inventory	172,552	68,438	240,990	-
Prepaid Expenses	293,378	33,911	327,289	-
Total Current Assets	10,281,676	10,195,759	20,477,435	523,508
Noncurrent Assets				
Restricted Assets				
Cash and Cash Equivalents	257,220	-	257,220	-
Capital Assets, Net				
Assets not subject to Depreciation	4,528,417	-	4,528,417	1,841,176
Assets subject to Depreciation	30,488,350	26,727,543	57,215,893	2,384,163
Total Capital Assets	35,016,767	26,727,543	61,744,310	4,225,339
Total Assets	45,555,663	36,923,302	82,478,965	4,748,847
Deferred Outflows of Resources - Pension	5,037,830	440,466	5,478,296	-
Deferred Outflows of Resources - OPEB	198,499	4,866	203,365	-
Total Deferred Outflows of Resources	5,236,329	445,332	5,681,661	-
LIABILITIES AND NET POSITION				
Liabilities				
Current Liabilities				
Accounts Payable and Accrued Expenses	2,002,835	1,372,475	3,375,310	33,579
Due to Other Governmental Units	172,763	-	172,763	-
Unearned Revenue	292,684	-	292,684	-
Unsettled Claims	68,854	-	68,854	-
Current Portion of Long-term Debt	1,059,875	670,000	1,729,875	127,768
Accumulated Compensated Absences	600,000	-	600,000	-
Accrued Interest Payable	55,061	105,200	160,261	12,695
Total Current Liabilities	4,252,072	2,147,675	6,399,747	174,042
Long-term Liabilities				
Long-term Debt, Net of Current Portion	6,974,937	9,310,000	16,284,937	63,884
Other Post Employment Benefits Payable	4,720,991	115,711	4,836,702	-
Net Pension Liability	47,446,152	4,148,300	51,594,452	-
Accumulated Compensated Absences	1,632,392	578	1,632,970	-
Total Noncurrent Liabilities	60,774,472	13,574,589	74,349,061	63,884
Total Liabilities	65,026,544	15,722,264	80,748,808	237,926
Deferred Inflows of Resources - Pension	-	-	-	-
Deferred Inflows of Resources - OPEB	313,138	7,675	320,813	-
Total Deferred Inflows of Resources	313,138	7,675	320,813	-
Net Position				
Net Investment in Capital Assets	27,011,767	16,747,543	43,759,310	4,225,339
Restricted for:				
Cemetery Perpetual Care (Nonspendable)	368,344	-	368,344	-
Refuse Collection	589,501	-	589,501	-
Road	4,329,185	-	4,329,185	-
Youth Grants Program	385,477	-	385,477	-
Veteran's Memorial	74,258	-	74,258	-
Public Improvements	78,473	-	78,473	-
Police K9	50,820	-	50,820	-
Court Building Fund	74,760	-	74,760	-
Library Operations	357,151	-	357,151	-
Unrestricted (Deficit)	(47,867,426)	4,891,152	(42,976,274)	285,582
Total Net Position	\$ (14,547,690)	\$ 21,638,695	\$ 7,091,005	\$ 4,510,921

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Statement of Activities For The Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Charges in Net Position			
	Expenses	Charges for Services	Operating	Capital	Primary Government			Component Units
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
General Government	\$ 4,245,045	\$ 2,029,324	\$ 558,990	\$ -	\$ (1,656,731)	\$ -	\$ (1,656,731)	\$ -
District Court	1,112,306	468,727	-	-	(643,579)	-	(643,579)	-
Public Safety	8,779,831	2,127,059	523,409	86,304	(6,043,059)	-	(6,043,059)	-
Public Services	4,976,345	1,579,999	1,821,284	-	(1,575,062)	-	(1,575,062)	-
Community and Economic Development	531,307	-	74,550	-	(456,757)	-	(456,757)	-
Recreation and Culture	1,978,996	20,589	51,554	-	(1,906,853)	-	(1,906,853)	-
Interest and Other Long-Term Debt	1,313,120	-	-	-	(1,313,120)	-	(1,313,120)	-
Total Governmental Activities	22,936,950	6,225,698	3,029,787	86,304	(13,595,161)	-	(13,595,161)	-
Business-type Activities:								
Water and Sewer	10,932,977	11,580,891	-	-	-	647,914	647,914	-
Total Primary Government	\$ 33,869,927	\$ 17,806,589	\$ 3,029,787	\$ 86,304	(13,595,161)	647,914	(12,947,247)	-
Component Units								
Downtown Development Authority	1,344,273	-	-	-	-	-	-	(1,344,273)
Total Component Units	\$ 1,344,273	\$ -	\$ -	\$ -	-	-	-	(1,344,273)
			General Revenues:					
			Property Taxes, Levied for General Purposes		6,874,843	-	6,874,843	1,343,045
			Property Taxes, Levied for Refuse		1,044,040	-	1,044,040	-
			Property Taxes, Levied for Library		741,346	-	741,346	-
			Property Taxes, Levied for Road Program		359,867	-	359,867	-
			Franchise Taxes		265,474	-	265,474	-
			Investment Earnings		60,453	47,561	108,014	2,031
			State Shared Revenues		1,971,295	-	1,971,295	-
			Total General Revenue		11,317,318	47,561	11,364,879	1,345,076
			Change in Net Position		(2,277,843)	695,475	(1,582,368)	803
			Net Position (Deficit) -					
			July 1, 2019- As Restated- Note 6		(12,269,847)	20,943,220	8,673,373	4,510,118
			Net Position (Deficit) - June 30, 2020		\$ (14,547,690)	\$ 21,638,695	\$ 7,091,005	\$ 4,510,921

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Governmental Fund Balance Sheet June 30, 2020

	General Fund	Local Streets Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 2,230,412	\$ 3,149,188	\$ 3,093,891	\$ 8,473,491
Restricted Cash and Cash Equivalents	257,220	-	-	257,220
Receivables:				
Accounts Receivable, Net	565,972	-	-	565,972
Special Assessments	93,935	-	-	93,935
Due from Other Governmental Units	268,581	64,823	230,575	563,979
Other	2	-	118,367	118,369
Due from Other Funds	45,504	-	-	45,504
Inventory	76,960	47,796	47,796	172,552
Prepaid Items	276,065	-	17,313	293,378
Total Assets	\$ 3,814,651	\$ 3,261,807	\$ 3,507,942	\$ 10,584,400
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 1,443,103	\$ 56,714	\$ 233,309	\$ 1,733,126
Due to Other Governmental Units	151,626	4,307	16,830	172,763
Due to Other Funds	-	-	45,504	45,504
Accrued Salaries and Wages	232,870	-	12,270	245,140
Deposits	24,569	-	-	24,569
Unearned Revenue	-	-	292,684	292,684
Unsettled Claims	68,854	-	-	68,854
Total Liabilities	1,921,022	61,021	600,597	2,582,640
Deferred Inflows of Resources				
Unavailable Revenue	220,239	-	31,570	251,809
Fund Balances:				
Nonspendable:				
Prepaid Items	276,065	-	17,313	293,378
Inventory	76,960	47,796	47,796	172,552
Permanent Fund Principal	-	-	368,344	368,344
Restricted:				
Road	-	3,152,990	1,066,603	4,219,594
Refuse Collection	-	-	589,501	589,501
Library Operations	-	-	340,130	340,130
Public Improvements	-	-	78,473	78,473
Veteran's Memorial	74,258	-	-	74,258
Youth Programs	-	-	371,711	371,711
Police K9	50,820	-	-	50,820
Court Building Fund	74,760	-	-	74,760
Unassigned Balance	1,120,527	-	(4,096)	1,116,431
Total Fund Balances	1,673,390	3,200,786	2,875,775	7,749,951
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,814,651	\$ 3,261,807	\$ 3,507,942	\$ 10,584,400

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Reconciliation of the Balance Sheet To the Statement of Net Position June 30, 2020

Fund Balance - Total Governmental Funds \$ 7,749,951

Amounts Reported for Government 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.

The Cost of Capital Assets is:	89,587,538	
Accumulated Depreciation is:	<u>(54,570,771)</u>	
		35,016,767

Deferred Outflows are not Current Financial Resources and are not Reported in the Funds.		5,236,329
--	--	-----------

Deferred Inflows are not Current Obligations and are not Reported in the Funds		(313,138)
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Revenues not meeting the availability Criteria are Recorded as Deferred Inflows at the Fund Level, but Recorded as Revenue in the Full Accrual Statements.		251,809
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Long-term Obligations are not Due and Payable in the Current Period and are not Reported in the Funds.

Compensated Absences	(2,232,392)	
Bonds and Note Payable (Net of Discount)	(8,034,812)	
OPEB Payable	(4,720,991)	
Net Pension Liability	<u>(47,446,152)</u>	
		(62,434,347)

Accrued Interest is not Due and Payable in the Current Period and is not Reported in the Funds.		<u>(55,061)</u>
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Net Position of Governmental Activities \$ (14,547,690)

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances Year Ended June 30, 2020

	General Fund	Local Streets Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 6,874,843	\$ 359,867	\$ 1,785,386	\$ 9,020,096
Licenses and Permits	629,049	-	-	629,049
Intergovernmental	3,027,322	497,587	1,861,212	5,386,121
Charges for Services	1,158,842	-	26,024	1,184,866
Fines and Forfeitures	475,728	-	-	475,728
Interest and Rents	534,975	-	10,521	545,496
Other Revenue	3,259,410	23,120	45,993	3,328,523
Total Revenue	15,960,169	880,574	3,729,136	20,569,879
Expenditures:				
General Government	5,361,194	-	129,740	5,490,934
District Court	1,112,306	-	-	1,112,306
Public Safety	6,886,317	-	132	6,886,449
Public Service	1,693,660	938,376	1,707,356	4,339,392
Community and Economic Development	132,039	-	334,206	466,245
Recreation and Culture	465,567	-	733,801	1,199,368
Debt Service				
Principal	1,076,304	-	30,000	1,106,304
Interest and Paying Agent Fees	182,779	-	24,037	206,816
Total Expenditures	16,910,166	938,376	2,959,272	20,807,814
Excess (Deficiency) of Revenue Over Expenditures	(949,997)	(57,802)	769,864	(237,935)
Other Financing Sources (Uses):				
Transfers In	-	301,647	-	301,647
Transfers Out	-	-	(301,647)	(301,647)
Total Other Financing Sources (Uses)	-	301,647	(301,647)	-
Net Change in Fund Balances	(949,997)	243,845	468,217	(237,935)
Fund Balances - July 1, 2019 - As Restated (Note 6)	2,623,387	2,956,941	2,407,558	7,987,886
Fund Balances - June 30, 2020	\$ 1,673,390	\$ 3,200,786	\$ 2,875,775	\$ 7,749,951

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds		\$ (237,935)
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:		
Depreciation Expense		(2,173,307)
Capital Outlay	1,020,465	
Less: Paid by Capital Grant	<u>(86,304)</u>	
Net paid by the City		934,161
Capital Grant not recorded in the Governmental Funds		86,304
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 years.		89,227
Repayment of Bond Principal is an Expenditure in the Governmental Funds; But Not in the Statement of Activities (Where it Reduces Long-Term Debt)		
Principal Payments on Bonds and Note Payable		1,430,235
Change in Accrued Interest Payable		7,792
Increases in Accumulated Employee Sick and Vacation Pay Reported in the Statement of Activities do not require the use of current resources and therefore are not reported in the Fund Statements until they come due for payment.		(197,626)
Changes in Net OPEB Obligations Reported in the Statement of Activities do not require the use of current resources and therefore are not reported in the fund statements until they come due for payment.		434,201
Increase in Net Pension Liability does not require the use of current resources and is not reported in the governmental		(1,010,304)
Decrease in Deferred Inflows-Pension		15,422
Increase in Deferred Inflows-OPEB		(313,138)
Increase in Deferred Outflows-OPEB		28,238
Decrease in Deferred Outflows-Pension		<u>(1,371,113)</u>
Change in Net Position of Governmental Activities		<u>\$ (2,277,843)</u>

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Proprietary Funds Statement of Net Position June 30, 2020

	<u>Enterprise Fund Water and Sewer Fund</u>
Assets:	
Current Assets:	
Cash and Cash Equivalents	\$ 7,311,899
Account Receivable	2,781,511
Prepaid Expenses	33,911
Inventory	68,438
Total Current Assets	<u>10,195,759</u>
Non-Current Assets:	
Capital Assets:	
Assets Subject to Depreciation	26,727,543
Total Noncurrent Assets	<u>26,727,543</u>
Total Assets	<u>36,923,302</u>
Deferred Outflow of Resources - Pension	440,466
Deferred Outflow of Resources-OPEB	4,866
Total Deferred Outflow of Resources	<u>445,332</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	1,371,042
Accrued Salaries and Wages	1,433
Accrued Interest Payable	105,200
Current Portion of Long-term Debt	670,000
Total Current Liabilities	<u>2,147,675</u>
Noncurrent Liabilities	
Long Term Debt, Net of Current Portion	9,310,000
Accrued Compensated Absences	578
Other Post-Employment Benefits	115,711
Net Pension Liability	4,148,300
Total Noncurrent Liabilities	<u>13,574,589</u>
Total Liabilities	<u>15,722,264</u>
Deferred Inflows of Resources	
OPEB	7,675
Total Deferred Inflows of Resources	<u>7,675</u>
Net Position:	
Net Investment in Capital Assets	16,747,543
Unrestricted	4,891,152
Total Net Position	<u>\$ 21,638,695</u>

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Proprietary Funds Statement of Revenue, Expenses and Changes in Net Position Year Ended June 30, 2020

	Enterprise Fund Water and Sewer Fund
	<u> </u>
Operating Revenues	
Water Sales	\$ 5,823,386
Sewage Disposal	5,224,975
Penalties	214,139
Other	318,391
Total Operating Revenues	<u>11,580,891</u>
Operating Expenses	
Water Purchased	3,525,191
Sewage Disposal	3,030,931
Service and Maintenance	2,636,525
Depreciation	1,104,704
Other	206,257
Total Operating Expenses	<u>10,503,608</u>
Operating Income	<u>1,077,283</u>
Non-Operating Revenue (Expense)	
Interest Income	47,561
Interest and Paying Agent Fees Expense	(429,369)
Total Non-Operating Revenue (Expense)	<u>(381,808)</u>
Change in Net Position	695,475
Net Position - July 1, 2019	<u>20,943,220</u>
Net Position - June 30, 2020	<u>\$ 21,638,695</u>

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2020

Enterprise Fund Water and Sewer Fund

Cash Flows from Operating Activities

Cash Received from Customers	\$ 11,291,668
Cash Payment to Supplier for Goods and Services	(7,057,068)
Cash Payment to Employees for Services	(2,738,912)
Net Cash Provided by Operating Activities	<u>1,495,688</u>

Cash Flows from Capital and Related Financing Activities

Acquisition and Construction of Capital Assets	(979,146)
Principal Paid on Revenue Bonds and Contracts	(645,000)
Interest Paid on Revenue Bonds and Contracts	(436,438)
Net Cash Used in Capital and Related Financing Activities	<u>(2,060,584)</u>

Cash Flows from Investing Activities

Interest on Investment	
Net Cash Provided from Investing Activities	<u>47,561</u>

Net Decrease in Cash and Cash Equivalents

(517,335)

Cash and Cash Equivalents, Beginning of Year

7,829,234

Cash and Cash Equivalents, End of Year

\$ 7,311,899

Reconciliation of Operating Income (Loss) to Net

Cash Provided (Used) by Operating Activities:

Operating Income	\$ 1,077,283
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Depreciation and Amortization	1,104,704
Change in Assets and Liabilities	
Accounts Receivables	(289,223)
Inventory	4,710
Accounts Payable	(473,527)
Accrued and Other Liabilities	(99,335)
Prepaid Expenses	(32,129)
OPEB Payable	(10,642)
OPEB Deferred Outflows	(692)
OPEB Deferred Inflow	7,675
Pension Payable	88,333
Deferred Inflows	(1,342)
Deferred Outflows	119,873

Net Cash Provided by Operating Activities

\$ 1,495,688

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2020

	<u>Custodial Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 61,424
Tax Receivable - Delinquent	<u>137,063</u>
Total Assets	<u>198,487</u>
LIABILITIES	
Due to Other Government	<u>198,487</u>
NET POSITION	<u>\$ -</u>

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Fiduciary Funds Statement of Changes in Fiduciary Net Position June 30, 2020

	Custodial Funds
Additions	
Property Tax Collections	\$ 13,118,562
Other Additions	25,600
Total Additions	<u>13,144,162</u>
Deductions	
Tax Distributions to other Governments	13,118,562
Other Deductions	25,600
Total Deductions	<u>13,144,162</u>
Net Change in Fiduciary Net Position	-
Net Position - Beginning of Year	<u>-</u>
Net Position - End of Year	<u><u>\$ -</u></u>

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Component Units Statement of Net Position June 30, 2020

	Component Units		
	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ 521,008	\$ 2,500	\$ 523,508
Non-Current Assets:			
Capital Assets			
Land, Improvement	1,841,176	-	1,841,176
Other Capital Assets - Net	2,384,163	-	2,384,163
Total Non-current Assets	4,225,339	-	4,225,339
Total Assets	4,746,347	2,500	4,748,847
Liabilities:			
Current Liabilities:			
Accounts Payable	33,579	-	33,579
Long Term Liability-Payable within one year	127,768	-	127,768
Accrued Interest Payable	12,695	-	12,695
Total Current Liabilities	174,042	-	174,042
Long Term Liabilities:			
Due in More than One Year	63,884	-	63,884
Total Liabilities	237,926	-	237,926
Net Position:			
Net Investment in Capital Assets	4,225,339	-	4,225,339
Unrestricted	283,082	2,500	285,582
Total Net Position	<u>\$ 4,508,421</u>	<u>\$ 2,500</u>	<u>\$ 4,510,921</u>

The notes to financial statements are an integral part of this statement.

CITY OF WAYNE, MICHIGAN

Component Units Statement of Activities June 30, 2020

Functions/Programs	Expenses	Program Revenue		Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grant and Contribution	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Downtown Development Authority	\$ 1,344,273	\$ -	\$ -	\$ (1,344,273)	\$ -	\$ (1,344,273)
Brownfield Redevelopment Authority	-	-	-	-	-	-
Total Component Units	<u>1,344,273</u>	<u>-</u>	<u>-</u>	<u>(1,344,273)</u>	<u>-</u>	<u>(1,344,273)</u>
General Revenues:						
Property Taxes				1,343,045	-	1,343,045
Investment Earnings				<u>2,031</u>	<u>-</u>	<u>2,031</u>
Total General Revenue				<u>1,345,076</u>	<u>-</u>	<u>1,345,076</u>
Change in Net Position				803	-	803
Net Position, July 1, 2019				<u>4,507,618</u>	<u>2,500</u>	<u>4,510,118</u>
Net Position, June 30, 2020				<u>\$ 4,508,421</u>	<u>\$ 2,500</u>	<u>\$ 4,510,921</u>

The notes to financial statements are an integral part of this statement.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The City of Wayne was incorporated as a village on April 12, 1869. It was incorporated as a City on August 5, 1958 under the provisions of Public Act 29, P.A. 1909 as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police, fire and district court), highways and streets, culture-recreation, community development, water and sewage system and general and administrative services.

Blended Component Units

City of Wayne Building Authority - The City of Wayne Building Authority's (the Authority) Governing Body is appointed by the City Council which has the ability to significantly influence operations. The City approves the Authority's budget, has responsibility to fund deficits, and surplus funds existing at the termination of the Authority vest to the City. The City has significant fiscal management responsibility and legal liability for the Authority's debt. The Authority is presented as a governmental type within the General Fund. Although the Building Authority Board still exists, the Building Authority Fund has been closed and there was no budget or activity for the year ended June 30, 2020.

Discretely Presented Component Units

City of Wayne Downtown Development Authority - The City of Wayne Downtown Development Authority's (DDA) Governing Board is appointed by the City Council which has the ability to significantly influence its operations. The City approves the DDA budget, has responsibility to fund deficits, and has significant management responsibility. The City has significant transactions with the DDA, in that the DDA contributed \$535,000 to the City's governmental funds to help cover the DDA district's share of operating expenditure for the fiscal year.

The Economic Development Corporation of the City of Wayne - The Economic Development Corporation of the City of Wayne operates within the geographic boundaries of the City for the benefit of City's residents. The members of the Board of Directors of the Corporation are appointed by the Mayor subject to the City Council approval. However, this component unit has been inactive for several years. Therefore, no financial information is presented.

Brownfield Redevelopment Authority of the City of Wayne – The Brownfield Redevelopment Authority is controlled by the City of Wayne Downtown Development Authority.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general government, district court, public safety, public services, community and economic development, and recreation and culture are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column and (b) are reported on a full accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (General Government, Public Safety, etc.) and business-type activities. The functions are also supported by general government revenue (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (General Government, Public Safety, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, intergovernmental revenues, and interest income.).

The City does not allocate indirect costs. An administrative service fee is charged by the General Fund to the other operating funds to recover the direct costs of General Fund services provided (finance, personnel, legal, and technology management.). This is eliminated like a reimbursement (reducing the revenue and expense in the General Fund).

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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. The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements as follows:

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

(1) Governmental Funds:

The focus of governmental fund measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. **General Fund** is the general operating fund of the City. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.
- b. **Special Revenue Funds** are used to account for the proceeds of specific revenue resources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.
- c. **Permanent Fund** (Cemetery Perpetual Care) is used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used to achieve the objective of the fund.

(2) Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The following is a description of the proprietary funds of the City:

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues or (b) establishes fees and charges based on a pricing policy designed to recover similar costs. The City reports the Water and Sewer Fund as a major enterprise fund. This fund is used to account for operation of the City's water supply and sewage disposal system.

(3) Fiduciary Funds (Not included in government-wide statements):

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore, are not available to support City programs. The reporting focus is on net position and changes in net position which is reported using accounting principles similar to proprietary funds. The fiduciary agency funds include current and delinquent tax collections, payroll, and miscellaneous funds held in an agency capacity.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth the minimum criteria (percentage of the assets, liabilities, revenues or expenditure/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City reports the General Fund and Local Streets Fund as major funds.

1) NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City's fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

(1) Measurement Focus

Within the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item (b) below:

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate.

- (a) All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.
- (b) All proprietary funds and other post-employment benefit trust funds are accounted for on a flow of economic resources measurement focus (full accrual). With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund equity is classified as net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

(2) Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

(a) Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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.

1) NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

(b) Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Assets, Liabilities and Net Position or Equity

Bank, Deposits, and Investments - For the purpose of the Statement of Net Position, cash and cash equivalents include amounts on deposit as well as short-term investments with an original maturity of three months or less from the date of acquisition.

For purposes of the Statement of Cash Flows, the proprietary funds consider all highly liquid investments (including restricted assets) with an original maturity of three months or less from the date of acquisition that can be readily converted to cash to be cash equivalents. Investment income revenues associated with the Permanent Fund are administratively assigned and transferred to the General Fund. Investments are reported at fair value which is determined using selected bases. 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. Cash deposits are reported at carrying amount which reasonably estimates fair value. Additional cash and investment information, and fair values are presented in Note 2.

The City maintains a pooled investment fund for all funds. As of June 30, 2020, the pooled investment fund totaled \$16,347,833.

Receivables and Payables - During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds". Short-term interfund loans are reported as "interfund receivables and payables". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any residual balances outstanding between the government activities and business-type activities are reported in the government-wide financial statements as "internal balances". See Note 4 for details of interfund transactions, including receivables and payables at year end.

1) NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Assets, Liabilities and Net Position or Equity (Continued)****Receivables and Payables (Continued)**

Also, certain activity occurs during the year involving transfer of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. In government-wide financial statements, it is the City's policy that direct expenses are not eliminated from the various categories. Internal payments such as the revenue in the General Fund for the charges to the Water and Sewer Fund and to the component unit DDA fund for services provided (finance, personnel, legal, technology management, etc.), are treated as a reduction of expense.

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, state shared revenues, and fire rescue services. Business-type activities report utilities earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as grants and other similar intergovernmental revenues since they are usually both measurable and available. Interest and investment earnings are recorded when earned if paid within 60 days since they would be considered both measurable and available.

Proprietary fund material receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowance for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories and Prepaid Items - Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when consumed rather than when purchased. Payments made to vendors for services that will benefit periods beyond June 30, 2020 are recorded as prepaid items.

Restricted Assets - Certain resources held at the Michigan Municipal Risk Management Authority are classified as restricted assets on the Statement of Net Position because their use is limited to servicing of member retention fund claims.

Capital Assets - The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. Capital assets are defined as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year.

Unearned Revenue – Unearned revenue is reported in connection with money received for services which have not yet performed and are therefore unearned. Revenue is recorded when the services have performed and are therefore earned.

1) NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Assets, Liabilities and Net Position or Equity (Continued)*****Government-Wide Statements***

Capital assets which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities' columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated cost if the actual is unavailable. Donated fixed assets are recorded at acquisition cost as per GASB 72.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements	20-25 years
Machinery and Equipment	10-25 years
Utility System	25-66 years
Infrastructure	25-40 years
Motor Vehicles	5-7 years

The costs of normal maintenance and repairs that do not add value to the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition, Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-term Debt - The accounting treatment of long-term debt, which consists primarily of bonds payable, notes payable, and accrued compensated absences, depends on whether the obligation is incurred in governmental fund operations or proprietary fund operations and whether it is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as a liability on the Statement of Net Position in the government -wide financial statements. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government -wide financial statements. The City's general fund is primarily used to liquidate governmental long-term debt and the water and sewer fund is used to liquidate long-term debt from business-type activities.

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 consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government-Wide statements and proprietary funds report deferred outflows from the difference between projected and actual investment earnings of the pension and OPEB plans and changes in assumptions as well as City contributions made after the measurement date of the net pension and OPEB liabilities.

1) NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Assets, Liabilities and Net Position or Equity (Continued)*****Deferred Outflows/Inflows of Resources (Continued)***

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. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting. The governmental funds report grants and reimbursements as unavailable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. These amounts are shown as deferred inflows of resources on the governmental funds balance sheet. Those amounts will be recognized as revenue when received. The governmental funds reported \$251,809 as unavailable revenue at June 30, 2020.

Compensated Absences - City employees are granted vacation and sick leave in varying amounts based on the length of service. An employee's account is credited for vacation time on January 1 based on time worked in the previous calendar year and must be used prior to the next January 1. Upon termination employees are paid for all unused/accrued vacation leave. Sick leave is accumulated at the rate of one day per month of employment for all employees, except for fire employees who receive 1.4 days per month. Unused sick leave accumulates year to year but may be limited to a number of days or hours based on collective bargaining agreements. Days or hours in excess of the maximum will be paid on an annual basis of 50 percent of hourly rate. Upon death, retirement or termination, five-eighths of unused accumulated sick leave is paid to full-time employees with 10 years of service. For all City employees, except fire and Police Officers Association of Michigan (POAM) employees, the accumulated sick leave payments are calculated based on the rate of pay in effect at the time of termination. Fire employees and POAM accumulated sick leave is based upon the average final pay (POAM minimum of 60 days).

The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is based on projected information. Accrued compensated absences is reported as a liability in governmental funds only if they have matured; i.e., only if the employee has terminated as of June 30, 2020. Vested vacation leave and vested accumulated sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. The City's general fund is generally used to liquidate the obligations and the water and sewer fund is used to liquidate obligations from business-type activities.

Pension - The City offers pension benefits to retirees. The City records a net position liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plan, and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The City's general fund is primarily used to liquidate the governmental obligations and the water and sewer fund is used to liquidate obligations from business-type activities.

1) NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Other Postemployment Benefit Costs - The City offers healthcare benefits to retirees. The city receives an actuarial valuation to compute the actuarially determined contribution (ADC) 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 based on the provisions of GASB 75. See note 8 for further information. The City's general fund is generally used to liquidate the governmental OPEB obligations and the water and sewer fund is used to liquidate OPEB obligations from business-type activities.

Fund Equity is classified as net position and displayed in three components:

- (a) **Net Investment in Capital Assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (b) **Restricted** - Consists of net position with constraints placed on the use by: (1) external groups such as creditors, grantors, contributors, or laws or regulations of other *governments*; or (2) law through constitutional provisions or enabling legislation.
- (c) **Unrestricted** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

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

Nonspendable: Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: Amounts that are restricted to specific purposes by constraints placed on the use of resources by either externally imposed creditors, grantors, contributors or laws or regulations of other governments or amounts that are imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority, the City Council. Commitments must be made by resolution of the City Council and can be rescinded only by resolution. Commitment resolutions must be made prior to year-end.

Assigned: Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent must be expressed by the City Council or the City's Finance Director who has been authorized by resolution to make assignments of fund balance.

Unassigned: Amounts that are the residual classification for the general fund. In other governmental funds, if expenditures are incurred for specific purposes that exceed the amounts restricted, committed or assigned, it will be necessary to report a negative unassigned fund balance in the fund.

1) NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Proprietary fund equity is classified the same as in the government-wide financial statements.

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

Revenues, Expenditures and Expenses

Property Taxes - Property taxes were levied July 1 (100% city taxes, 100% school taxes including Wayne County Regional Educational Service Agency (WCRESA), and 100% County operating) and December 1 (100% of other taxing authorities) and are payable on or before October 1 and February 14, respectively, without penalty. These taxes become liens against the property on December 31 of the previous year. After February 28, all unpaid taxes are declared delinquent with the City continuing to collect Act 198 taxes and ad valorem personal property taxes. Ad valorem real property taxes are turned over to the county treasurer who assumes responsibility for their collection and immediately, upon settlement, reimburses the City from the county revolving tax fund. The City collects its own property tax and also taxes for other entities including the county and school districts which are within the City. Collections and remittances of the taxes to those entities are accounted for in the current and delinquent tax collection funds. The City tax levy for the 2019 roll was as follows:

General Operating	14.9160 mills
Retirement System	0.9637 mills
Recreation	0.9943 mills
Public Safety Millage	0.9944 mills
Act 298 Refuse Collection	2.8910 mills
Library Fund (Act 164)	1.9887 mills
Roads	0.9944 mills
Police Millage	0.9944 mills
P.A.-359	<u>0.1381 mills</u>
Total	<u>24.8750 mills</u>

Program Revenues - Program revenues reported within the Statement of Activities include licenses and fees, ordinance fines and costs, bond forfeitures and other court costs, building, electrical and other permits, state shared revenue, state and federal grants, recreation rentals and fees, and 911 service fees.

Operating Revenues and Expenses - Operating revenues and expenses for the proprietary funds are those that result from providing services and producing and delivering goods and/or services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The City 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 include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1) NATURE OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues, Expenditures and Expenses (Continued)

Expenditures/Expenses - In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities, in the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character: Current (further classified by function)
 Debt Service
 Capital Outlay

Proprietary Fund - By operating and nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources and proprietary funds report expenses relating to use of economic resources.

Interfund Transfers --Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

2) 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 City has designated six banks for the deposit of its funds. The investment policy adopted by Council in accordance with Public Act 196 of 1997 has authorized investment of funds as listed above. The City of Wayne's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Business Type Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and Cash Equivalents	\$ 8,473,491	\$ 61,538	\$ 7,311,899	\$ 15,846,928	\$ 523,508
Cash and Cash Equivalents-Restricted	257,220	-	-	257,220	-
Total	<u>\$ 8,730,711</u>	<u>\$ 61,538</u>	<u>\$ 7,311,899</u>	<u>\$ 16,104,148</u>	<u>\$ 523,508</u>

Custodial Credit Risk of Bank Deposits-- Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Neither State law nor the City's investment policy requires consideration of custodial credit risk.

As of June 30, 2020, the bank balance of the City deposits was \$17,448,992 of which \$500,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

2) DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk of Bank Deposits (Continued) - The carrying amount of deposits and the bank balance for the City of Wayne Downtown Development Authority and Brownfield Redevelopment Authority, discretely presented component units, were \$521,008 and \$2,500 respectively. These being part of City’s pooled cash balances; the FDIC coverage is not separately determinable.

Investment pools are under the custody of the City Treasurer. Investing is performed in accordance with investment policies complying with State Statutes, the City Charter, and the City's Investment Policy. The City 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 and investment pools composed of investment vehicles that are legal for direct investment by local units of government in Michigan, and investment pools of financial institutions.

Interest Rate Risk - Interest rate risk is the risk that the value on investments will decrease as a result of a rise in interest rates. In addition to restricting commercial paper to a maturity of 270 days or less, the City may not invest its funds in any security maturing more than five years from the date of purchase. No more than 40 percent of the City's total funds may be placed in securities maturing in more than three years. The fiduciary funds follow the City's investment policy.

<u>Fiduciary Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>	<u>Rating Organization</u>
Pooled Investment Fund				
Mutual Funds	\$ 1,007,398	63 days	AAAm	S&P
Others	26,640	N/A	Not Rated	

State laws limit the City's investments in commercial paper to the two top ratings issued by nationally recognized statistical rating organizations at the time of purchase. The City's investment policy limits investments to the safest types of securities. All financial institutions and broker/dealers must be pre-qualified to do business with the City.

2) DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurements: The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2: Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets

Inputs other than quoted prices that are observable for the assets or liabilities;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

All of the City's investments are considered to be Level 1 inputs.

CITY OF WAYNE, MICHIGAN

Notes to the Financial Statements (Continued) June 30, 2020

3) CAPITAL ASSETS

Capital asset activity for the City for the current year was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2019</u>	<u>Additions 2019-20</u>	<u>Disposals 2019-20</u>	<u>Balance June 30, 2020</u>
Capital Assets not being Depreciated:				
Land	\$ 4,495,549	\$ -	\$ -	\$ 4,495,549
Construction in Progress	-	32,868	-	32,868
Subtotal	<u>4,495,549</u>	<u>32,868</u>	<u>-</u>	<u>4,528,417</u>
Capital Assets being Depreciated:				
Buildings	38,905,809	109,203	-	39,015,012
Improvements	4,482,012	-	-	4,482,012
Machinery & Equipment	8,448,611	334,257	(327,682)	8,455,186
Infrastructure	32,562,774	544,137	-	33,106,911
Subtotal	<u>84,399,206</u>	<u>987,597</u>	<u>(327,682)</u>	<u>85,059,121</u>
Total	<u>88,894,755</u>	<u>1,020,465</u>	<u>(327,682)</u>	<u>89,587,538</u>
Less: Accumulated Depreciation for:				
Buildings	19,603,014	890,872	-	20,493,886
Improvements	3,447,336	148,200	-	3,595,536
Machinery & Equipment	7,267,334	441,815	(327,682)	7,381,467
Infrastructure	22,407,462	692,420	-	23,099,882
Subtotal	<u>52,725,146</u>	<u>2,173,307</u>	<u>(327,682)</u>	<u>54,570,771</u>
Net Capital Assets being Depreciated	<u>31,674,060</u>	<u>(1,185,710)</u>	<u>-</u>	<u>30,488,350</u>
Net Capital Assets	<u>\$ 36,169,609</u>	<u>\$ (1,152,842)</u>	<u>\$ -</u>	<u>\$ 35,016,767</u>

Depreciation was allocated to the following functional categories for the year ended June 30, 2020.

General Government	\$ 178,028
Public Safety	588,307
Public Services	756,157
Recreation and Culture	650,815
	<u>\$ 2,173,307</u>

<u>Water & Sewer Fund:</u>	<u>Balance June 30, 2019</u>	<u>Additions 2019-20</u>	<u>Disposals / Adjustments 2019-20</u>	<u>Balance June 30, 2020</u>
Capital Assets not being Depreciated:				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Assets being Depreciated:				
Water and Sewer Mains	41,243,812	648,966	-	41,892,778
Meters	2,402,256	-	-	2,402,256
Equipment	836,360	151,110	-	987,470
Motor Vehicles	457,330	179,070	(23,883)	612,517
Subtotal	<u>44,939,758</u>	<u>979,146</u>	<u>(23,883)</u>	<u>45,895,021</u>
Total Water & Sewer	<u>44,939,758</u>	<u>979,146</u>	<u>(23,883)</u>	<u>45,895,021</u>
Less: Accumulated Depreciation for:				
Water and Sewer Mains	16,984,654	795,074	-	17,779,728
Meters	298,309	120,113	-	418,422
Equipment	346,364	153,703	-	500,067
Motor Vehicles	457,330	35,814	(23,883)	469,261
Subtotal	<u>18,086,657</u>	<u>1,104,704</u>	<u>(23,883)</u>	<u>19,167,478</u>
Net Capital Assets being Depreciated	<u>26,853,101</u>	<u>(125,558)</u>	<u>-</u>	<u>26,727,543</u>
Net Capital Assets	<u>\$ 26,853,101</u>	<u>\$ (125,558)</u>	<u>\$ -</u>	<u>\$ 26,727,543</u>

CITY OF WAYNE, MICHIGAN

Notes to the Financial Statements (Continued) June 30, 2020

3) CAPITAL ASSETS (Continued)

Capital Asset activity for the Downtown Development Authority was as follows:

<u>Downtown Development Authority:</u>	<u>Balance June 30, 2019</u>	<u>Additions 2019-20</u>	<u>Disposals 2019-20</u>	<u>Balance June 30, 2020</u>
Capital Assets not being Depreciated:				
Land	\$ 1,841,176	\$ -	\$ -	\$ 1,841,176
Subtotal	<u>1,841,176</u>	<u>-</u>	<u>-</u>	<u>1,841,176</u>
Capital Assets being Depreciated:				
Buildings	80,805	-	-	80,805
Improvements	3,245,090	10,365	-	3,255,455
Machinery and Equipment	433,448	-	-	433,448
Infrastructure	4,319,043	11,195	-	4,330,238
Subtotal	<u>8,078,386</u>	<u>21,560</u>	<u>-</u>	<u>8,099,946</u>
Total Downtown Development Auth.	<u>9,919,562</u>	<u>21,560</u>	<u>-</u>	<u>9,941,122</u>
Less: Accumulated Depreciation for:				
Buildings	43,752	2,598	-	46,350
Improvements	2,465,536	102,644	-	2,568,180
Machinery and Equipment	298,086	13,819	-	311,905
Infrastructure	2,630,550	158,798	-	2,789,348
Subtotal	<u>5,437,924</u>	<u>277,859</u>	<u>-</u>	<u>5,715,783</u>
Net Capital Assets being Depreciated	<u>2,640,462</u>	<u>(256,299)</u>	<u>-</u>	<u>2,384,163</u>
Net Capital Assets	<u>\$ 4,481,638</u>	<u>\$ (256,299)</u>	<u>\$ -</u>	<u>\$ 4,225,339</u>

4) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	CDBG	\$ 45,504
		<u>\$ 45,504</u>

The composition of Interfund transfers is as follows:

<u>Fund Transferred In</u>	<u>Fund Transferred Out</u>	<u>Amount</u>
Local Streets Fund	Major Streets and Trunkline Fund	\$ 301,647
		<u>\$ 301,647</u>

Interfund balances are a result of a time lag between the date goods and services are provided, transactions are recorded and payments between funds are made.

The transfer from Major Streets and Trunkline Fund to Local Streets Fund was to finance local street projects and was in compliance with the requirements of Public Act 51.

5) LONG-TERM DEBT

General Obligation Bonds - The Government issued general obligation bonds to provide for the acquisition and construction of major capital facilities, General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

	Interest Rate	Principal Maturity Ranges	Beginning Balance July 1, 2019	Additions	Reductions	Ending Balance June 30, 2020	Due Within One Year
Governmental Activities							
Bonds Payable - Other Debt							
General Obligation Bonds:							
MI Transportation Bond Series 2008							
Amount of issue - \$730,000							
	4.75% - 5.10%	\$50,000 - \$75,000	\$ 480,000	\$ -	\$ (30,000)	\$ 450,000	\$ 50,000
Maturing through 2028							
Recreation Renovation Bond 2008							
Amount of issue - \$1,800,000							
	4.375% - 5.25%	\$95,000 - \$140,000	1,035,000	-	(95,000)	940,000	95,000
Maturing through 2028							
Refunding of Building Authority Bonds 2012A:							
Amount of Issue - \$4,355,000							
	2.79%	\$450,000 - \$555,000	885,000	-	(435,000)	450,000	450,000
Maturing through 2021							
Refunding of Building Authority Bonds 2012B:							
Amount of Issue - \$2,845,000							
	2.70%	\$420,000	420,000	-	(420,000)	-	-
Maturing through 2020							
Refunding of Building Authority Bonds 2012C:							
Amount of Issue - \$8,585,000							
	2.50% - 3.40%	\$400,000 - \$1,000,000	6,565,000	-	(400,000)	6,165,000	445,000
Maturing through 2028							
Total General Obligation Bonds							
			9,385,000	-	(1,380,000)	8,005,000	1,040,000
Notes from Direct Borrowings:							
Note Payable-Ambulance							
Original Amount - \$144,536							
	3.4%	\$30,360	30,360	-	(30,360)	-	-
Maturing in 2020							
Note Payable-Ford Tax Settlement, as Corrected							
Original Amount - \$119,249							
	0.00%	\$19,875	49,687	-	(19,875)	29,812	19,875
Maturing in 2022							
Total Bonds and Notes from Direct Borrowings							
			9,465,047	-	(1,430,235)	8,034,812	1,059,875
Other Liabilities:							
Pension Unfunded Liability							
	N/A	N/A	46,435,848	1,010,304	-	47,446,152	-
OPEB Unfunded Liability							
	N/A	N/A	5,155,192	-	(434,201)	4,720,991	-
Accrued Compensated Absences							
	N/A	N/A	2,034,766	504,920	(307,294)	2,232,392	600,000
Total Governmental Activities							
			\$ 63,090,853	\$ 1,515,224	\$ (2,171,730)	\$ 62,434,347	\$ 1,659,875
Business-type Activities							
Bonds Payable - Other Debt							
Water Bonds 2004							
Amount of Issue - \$3,525,000							
	4.35% - 4.40%	\$325,000 - \$375,000	\$ 1,050,000	\$ -	\$ (325,000)	\$ 725,000	\$ 350,000
Maturing through 2022							
Water Bonds 2006							
Amount of Issue - \$7,500,000							
	4.50% - 4.50%	\$300,000 - \$500,000	5,400,000	-	(300,000)	5,100,000	300,000
Maturing through 2032							
Water Bonds 2007							
Amount of Issue - \$4,430,000							
	4.0% - 4.125%	\$20,000 - \$620,000	4,175,000	-	(20,000)	4,155,000	20,000
Maturing through 2030							
Net Bonds Payable							
			10,625,000	-	(645,000)	9,980,000	670,000
Other Liabilities:							
Pension Unfunded Liability							
	N/A	N/A	4,059,967	88,333	-	4,148,300	-
OPEB Unfunded Liability							
	N/A	N/A	126,353	-	(10,642)	115,711	-
Accrued Compensated Absences							
			730	-	(152)	578	578
Total Business-type Activities							
			\$ 14,812,050	\$ 88,333	\$ (655,794)	\$ 14,244,589	\$ 670,578
Long-term Liabilities							

CITY OF WAYNE, MICHIGAN

Notes to the Financial Statements (Continued) June 30, 2020

5) LONG-TERM DEBT (Continued)

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

Years Ending June 30,	Governmental Activities					
	General Obligation Bonds			Notes from Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 1,040,000	\$ 255,919	\$ 1,295,919	\$ 19,875	\$ -	\$ 19,875
2022	875,000	227,152	1,102,152	9,937	-	9,937
2023	925,000	198,452	1,123,452	-	-	-
2024	1,015,000	166,394	1,181,394	-	-	-
2025	1,085,000	130,792	1,215,792	-	-	-
2026-2028	3,065,000	160,787	3,225,787	-	-	-
	<u>\$ 8,005,000</u>	<u>\$ 1,139,496</u>	<u>\$ 9,144,496</u>	<u>\$ 29,812</u>	<u>\$ -</u>	<u>\$ 29,812</u>

Years Ending June 30,	Business-Type Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2021	\$ 670,000	\$ 406,037	\$ 1,076,037
2022	695,000	375,875	1,070,875
2023	825,000	343,675	1,168,675
2024	845,000	309,575	1,154,575
2025	870,000	274,375	1,144,375
2026-2030	5,075,000	782,163	5,857,163
2031-2032	1,000,000	44,000	1,044,000
	<u>\$ 9,980,000</u>	<u>\$ 2,535,700</u>	<u>\$ 12,515,700</u>

Notes from Direct Borrowings - Downtown Development Authority

The City's component unit, the Downtown Development Authority's portion of a note payable to the Ford Motor Company is to be paid in four payments beginning in FY 2016-2017. Ford Motor Company has allowed the City to postpone paying back the note, so the remaining payments will be made through 2022.

At June 30, 2020, the long-term debt payable from the major component unit consisted of the following:

	Current Portion	Long-term Portion
\$766,609 Note Payable dated February 11, 2011 for Property Tax Settlement, Noninterest bearing	\$ 127,768	\$ 63,884

CITY OF WAYNE, MICHIGAN

Notes to the Financial Statements (Continued) June 30, 2020

5) LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity on the note payable (interest free) of the Downtown Development Authority are as follows:

Year Ending June 30,	Total
2021	127,768
2022	63,884
	<u>\$ 191,652</u>

6) RESTATEMENT OF NET POSITION/GENERAL FUND BALANCE

During the year, the City implemented GASB Statement No. 84 *Fiduciary Activities* that established a criteria for identifying fiduciary activities of governments and their reporting. Accordingly, the Net Position and the General Fund balances have been restated as follows to reclassify certain activities previously recorded as fiduciary funds: These activities no longer meet the definition of fiduciary activity and are now presented in the general fund.

	Government Activities	General Fund
Net Position/Fund balance at 6/30/2019	\$ (12,320,667)	\$ 2,572,567
Restatement pursuant to the implementation of GASB 84	<u>50,820</u>	<u>50,820</u>
Net Position/Fund Balance at 6/30/2019 as Restated	<u>\$ (12,269,847)</u>	<u>\$ 2,623,387</u>

7) JOINT VENTURES

(1) *Nankin Transit Commission* - The City participates in the Nankin Transit Commission with the cities of Garden City, Inkster, and Westland. The Commission was created as an intergovernmental organization for the purpose of providing for the operation, management, financing, and planning of local and specialized transit services in the participant's areas. Under the terms of a purchase of service contract entered into between the Nankin Transit Commission and the Suburban Mobility Authority for Regional Transportation (SMART), SMART has agreed to provide, among other things, certain equipment, vehicles and technical assistance necessary to provide public transportation services within a specified area. Two members of the Board of Directors for the joint venture are appointed by each of the four participating governments. The Board of Directors is responsible for approving the annual budget. The operating budget is funded by contributions from each participating government as well as contributions from SMART, the State of Michigan and the Federal Government. The City's contribution is based on a per capita basis and totaled \$21,000 for the year ended June 30, 2020. The City of Wayne represents approximately 12% of the per capita base of this organization. The City has no investment in the assets, liabilities, and fund equity of the Nankin Transit Commission. Complete financial statements of the Nankin Transit Commission can be obtained at the entity's administrative office: Nankin Transit Commission, 37151 Marquette, Westland, MI, 48185.

7) JOINT VENTURES (Continued)

(2) *Central Wayne County Sanitation Authority* - The City is a member of the Central Wayne County Sanitation Authority along with the cities of Dearborn Heights, Garden City, Inkster, and Westland. The Authority was created as an inter-governmental organization for the purpose of establishing and operating sanitary waste disposal operations for the mutual advantage by each government. One member of the Board of Directors for the joint venture is appointed by each government. The Board of Directors is responsible for approving the annual budget. The operating and debt requirements are funded by contributions from each participating government. At June 30, 2007, all Authority debt was paid off in full. The City of Wayne has no investment in the Authority. Complete financial statements of the Central Wayne County Sanitation Authority can be obtained at the entity's administrative office: Central Wayne County Sanitation Authority, 35000 Sims, Wayne, MI, 48184.

8) OTHER POST EMPLOYMENT BENEFITS

Plan Description - The City provides retiree health care to eligible employees and their spouses. The Retirees Healthcare Plan is a single-employer defined benefit plan administered by the City. The City provides post-employment health care to all employees who retire from the City as per contractual agreement for union employees and Council resolution for non-union employees. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the employer.

Postemployment life insurance benefits are provided on a contractual basis in amounts of \$2,000, \$4,000 and \$8,000 with current contracts providing for retiree life insurance in the amount of \$10,000.

Funding Policy - The cost of retiree healthcare and life insurance benefits is paid by the City of Wayne Retiree Healthcare Plan. This Other Post-Employment Benefits (OPEB) is funded by the City on a pay-as-you-go basis. For the year ended June 30, 2020, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2019.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of Member Count	<u>June 30, 2020</u>
Retirees and Beneficiaries	\$ 179
Inactive, Nonretired Members	9
Active Plan Members	<u>43</u>
Total Plan Members	<u>\$ 231</u>

Contributions

Retiree healthcare costs are paid by the City on a “pay-as-you-go” basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2020, the City made payments for postemployment health benefit premiums of \$334,376.

Total OPEB Liability

The June 30, 2020 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, which used updated procedures to roll forward the estimated liability to June 30, 2020.

CITY OF WAYNE, MICHIGAN

Notes to the Financial Statements (Continued) June 30, 2020

8) OTHER POST EMPLOYMENT BENEFITS (Continued)

Total OPEB Liability (Continued)

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

Changes in Total OPEB Liability	Total OPEB Liability
Balance at July 1, 2019	\$ 5,281,545
Changes for the year:	
Service Cost	50,685
Interest	160,873
Differences Between Expected and Actual Experience	(879,623)
Changes in Assumptions	557,598
Benefit Payments, Including Refunds	(334,376)
Net Changes	(444,843)
Balance at June 30, 2020	<u>\$ 4,836,702</u>

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

For the year ended June 30, 2020, the City recognized an OPEB recovery of \$152,960.

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 320,813
Changes in Assumptions	203,365	-
Total	<u>\$ 203,365</u>	<u>\$ 320,813</u>

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

Years Ending June 30	Amount
2020	<u>\$ (117,448)</u>
Total	<u>\$ (117,448)</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) ranging from 3.0 percent to 9.7 percent; and using the Sex Distinct Pub-2010 Tables. These assumptions were applied to all periods included in the measurement.

8) OTHER POST EMPLOYMENT BENEFITS (Continued)

Other Information

Effective January 1, 2019, the City terminated the current pre-65 and post-65 retiree medical plans. In place of these plans, eligible retirees will receive a monthly stipend for use toward the cost of individual health insurance premiums and/or qualified medical expenses. The new benefit structure was valued as part of the June 30, 2019 valuation.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.45 percent. The discount rate was based on the Fidelity “20-Year Municipal GO AA Index.”

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.45 percent, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (1.45%)	Current Discount Rate (2.45%)	1 Percent Increase (3.45%)
Total OPEB Liability of the Retiree Health Care Plan	\$ 5,580,480	\$ 4,836,702	\$ 4,245,057

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

Due to the flat dollar stipend style of the City’s plan, the net OPEB liability is not impacted by changes in the healthcare cost trend rates.

Assumption Changes

The discount rate used to measure the total OPEB liability as of June 30, 2020 was changed from 3.13 percent to 2.45 percent. The discount rate changed due to changes in the municipal bond rate.

9) DEFINED PENSION PLAN

Plan Description – the City participates in an agent multiple-employer defined benefit plan for all employees administered by the Municipal Employees’ Retirement System (MERS) of Michigan. Authority to establish and amend benefit provisions resides with the City of Wayne City Council through negotiations with the various bargaining units. 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 as of December 31 each year that includes financial statements and required supplemental information of this defined benefit plan. This report may be obtained by writing to Municipal Employees’ Retirement System of Michigan, 1134 Municipal Way, Lansing, MI 48197.

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

The MERS plan covers all full-time employees of the City (except the District Court Judge) that are eligible for a defined benefit pension.

9) DEFINED PENSION PLAN (Continued)

The following is a summary of benefits by division:

General – Retirement benefits for employees hired after February 19, 2008 are calculated at 2.5 percent of the employee's highest three consecutive years' average salary times the employee's years of service with a retirement maximum of 80 percent of final average compensation. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 55 years with a 10 year vesting period or a reduced benefit at age 50 with 25 years of service. Retirement benefits for employees hired prior to February 19, 2008 are bridged and calculated at 2.8 percent if less than 25 service years, 2.5 percent for 25-30 service years, and 1 percent for more than 30 years of service of the employee's highest three consecutive years average salary times the years of service, and 2.25 percent for service years subsequent to the bridge date (9/30/16) with an 80% retirement maximum. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 55 years with a 10 year vesting period or a reduced benefit at age 50 with 25 years of service.

Dispatchers – Retirement benefits for employees hired after December 20, 2007 are calculated at 2.5 percent of the employee's highest three consecutive years' average salary times the employee's years of service with a retirement maximum of 80 percent of final average compensation. Members contribute 7 percent of their salaries to fund benefits. Normal retirement age is 55 years with a 10 year vesting period, early retirement with unreduced benefit after 30 years of service, or a reduced benefit at age 50 with 25 years of service. Retirement benefits for employees hired prior to December 20, 2007 are calculated at 2.8 percent if less than 25 service years, 2.5 percent for 25-30 service years, and 1 percent for more than 30 years of service of the employee's highest three consecutive years average salary times the years of service with no retirement maximum. Members contribute 7 percent of their salaries to fund benefits after 30 year of service, or a reduced benefit at age 50 with 25 years of service.

Fire – Retirement benefits for employees hired after November 1, 2011 are calculated at 2.5 percent of the employee's highest three consecutive years' average salary times the employee's years of service with a retirement maximum of 80 percent of final average compensation. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 60 years with a 10 year vesting period, early retirement with unreduced benefit at age 55 with 25 years of service, or a reduced benefit at age 50 with 25 years of service or age 55 with 15 years of service. Retirement benefit for employees hired after March 16, 2009 and before November 1, 2011 are the same except for the normal retirement age is 50 years with a 10 year vesting period or early retirement with unreduced benefit after 25 years of service. Retirement benefits for employees hired prior to March 16, 2009 are bridged and calculated at 2.7 percent if less than 25 service years, 2.5 percent for 25-30 service years, and 1 percent if greater than 25 service years, of the employee's highest three consecutive years average salary times the years of service, and 2.25 percent for years subsequent to the bridge date of 9-30-16, with an 80% retirement maximum. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 50 years with a 10 year vesting period, early retirement with unreduced benefits after 25 years of service.

9) DEFINED BENEFIT PENSION PLAN (Continued)

Department Heads – Retirement benefits for employees hired after January 1, 2016 are calculated at 1.5 percent of the employee's highest three consecutive years' average salary times the employee's years of service with no retirement maximum. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 60 years with 10 year vesting period, early retirement with unreduced benefit after 30 years of service, or a reduced benefit at age 50 with 25 years of service or age 55 with 15 years of service. Retirement benefits for employees hired prior to January 1, 2016 are bridged and calculated at 2.8 percent if less than 25 service years, 2.5 percent for 25-30 service years, and 1 percent for more than 30 years of service of the employee's highest five consecutive years average salary time the years of service and 2.25 percent for years subsequent to the bridge date of 9-30-16, with an 80% retirement maximum. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 55 years with a 10 year vesting period, early retirement with unreduced benefits after 30 years of service, or a reduced benefit at age 50 with 25 years of service.

Court - Retirement benefits for employees hired after December 18, 2007 are calculated at 2.5 percent of the employee's highest three consecutive years' average salary times the employee's years of service with a retirement maximum of 80 percent of final average compensation. Members contribute 7 percent of their salaries to fund benefits. Normal retirement age is 55 years with 10 year vesting period, early retirement with unreduced benefit after 30 years of service, or a reduced benefit at age 50 with 25 years of service. Retirement benefits for employees hired prior to December 18, 2007 are calculated at 2.8 percent if less than 25 service years, 2.5 percent for 25-30 service years, and 1 percent for more than 30 years of service of the employee's highest three consecutive years average salary time the years of service with no retirement maximum. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 55 years with a 10 year vesting period, early retirement with unreduced benefits after 30 years of service, or a reduced benefit at age 50 with 25 years of service.

TPOAM - Retirement benefits for employees hired after June 5, 2007 are calculated at 2.5 percent of the employee's highest three consecutive years' average salary times the employee's years of service with no retirement. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 55 years with 10 year vesting period or early retirement with unreduced benefit after 25 years of service. Retirement benefits for employees hired prior to June 5, 2007 are calculated at 2.8 percent if less than 25 service years, 2.5 percent for 25-30 service years, and 1 percent for more than 30 years of service of the employee's highest three consecutive years average salary times the years of service with no retirement maximum. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 55 years with a 10 year vesting period or early retirement with unreduced benefits after 25 years of service.

POAM/COAM - Retirement benefits for employees hired after May 5, 2008 are calculated at 2.5 percent of the employee's highest three consecutive years' average salary times the employee's years of service with a retirement maximum of 80 percent of final average compensation. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 50 years with 10 year vesting period or early retirement with an unreduced benefit after 25 years of service. Retirement benefits for employees hired prior to May 5, 2008 are calculated at 2.8 percent if less than 25 service years, 2.5 percent for 25-30 service years, and 1 percent for more than 30 years of service of the employee's highest three consecutive years average salary times the years of service with no retirement maximum. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 50 years with a 10 year vesting period or early retirement with unreduced benefits after 25 years of service.

9) DEFINED BENEFIT PENSION PLAN (Continued)

Supervisors - Retirement benefits are calculated at 2.8 percent if less than 25 service years, 2.5 percent for 25-30 service years, and 1 percent for more than 30 years of service of the employee's highest three consecutive years average salary times the years of service with no retirement maximum. Members contribute 10 percent of their salaries to fund benefits. Normal retirement age is 55 years with a 10 year vesting period or early retirement with unreduced benefits after 30 years of service, or a reduced benefit at age 50 with 25 years of service.

An employee who leaves service may withdraw his or her contribution, plus accumulated interest.

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 employee benefits terms may be subject to binding arbitration in certain circumstances.

Employees Covered by Benefit Terms – At the December 31, 2019 measurement date, the following employees were covered by the benefit terms:

Active plan members	71
Inactive employees or beneficiaries currently receiving benefits	205
Inactive employees entitled to but not yet receiving benefits	54
Total employees covered by MERS	330

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 the 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.

	<u>Monthly Fixed Contribution / Actual Percent of Payroll</u>
General	54.72%
Dispatchers	\$487
Fire Close New	18.02%
Retirees-2% Comp	\$43,786
Gen af 2/19/08	54.72%
Dept Heads	\$29,930
Supervisors	125.22%
Supvr af 11/20/07	125.22%
Court	53.89%
Court af 12/18/07	53.89%
TPOAM	13.73%
TPOAM af 12/18/07	13.73%
DeptHeads 1/1/16	0.00%
Disp af 12/20/07	\$161
POAM after 5/5/08	4.18%
POAM	\$7,647
COAM	152.29%
COAM after5/5/08	152.29%
Fire af 11/1/11	18.02%
Retire-2% Non-com Co	\$848
Retirees no COLA	\$0
Retire-2% COMP or ROI	\$235,063

9) DEFINED BENEFIT PENSION PLAN (Continued)

Dispatchers are now a closed division and the City pays a flat monthly rate of \$236. Department heads is also a closed division and the City pays a flat monthly rate of \$24,639.

Net Pension Liability – The net pension liability reported at June 30, 2020 was determined using a measure of the total pension liability and the pension net position as of December 31, 2019. The December 31, 2019 total pension liability was determined by an actuarial valuation performed as of that date.

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

Change in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2018	\$ 112,610,012	\$ 62,114,197	\$ 50,495,815
Service Cost	804,024	-	804,024
Interest	8,723,395	-	8,723,395
Changes to benefit terms	955	-	955
Experience Differences	433,250	-	433,250
Changes in Actuarial Assumptions	4,700,908	-	4,700,908
Miscellaneous Changes	-	-	-
Contributions - Employer	-	4,996,781	(4,996,781)
Contributions - Employee	-	430,005	(430,005)
Net Investment Income	-	8,279,660	(8,279,660)
Benefit Payments, Including Refunds	(7,939,169)	(7,939,169)	-
Administrative Expenses	-	(142,551)	142,551
Net Changes	6,723,363	5,624,726	1,098,637
Balance at December 31, 2019	\$ 119,333,375	\$ 67,738,923	\$ 51,594,452

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

For the year ended June 30, 2020, the City recognized pension expense of \$2,572,859. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience.	\$ 216,625	\$ -
Changes in assumptions	\$ 2,350,454	
Net difference between projected and actual earnings on pension plan investments.	214,184	-
Employer contributions to the plan subsequent to the measurement date.	2,697,033	-
	<u>\$ 5,478,296</u>	<u>\$ -</u>

9) DEFINED BENEFIT PENSION PLAN (Continued)

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

<u>Years Ending June 30,</u>	<u>Amount</u>
2021	\$ 2,368,255
2022	207,309
2023	889,043
2024	<u>(683,344)</u>
	<u>\$ 2,781,263</u>

Actuarial Assumptions – the total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods including in the measurement:

Inflation	2.50%	
Salary Increases	3.00%	
Investment Rate of Return	7.61%	Gross of pension plan investment expenses, including inflation.

Mortality rates were based on the RP 2014 Healthy Annuitant Mortality Table. 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, 2019 valuation were based on the results of the most recent actuarial experience study covering the period of December 31, 2008 through December 31, 2014.

Discount Rate – The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers.

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.

9) DEFINED BENEFIT PLAN (Continued)

Projected Cash Flows

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. Best estimates of arithmetic real rates of return as of June 30, 2020 for each major asset class included in the pension plan’s target asset allocation, as disclosed in the investment note, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	60.0%	3.15%
Global Fixed Income	20.0%	0.25%
Private Investments	20.0%	1.45%

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 7.60 percent, as well as what City’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60 percent) or one percentage point higher (8.60 percent) than the current rate:

	<u>1% Decrease 6.60%</u>	<u>Current Discount Rate 7.60%</u>	<u>1% Increase 8.60%</u>
Change in Net Pension Liability of the City 12/31/2019	\$ 14,052,070	\$ -	\$ (11,675,282)

Pension Plan Fiduciary Net Pension – Detailed information about the plan’s fiduciary net position is available in the separately issued financial report found at www.mersofmich.com. The plan’s fiduciary net pension has been determined on the same basis used 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’s contributions are recognized as expense when due and payable in accordance with the benefit terms.

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). The City is self-insured for workers’ compensation and participates in the Michigan Municipal Risk Management Authority (the “Authority”) risk pool for claims relating to property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

10) RISK MANAGEMENT (Continued)

The Michigan Municipal Risk Management Authority risk pool program operates as a claims serving 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 and workers' compensation 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 and workers' compensation claims are all included in the General Fund. Changes in the estimated liabilities for the years ended June 30, 2020 and 2019 were as follows:

Changes in the balance of claims liabilities for property casualty during the current and prior year are as follows:

	June 30,	
	2020	2019
Unpaid Claims, Beginning of Year	\$ 227,469	\$ 71,152
Incurred Claims, including Claims Incurred but not Reported	41,000	292,098
Claim Payments	(228,594)	(135,781)
Unpaid Claims, End of Year	\$ 39,875	\$ 227,469

Changes in the balance of claims liabilities for workers compensation during the current and prior year were as follows:

	June 30,	
	2020	2019
Unpaid Claims, Beginning of Year	\$ 19,155	\$ 5,208
Incurred Claims, including Claims Incurred but not Reported	43,163	42,494
Claim Payments	(33,339)	(28,547)
Unpaid Claims, End of Year	\$ 28,979	\$ 19,155

11) CONTINGENT LIABILITIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

12) COVID 19

In early March 2020, the COVID-19 virus was declared a global pandemic, and it unfortunately continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

13) SUBSEQUENT EVENTS

We examined subsequent events through December 18 2020, the date the report was available to be issued. There was no event requiring recognition in the financial statements.

14) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

For the City's April, May and June 2020 pension contributions, the City only paid 25% of its actuarially determined contribution. As a result, the contribution was underpaid by \$1,135,116. Paying the total pension contribution is required under the state constitution and these underpayments put the City in noncompliance.

MERS filed a lawsuit against the City for breach of contract. This lawsuit was settled in Wayne County Circuit Court on November 12, 2020 and a judgment property tax levy of approximately \$4.75 million was placed on the City's 2020 tax roll.

At June 30, the City's CDBG Fund (a non-major special revenue fund) had a fund deficit of \$3,804. This deficit is caused by a timing difference. \$3,804 of receivables at year-end was not received within 60 days of year-end and is therefore recorded as a deferred inflow of resources for unavailable revenue. When the money is received, the revenue will be recorded and the deficit will be alleviated.

15) TAX ABATEMENTS

The City receives reduced property tax revenue as a result of tax abatement agreements granted by the City. The tax abatement agreements include the following:

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

For the fiscal year ended June 30, 2020, the City abated \$161,009 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

16) UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2022.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF WAYNE, MICHIGAN

Required Supplemental Information Budgetary Comparison Schedule – General Fund June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 6,278,875	\$ 6,910,110	\$ 6,874,843	\$ (35,267)
Licenses and Permits	540,400	556,150	629,049	72,899
Intergovernmental	2,778,685	3,400,000	3,027,322	(372,678)
Charges for Service and Sales	1,214,300	1,159,460	1,158,842	(618)
Fines and Forfeitures	493,500	524,500	475,728	(48,772)
Interest and Rents	443,600	478,400	534,975	56,575
Other Revenue	3,092,870	3,103,350	3,259,410	156,060
Total Revenue	14,842,230	16,131,970	15,960,169	(171,801)
Expenditures - Current				
General Government:				
City Council	41,550	41,550	27,207	(14,343)
City Manager	137,340	121,500	120,497	(1,003)
Finance	771,465	743,735	650,468	(93,267)
Law	195,000	254,500	246,009	(8,491)
City Clerk	200,826	221,044	209,357	(11,687)
Personnel	102,971	148,377	142,760	(5,617)
Information Technology	225,285	259,685	234,715	(24,970)
Other	2,975,755	3,949,250	3,730,181	(219,069)
Total General Government	4,650,192	5,739,641	5,361,194	(378,447)
District Court	1,085,840	1,285,215	1,112,306	(172,909)
Public Safety	6,725,799	7,315,410	6,886,317	(429,093)
Public Services	2,209,858	2,314,823	1,693,660	(621,163)
Community and Economic Development	176,480	208,375	132,039	(76,336)
Recreation and Culture	12,300	543,120	465,567	(77,553)
Debt Service	590,905	1,259,189	1,259,083	(106)
Total Expenditures	15,451,374	18,665,773	16,910,166	(1,755,607)
Excess (Deficiency) of Revenue over Expenditures	(609,144)	(2,533,803)	(949,997)	1,583,806
Fund Balance, Beginning of Year, as Restated	2,623,387	2,623,387	2,623,387	-
Fund Balance, End of Year	<u>\$ 2,014,243</u>	<u>\$ 89,584</u>	<u>\$ 1,673,390</u>	<u>\$ 1,583,806</u>

CITY OF WAYNE, MICHIGAN

Required Supplemental Information Budgetary Comparison Schedule – Local Streets June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 344,726	\$ 344,726	\$ 359,867	\$ 15,141
Intergovernmental	525,764	525,764	497,587	(28,177)
Other Revenue	4,500	4,500	23,120	18,620
Total Revenue	874,990	874,990	880,574	5,584
Expenditures - Current				
Road Projects - Streets	1,279,550	1,309,313	938,376	(370,937)
Total Expenditures	1,279,550	1,309,313	938,376	(370,937)
Excess (Deficiency) of Revenue Over Expenditures	(404,560)	(434,323)	(57,802)	376,521
Other Financing Sources (uses)				
Transfers in	436,317	436,317	301,647	(134,670)
Total Other Financing Sources (Uses)	436,317	436,317	301,647	(134,670)
Net Change in Fund Balance	31,757	1,994	243,845	241,851
Fund Balance, Beginning of Year	2,956,941	2,956,941	2,956,941	-
Fund Balance, End of Year	<u>\$ 2,988,698</u>	<u>\$ 2,958,935</u>	<u>\$ 3,200,786</u>	<u>\$ 241,851</u>

1) LEGAL COMPLIANCE - BUDGETS - ACCOUNTING AND REPORTING

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets were adopted for the general fund and eight special revenue funds (Major Street Fund, Local Street Fund, Refuse Collection and Disposal Fund, Vehicle Forfeiture Fund, Drug Enforcement Fund, Library Operations Fund, Community Development Block Grant Fund and Community Development Program Income Fund).

Functional Activity (i.e. general government, district court, public safety, etc.) is the legal level of control at which expenditures may not legally exceed appropriations for the general fund budget. Total expenditures is the legal level of control for all special revenue funds.

The City is legally subject to the budgetary control requirement of Michigan Public Act (P.A.) 2 of 1978 as amended. The following is a summary of the requirements of this Act.

- (i) Budgets must be adopted for the General Fund and Special Revenue Funds.
- (ii) The budgets must be balanced.
- (iii) The budgets must be amended when necessary.
- (iv) Public hearings must be held before budget adoptions.
- (v) Expenditures cannot exceed budget appropriations.
- (vi) Expenditures must be authorized by a budget before being incurred.

The City adopts its budget by functional activity which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- (i) At the second regular meeting in April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes the proposed expenditures and the means of financing them, for the General Fund and Special Revenue Funds. The budgets are adopted on a basis consistent with generally accepted accounting principles.
- (ii) Public hearings are conducted to obtain taxpayer comments.
- (iii) At the second regular meeting in May, the General Fund and Special Revenue Fund budgets are legally enacted through passage of a resolution by the City Council. The budgeting technique groups various departments into activities by function of service.
- (iv) After the budget has been adopted no money can be drawn from the treasury of the City, nor can any obligation for the expenditure of money be incurred except pursuant to the budget appropriation.
- (v) Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- (vi) The Finance Director is authorized to make budgetary transfers within appropriation centers. The City Manager is authorized to make budgetary transfers between appropriation centers as long as no appropriation center is increased by more than 2.5%. All other transfers between appropriation centers may be made only by further action of the City Council pursuant to the provisions of the Michigan Uniform Accounting and budgeting Act.

CITY OF WAYNE, MICHIGAN

Required Supplemental Information Schedule of Changes in the Total OPEB Liability and Related Ratios Last Three Years

	Year Ended June 30,		
	2020	2019	2018
Total OPEB Liability			
Service Cost	\$ 50,685	\$ 44,089	\$ 46,494
Interest	160,873	190,880	234,566
Differences between Expected and Actual Experience	(879,623)	118,943	(13,754)
Changes in Assumptions	557,598	289,727	(35,159)
Benefit Payments, including Refunds	<u>(334,376)</u>	<u>(1,225,959)</u>	<u>(1,867,933)</u>
Net Change in Total OPEB Liability	(444,843)	(582,320)	(1,635,786)
Total OPEB Liability - Beginning of Year	<u>5,281,545</u>	<u>5,863,865</u>	<u>7,499,651</u>
Total OPEB Liability - End of Year	<u>\$ 4,836,702</u>	<u>\$ 5,281,545</u>	<u>\$ 5,863,865</u>

Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

CITY OF WAYNE, MICHIGAN

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

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service Cost	\$ 804,024	\$ 739,603	\$ 776,490	\$ 839,488	\$ 964,860	\$ 972,670
Interest	8,723,395	8,644,155	9,076,213	8,572,725	8,248,252	8,193,782
Changes to Benefit Terms	955	(431,640)	(932,184)	(1,964,931)	-	-
Experience Differences	433,250	(33,540)	(975,609)	617,650	753,203	-
Changes in Actuarial Assumptions	4,700,908	-	-	-	4,873,680	-
Miscellaneous Changes	-	-	-	67,360	67,360	-
Benefit Payments, including Refunds	(7,939,169)	(7,981,455)	(8,017,627)	(7,945,246)	(7,337,088)	(8,020,773)
Net Change in Total Pension Liability	6,723,363	937,123	(72,717)	187,046	7,570,267	1,145,679
Total Pension Liability - Beginning of Year	112,610,012	111,672,889	111,745,606	111,558,560	103,988,293	102,842,614
Total Pension Liability - End of Year	<u>\$ 119,333,375</u>	<u>\$ 112,610,012</u>	<u>\$ 111,672,889</u>	<u>\$ 111,745,606</u>	<u>\$ 111,558,560</u>	<u>\$ 103,988,293</u>
Plan Fiduciary Net Position						
Contributions - Employer	4,996,781	4,212,488	3,634,938	3,331,359	2,707,157	2,825,137
Contributions - Employee	430,005	577,025	513,222	412,398	331,062	1,430,906
Net Investment Income	8,279,660	(2,555,519)	8,197,570	6,766,100	(951,680)	4,151,563
Benefit Payment, including Refunds	(7,939,169)	(7,981,455)	(8,017,627)	(7,945,246)	(7,337,088)	(8,020,773)
Administrative Expenses	(142,551)	(129,099)	(128,709)	(133,763)	(142,200)	(151,723)
Net Change in Plan Fiduciary Net Position	5,624,726	(5,876,560)	4,199,394	2,430,848	(5,392,749)	235,110
Plan Fiduciary Net Position - Beginning of Year	62,114,197	67,990,757	63,791,363	61,360,515	66,753,264	66,518,152
Plan Fiduciary Net Position - End of Year	<u>\$ 67,738,923</u>	<u>\$ 62,114,197</u>	<u>\$ 67,990,757</u>	<u>\$ 63,791,363</u>	<u>\$ 61,360,515</u>	<u>\$ 66,753,262</u>
City's Net Pension Liability - Ending	\$ 51,594,452	\$ 50,495,815	\$ 43,682,132	\$ 47,954,243	\$ 50,198,045	\$ 37,235,031
Plan Fiduciary Net Position as a Percent of Total Pension Liability	56.80%	55.16%	60.88%	57.10%	55.0%	64.2%
Covered Payroll	\$ 4,468,368	\$ 4,001,688	\$ 4,037,226	\$ 4,101,050	\$ 5,866,847	\$ 4,414,412
City's Net Pension Liability as a Percent of Covered Payroll	1515.97%	1261.86%	1081.98%	1169.32%	1901.50%	843.5%

CITY OF WAYNE, MICHIGAN

Required Supplemental Information Schedule of City Contributions Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution	\$ 4,996,781	\$ 4,212,488	\$ 3,634,938	\$ 3,331,359	\$ 2,707,157	\$ 2,825,137	\$ 3,015,648	\$ 2,787,664	\$ 2,070,252	\$ 2,342,064
Contributions in Relation to the Actuarially Determined Contribution	<u>4,996,781</u>	<u>4,212,488</u>	<u>3,634,938</u>	<u>3,331,359</u>	<u>2,707,157</u>	<u>2,825,137</u>	<u>3,199,597</u>	<u>2,997,070</u>	<u>2,326,414</u>	<u>2,223,725</u>
Contribution Excess (Deficiency)	<u>\$ -</u>	<u>\$ 183,949</u>	<u>\$ 209,406</u>	<u>\$ 256,162</u>	<u>\$ (118,339)</u>					
Covered Payroll	4,468,368	4,001,688	4,037,226	4,101,050	5,866,847	4,414,412	5,599,175	5,866,847	6,042,833	5,814,240
Contributions as a Percentage of Covered Payroll	112%	105%	90%	81%	46%	64%	57%	51%	38%	38%

Actuarial Valuation Information Relative to the Determination of Contributions:

Valuation Date Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and Assumptions used to Determine Contribution Rates:

Actuarial Cost Method	Level Percentage of Pay
Remaining Amortization Period	5-22 years
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	3.75%, including inflation
Investment Rate of Return	7.75%
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition.
Mortality	RP 2014 Healthy Annuitant Mortality Tables
Other Information	None

OTHER SUPPLEMENTAL INFORMATION

CITY OF WAYNE, MICHIGAN

Non-Major Governmental Funds Combining Balance Sheet June 30, 2020

	Special Revenue Funds										Permanent Fund	Non-Major Governmental Funds Total
	Major Street and Trunkline Fund	Refuse Collection and Disposal Fund	PEG Public Improvement Fund	Vehicle Forfeiture Fund	Indigent Defense Fund	Drug Law Enforcement Fund	Library Operations Fund	Community Development Block Grant Fund	Community Development Program Income Fund	Youth Grant Program	Permanent Fund Cemetery Perpetual Fund	
Assets:												
Cash and Cash Equivalents	\$ 942,331	\$ 742,422	\$ 75,958	\$ -	\$ 198,367	\$ -	\$ 359,279	\$ -	\$ 106,158	\$ 301,032	\$ 368,344	\$ 3,093,891
Receivables:												
Intergovernmental	177,969	-	-	-	-	-	7,102	45,504	-	-	-	230,575
Others	457	-	2,515	-	-	-	-	-	-	115,395	-	118,367
Prepaid Expenses	-	-	-	-	292	-	17,021	-	-	-	-	17,313
Inventory	47,796	-	-	-	-	-	-	-	-	-	-	47,796
Total Assets	\$ 1,168,553	\$ 742,422	\$ 78,473	\$ -	\$ 198,659	\$ -	\$ 383,402	\$ 45,504	\$ 106,158	\$ 416,427	\$ 368,344	\$ 3,507,942
Liabilities and Fund Balances (Deficit)												
Liabilities:												
Accounts Payable	\$ 40,154	\$ 140,398	\$ -	\$ -	\$ 9,180	\$ -	\$ 12,627	\$ -	\$ -	\$ 30,950	\$ -	\$ 233,309
Due to Other Funds	-	-	-	-	-	-	-	45,504	-	-	-	45,504
Other Liabilities-Intergovernmental	-	12,523	-	-	-	-	4,307	-	-	-	-	16,830
Unearned Revenue	-	-	-	-	186,526	-	-	-	106,158	-	-	292,684
Accrued Salaries and Wages	-	-	-	-	2,953	-	9,317	-	-	-	-	12,270
Total Liabilities	40,154	152,921	-	-	198,659	-	26,251	45,504	106,158	30,950	-	600,597
Deferred Inflows of Resources -												
	14,000	-	-	-	-	-	-	3,804	-	13,766	-	31,570
Fund Balances (Deficit):												
Nonspendable	47,796	-	-	-	292	-	17,021	-	-	-	-	65,109
Permanent Fund Principal	-	-	-	-	-	-	-	-	-	-	368,344	368,344
Restricted for:												
Roads	1,066,603	-	-	-	-	-	-	-	-	-	-	1,066,603
Refuse Collection	-	589,501	-	-	-	-	-	-	-	-	-	589,501
Library Operations	-	-	-	-	-	-	340,130	-	-	-	-	340,130
Public Improvements	-	-	78,473	-	-	-	-	-	-	-	-	78,473
Youth Grants	-	-	-	-	-	-	-	-	-	371,711	-	371,711
Unassigned	-	-	-	-	(292)	-	-	(3,804)	-	-	-	(4,096)
Total Fund Balance (Deficit)	1,114,399	589,501	78,473	-	-	-	357,151	(3,804)	-	371,711	368,344	2,875,775
Total Liabilities, Deferred Inflows and Fund Balance	\$ 1,168,553	\$ 742,422	\$ 78,473	\$ -	\$ 198,659	\$ -	\$ 383,403	\$ 45,504	\$ 106,158	\$ 416,427	\$ 368,344	\$ 3,507,942

CITY OF WAYNE, MICHIGAN

Non-Major Governmental Funds Combining Statement of Revenue, Expenditures and Changes in Fund Balance For Year Ended June 30, 2020

	Special Revenue Funds									Permanent Fund		Non-Major Governmental Funds Total
	Major Street and Trunkline Fund	Refuse Collection and Disposal Fund	PEG Public Improvement Fund	Vehicle Forfeiture Fund	Indigent Defense Fund	Drug Law Enforcement Fund	Library Operations Fund	Community Development Block Grant Fund	Community Development Program Income Fund	Youth Grant Program	Permanent Fund Cemetery Perpetual Fund	
Revenues:												
Taxes	\$ -	\$ 1,044,040	\$ -	\$ -	\$ -	\$ -	\$ 741,346	\$ -	\$ -	\$ -	\$ -	\$ 1,785,386
Intergovernmental Revenue												
Gas, Weight and Trunkline Maintenance	1,190,656	-	-	-	-	-	-	-	-	-	-	1,190,656
Federal Grants/Entitlement	-	-	-	-	-	-	74,550	-	319,315	-	-	393,865
Other Grants	-	96,348	-	-	128,789	-	51,554	-	-	-	-	276,691
Charges for Services	-	-	23,024	-	-	-	-	-	-	-	3,000	26,024
Interest and Rents	3,002	4,013	218	-	951	-	2,337	-	-	-	-	10,521
Other Revenue	-	49	-	-	-	-	45,944	-	-	-	-	45,993
Total Revenues	1,193,658	1,144,450	23,242	-	129,740	-	841,181	74,550	-	319,315	3,000	3,729,136
Expenditures:-Current												
General Government	-	-	-	-	129,740	-	-	-	-	-	-	129,740
Public Safety	-	-	-	17	-	115	-	-	-	-	-	132
Public Services	630,045	1,077,311	-	-	-	-	-	-	-	-	-	1,707,356
Community and Economic Development	-	-	-	-	-	-	28,162	-	306,044	-	-	334,206
Recreation and Culture	-	-	-	-	-	-	733,801	-	-	-	-	733,801
Debt Service												
Principal	30,000	-	-	-	-	-	-	-	-	-	-	30,000
Interest and Paying Agent Fees	24,037	-	-	-	-	-	-	-	-	-	-	24,037
Total Expenditures	684,082	1,077,311	-	17	129,740	115	733,801	28,162	-	306,044	-	2,959,272
Excess (Deficiency) of Revenue over Expenditures	509,576	67,139	23,242	(17)	-	(115)	107,380	46,388	-	13,271	3,000	769,864
Other Financing Source (Uses)												
Transfers Out	(301,647)	-	-	-	-	-	-	-	-	-	-	(301,647)
Total Other Financing Source (Uses)	(301,647)	-	-	-	-	-	-	-	-	-	-	(301,647)
Net change in Fund Balances	207,929	67,139	23,242	(17)	-	(115)	107,380	46,388	-	13,271	3,000	468,217
Fund Balances (Deficit) July 1, 2019	906,470	522,362	55,231	17	-	115	249,771	(50,192)	-	358,440	365,344	2,407,558
Fund Balances (Deficit) June 30, 2020	\$ 1,114,399	\$ 589,501	\$ 78,473	\$ -	\$ -	\$ -	\$ 357,151	\$ (3,804)	\$ -	\$ 371,711	\$ 368,344	\$ 2,875,775

CITY OF WAYNE, MICHIGAN

Other Supplemental Information Combining Statement of Fiduciary Net Position June 30, 2020

	Custodial Funds		
	Current Tax Collection Fund	Delinquent Personal Property Tax Collection Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 61,057	\$ 367	\$ 61,424
Tax Receivable - Delinquent	-	137,063	137,063
Total Assets	\$ 61,057	\$ 137,430	\$ 198,487
LIABILITIES			
Due to Other Government	\$ 61,057	\$ 137,430	\$ 198,487
NET POSITION	\$ -	\$ -	\$ -

CITY OF WAYNE, MICHIGAN

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position June 30, 2020

	Custodial Funds		
	Current Tax Collection Fund	Delinquent Personal Property Tax Collection Fund	Total
Additions			
Property Tax Collections	\$ 13,118,562	\$ -	\$ 13,118,562
Other Additions	-	25,600	25,600
Total Additions	13,118,562	25,600	13,144,162
Deductions			
Tax Distributions to other Governments	13,118,562	-	13,118,562
Other Deductions	-	25,600	25,600
Total Deductions	13,118,562	25,600	13,144,162
Net Change in Fiduciary Net Postion	-	-	-
Net Position - Beginning of Year	-	-	-
Net Position - End of Year	\$ -	\$ -	\$ -

CITY OF WAYNE, MICHIGAN

AUDIT COMMUNICATION LETTER

JUNE 30, 2020



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

7310 Woodward Ave, Suite 740
Detroit, MI 48202

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December 18, 2020

Honorable Mayor and
Members of City Council
City of Wayne, Michigan

We have recently completed our audit of the financial statements of the City of Wayne, Michigan (the City) for the year ended June 30, 2020. In addition to our audit report, we are providing the following required communication and recommendations, which impact the City.

	<u>Page</u>
Communication Required Under AU-C 260	1

We are grateful for the opportunity to be of service to the City. Should you have any questions regarding the comments in this report, please do not hesitate to contact us.

Very truly yours,

Alan C. Young & Associates, P.C.
Detroit, Michigan



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RESULTS OF AUDIT

December 18, 2020

Honorable Mayor and
Members of City Council
The City of Wayne
Wayne, Michigan

We have audited the financial statements of the governmental activities, business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wayne, Michigan (the City) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the scope and timing of our audit. We have communicated such information in our letter to you dated May 15, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 15, 2020, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Other Information in Documents Containing Audited Financial Statements

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, was to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas tested.

Results of Audit (Continued)

Scope and Timing of the Audit (Continued)

Our audit included obtaining an understanding of the City and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the City.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. During the year, the City implemented the provisions of GASB 84 *Fiduciary Activities*. As a result, certain activities previously reported as fiduciary activities are now reported in the general fund. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Sensitive estimates include depreciation expense and the estimate of pension and OPEB liability.

The disclosures in the financial statements are neutral, consistent, and clear. Notes 5, 8 and 9 are of particular importance as they discuss the City's long-term debt, OPEB liability and pension liability, respectively.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. We would like to commend management and staff on the assistance provided to us during the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Any such misstatement has been recorded and corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 18, 2020.

Results of Audit
(Continued)

Significant Audit Matters (Continued)

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Matters

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

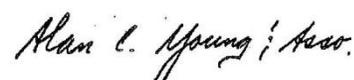
Other Matters

We applied certain limited procedures to the budgetary comparison schedule, schedule of changes in net pension liability and related ratios, schedule of pension contributions, schedule of changes in OPEB liability and related ratios, and schedule of OPEB contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Honorable Mayor, Members of City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.



Detroit, Michigan
December 18, 2020