

City of Westland, Michigan

Financial Report with Supplemental Information June 30, 2016

City of Westland, Michigan

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City of Westland, Michigan

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Independent Auditor's Report

To the City Council
City of Westland, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Westland, Michigan (the "City") as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the City of Westland, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

To the City Council
City of Westland, Michigan

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Westland, Michigan as of June 30, 2016 and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 1, the financial statements of the Police and Fire Retirement System Trust Fund include investments valued at approximately \$27,100,000 (representing approximately 18.6 percent of fiduciary net position) at June 30, 2016 whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by the investment managers, periodic appraisal, real estate advisors, general partners, or other means. Our opinion has not been modified with respect to this matter.

As explained in Note 3 to the financial statements, during the year ended June 30, 2016, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

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

To the City Council
City of Westland, Michigan

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016 on our consideration of the City of Westland, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Westland, Michigan's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 22, 2016

City of Westland, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Westland, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2016 and should be read in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2016:

- The City was able to obtain a \$2.3 million grant from the Department of Homeland Security to hire 13 full-time firefighters.
- Capital improvements at the Mike Modano Ice Arena were made with the construction of new locker rooms and a meeting room for the hockey organizations.
- The City again complied with the requirements from the State of Michigan for the new City, Village, Township Revenue Sharing (CVTRS) program, which replaces the former Economic Vitality Incentive Program (EVIP), and received \$1.35 million for the fiscal year.
- Renovations at the police department were completed with over \$1.7 million being invested into capital improvements to the building.
- The new Inkster Road Pump Station was put into service.
- The Jefferson Barnes Community Vitality Center opened for business after the City received a Section 8 low-interest loan.
- The unassigned General Fund fund balance increased to over \$6.4 million.

Using this Annual Report

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

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

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

The City of Westland, Michigan as a Whole

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current assets	\$ 24,630,184	\$ 25,079,046	\$ 23,597,910	\$ 20,132,661	\$ 48,228,094	\$ 45,211,707
Noncurrent assets	211,770,481	219,390,113	89,531,845	88,745,794	301,302,326	308,135,907
Total assets	236,400,665	244,469,159	113,129,755	108,878,455	349,530,420	353,347,614
Deferred Outflows of Resources	34,360,977	16,025,387	2,625,552	923,982	36,986,529	16,949,369
Liabilities						
Current liabilities	7,386,990	9,858,726	7,406,056	(12,157,587)	14,793,046	(2,298,861)
Long-term liabilities	198,700,972	159,507,850	42,287,802	57,762,116	240,988,774	217,269,966
Total liabilities	206,087,962	169,366,576	49,693,858	45,604,529	255,781,820	214,971,105
Deferred Inflows of Resources	40,940	-	13,647	-	54,587	-
Net Position						
Net investment in capital assets	199,838,501	207,173,610	71,907,609	69,651,633	271,746,110	276,825,243
Restricted	9,979,782	8,108,241	125,000	177,500	10,104,782	8,285,741
Unrestricted (deficit)	(145,185,543)	(124,153,881)	(5,984,807)	(5,631,225)	(151,170,350)	(129,785,106)
Total net position	<u>\$ 64,632,740</u>	<u>\$ 91,127,970</u>	<u>\$ 66,047,802</u>	<u>\$ 64,197,908</u>	<u>\$ 130,680,542</u>	<u>\$ 155,325,878</u>

The City's governmental combined net position decreased 29.1 percent from a year ago - decreasing from \$91,127,970 to \$64,632,740. The decrease was mainly due to the increase in long-term liabilities.

Unrestricted net position- the part of net position that can be used to finance operations - is currently at a deficit of \$145,185,543 for governmental activities. This is generally a result of the accrual of the pension liability, compensated absences, and other postemployment benefits, which will be paid from future revenue sources. This accrual is approximately \$193,700,000.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Net Position - Beginning of year	\$ 91,127,970	\$ 104,090,216	\$ 64,197,908	\$ 62,089,645	\$ 155,325,878	\$ 166,179,861
Revenue						
Program revenue:						
Charges for services	22,071,476	21,233,940	28,075,495	27,660,198	50,146,971	48,894,138
Operating grants and contributions	10,752,797	9,151,555	-	-	10,752,797	9,151,555
Capital grants and contributions	257,488	6,738,951	804,998	655,212	1,062,486	7,394,163
General revenue:						
Property taxes	29,460,187	28,823,876	-	-	29,460,187	28,823,876
State-shared revenue	7,745,035	7,751,131	-	-	7,745,035	7,751,131
Interest	227,518	93,477	12,449	27,091	239,967	120,568
Gain on sale of fixed assets	592,643	14,055	-	-	592,643	14,055
Other revenue	411,050	1,159,130	-	-	411,050	1,159,130
Total revenue	71,518,194	74,966,115	28,892,942	28,342,501	100,411,136	103,308,616
Program Expenses						
General government	17,543,412	17,983,338	-	-	17,543,412	17,983,338
Public safety	52,843,586	42,406,710	-	-	52,843,586	42,406,710
Public works	18,212,506	19,814,418	-	-	18,212,506	19,814,418
Community and economic development	3,788,762	2,909,679	-	-	3,788,762	2,909,679
Cultural and recreation	5,502,089	4,674,459	-	-	5,502,089	4,674,459
Interest on long-term debt	123,069	139,757	-	-	123,069	139,757
Water and sewer	-	-	27,043,048	26,234,238	27,043,048	26,234,238
Total program expenses	98,013,424	87,928,361	27,043,048	26,234,238	125,056,472	114,162,599
Change in Net Position	(26,495,230)	(12,962,246)	1,849,894	2,108,263	(24,645,336)	(10,853,983)
Net Position - End of year	\$ 64,632,740	\$ 91,127,970	\$ 66,047,802	\$ 64,197,908	\$ 130,680,542	\$ 155,325,878

Governmental Activities

The City's total governmental revenue decreased by approximately \$3,400,000. The decrease, which represents approximately 4.5 percent, was primarily due to capital grants and contributions.

Expenses increased by approximately \$10,085,000 during the year. A big part of this increase was public safety. There were also increases in Community and Economic Development and recreation.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund. The City provides water to residents from the Detroit water system. The City also provides sewage treatment through Wayne County. The usage of the water system increased slightly from usage in the prior year. Effective July 1, 2016, the City Council increased the water and sewer rates by 2.8 percent and 2.9 percent, respectively.

The City of Westland's Funds

Our analysis of the City's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The Westland City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as community development block grant and debt service. The City's major fund for 2016 is the General Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$36 million in 2016. Other government services accounted for in the General Fund include general government (finance, city clerk, city assessor, economic development, community development, personnel, and the mayor's office), sanitation, and recreation. General Fund revenue increased by 1.1 million. This was due to increases in tax revenue, state grant revenue, interest income, and court revenue.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events that occurred during the year. A third-quarter budget amendment was approved to increase net revenue in the amount of \$1.1 million. This consisted mainly of receiving additional grant and public safety revenue. Also, the third-quarter budget amendment consisted of increasing many departmental expenditures for a total \$1.6 million. The net overall effect for this budget amendment increased the use of fund balance by \$500,000.

The General Fund fund balance increased from \$7,073,257 to \$8,000,839.

Capital Asset and Debt Administration

As of June 30, 2016, the City had a total of approximately \$292 million invested in a broad range of capital assets, including roads, buildings, police and fire equipment, and water and sewer lines

The City had significant capital expenditures during the fiscal year; the following represents the most significant capital purchases for the year ended June 30, 2016:

- Road projects including Annapolis Road, Newburgh Road, and Central City Parkway were started during the fiscal year.
- A total of \$1,777,000 was spent on the improvements to the Police Station.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

- A total of \$157,500 was used to purchase an ambulance and \$73,872 was used to purchase a brush chipper.
- Renovations to the Mike Modano Ice Arena were started during the fiscal year. The renovations include locker rooms and a meeting room for the organizations that use the facility.
- The Inkster Road Pump Station and the water meter replacement programs both continued during the fiscal year ended June 30, 2016.

Debt service makes up approximately 1.64 percent of the total expenditures of the governmental funds.

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

Economic Factors and Next Year's Budgets and Rates

The City's budget for the fiscal year ending June 30, 2017 takes into consideration a continued slow-moving economic climate. Although the taxable values for residential property increased slightly for the 2015 taxable year, the overall taxable value for the City declined around 1 percent. The Michigan tax tribunal cases have decreased substantially. The state-shared revenue had no increase for 2016. Moving ahead, the City will continue to comply with the requirements outlined by the State. All city employees are now contributing toward their health care under the "hard cap" option in accordance with Public Act 152. Contractual changes have been made for defined benefit pensions and all employees now must contribute toward their pensions. This will continue to help with the budget, but throughout the year, the City will monitor the budget very closely and continue to make adjustments as necessary.

As discussed above, the fiscal year ending June 30, 2017 budget anticipates that the water and sewer costs will increase. The City Council has approved increases over the last several years and the City will bring any further recommendations to the City Council as necessary.

Contacting the City's Management

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

City of Westland, Michigan

Statement of Net Position June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 17,973,786	\$ 13,393,465	\$ 31,367,251	\$ 2,444,700
Investments (Note 3)	-	-	-	84,868
Receivables - Net (Note 4)	5,996,411	10,107,658	16,104,069	73,933
Due from primary government	-	-	-	377,050
Internal balances	29,666	(29,666)	-	-
Inventories	9,588	97,467	107,055	-
Prepaid costs and other assets	620,733	28,986	649,719	-
Restricted assets (Note 6)	-	3,336,166	3,336,166	1,643,150
Land held for resale	1,214,793	-	1,214,793	-
Capital assets - Net (Note 5):				
Not being depreciated	3,335,379	-	3,335,379	266,364
Depreciable - Net	203,240,836	86,195,679	289,436,515	5,799,457
Note receivable	3,979,473	-	3,979,473	-
Total assets	236,400,665	113,129,755	349,530,420	10,689,522
Deferred Outflows of Resources (Notes 15 and 16)	34,360,977	2,625,552	36,986,529	-
Liabilities				
Accounts payable	2,041,407	4,237,015	6,278,422	79,297
Due to component units	377,050	-	377,050	-
Deposits	-	504,700	504,700	-
Accrued and other liabilities	1,867,948	1,279,250	3,147,198	440,892
Unearned revenue (Note 4)	72,233	-	72,233	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 8)	1,042,590	287,335	1,329,925	-
Provision for claims (Note 10)	709,682	184,256	893,938	-
Current portion of long-term debt (Note 8)	1,209,149	913,500	2,122,649	885,000
Due in more than one year:				
Compensated absences (Note 8)	7,333,798	-	7,333,798	-
Provision for claims (Note 10)	990,192	346,500	1,336,692	-
Net other postemployment benefits obligation (Note 17)	54,745,008	5,621,189	60,366,197	-
Net pension liability (Notes 15 and 16)	130,170,340	19,734,377	149,904,717	-
Long-term debt - Net of current portion (Note 8)	5,528,565	16,585,736	22,114,301	17,770,000
Total liabilities	206,087,962	49,693,858	255,781,820	19,175,189
Deferred Inflows of Resources - Deferred inflows related to pensions (Notes 15 and 16)	40,940	13,647	54,587	-
Net Position				
Net investment in capital assets	199,838,501	71,907,609	271,746,110	3,320,821
Restricted for:				
Retirement system	919,000	-	919,000	-
Sanitation	324,000	-	324,000	-
Road improvements	3,993,663	-	3,993,663	-
Library operations	2,552,833	-	2,552,833	-
Other (Note 13)	2,190,286	125,000	2,315,286	-
Unrestricted	(145,185,543)	(5,984,807)	(151,170,350)	(11,806,488)
Total net position	\$ 64,632,740	\$ 66,047,802	\$ 130,680,542	\$ (8,485,667)

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

City of Westland, Michigan

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions Capital Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 17,543,412	\$ 7,982,769	\$ 293,870
Public safety	52,843,586	9,955,910	1,641,299
Public works	18,212,506	1,608,617	5,884,056
Community and economic development	3,788,762	-	1,632,083
Cultural and recreation	5,502,089	2,524,180	1,301,489
Interest on long-term debt	123,069	-	-
Total governmental activities	98,013,424	22,071,476	10,752,797
Business-type activities - Water and sewer	27,043,048	28,075,495	-
Total primary government	<u>\$ 125,056,472</u>	<u>\$ 50,146,971</u>	<u>\$ 10,752,797</u>
Component units	<u>\$ 3,106,616</u>	<u>\$ -</u>	<u>\$ 54,859</u>
General revenue:			
Property taxes			
State-shared revenue			
Interest and sundry			
Other income			
Gain on sale of fixed assets			
Total general revenue			
Change in Net Position			
Net Position - Beginning of year			
Net Position - End of year			

Statement of Activities Year Ended June 30, 2016

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (9,266,773)	\$ -	\$ (9,266,773)	\$ -
(40,991,150)	-	(40,991,150)	-
(10,717,572)	-	(10,717,572)	-
(2,156,679)	-	(2,156,679)	-
(1,676,420)	-	(1,676,420)	-
(123,069)	-	(123,069)	-
(64,931,663)	-	(64,931,663)	-
-	1,837,445	1,837,445	-
(64,931,663)	1,837,445	(63,094,218)	-
-	-	-	(3,051,757)
29,460,187	-	29,460,187	4,111,827
7,745,035	-	7,745,035	-
227,518	12,449	239,967	12,693
411,050	-	411,050	-
592,643	-	592,643	-
38,436,433	12,449	38,448,882	4,124,520
(26,495,230)	1,849,894	(24,645,336)	1,072,763
91,127,970	64,197,908	155,325,878	(9,558,430)
\$ 64,632,740	\$ 66,047,802	\$ 130,680,542	\$ (8,485,667)

City of Westland, Michigan

Governmental Funds Balance Sheet June 30, 2016

	General Fund	Nonmajor Funds	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 8,309,562	\$ 9,664,224	\$ 17,973,786
Receivables - Net (Note 4)	4,794,385	1,202,026	5,996,411
Due from other funds (Note 7)	1,574,571	2,719,598	4,294,169
Inventory	9,588	-	9,588
Prepaid costs and other assets	120,733	500,000	620,733
Land held for resale	-	1,214,793	1,214,793
Note receivable	3,979,473	-	3,979,473
Total assets	\$ 18,788,312	\$ 15,300,641	\$ 34,088,953
Liabilities			
Accounts payable	\$ 946,749	\$ 1,094,658	\$ 2,041,407
Due to component units	377,050	-	377,050
Due to other funds	2,580,179	1,684,324	4,264,503
Accrued and other liabilities	1,739,326	31,552	1,770,878
Unearned revenue (Note 4)	72,233	-	72,233
Total liabilities	5,715,537	2,810,534	8,526,071
Deferred Inflows of Resources -			
Unavailable revenue (Note 4)	5,071,936	118,689	5,190,625
Fund Balances			
Nonspendable - Prepaids/Inventory	130,321	500,000	630,321
Restricted:			
Roads	-	3,464,546	3,464,546
Police and fire retirement	919,000	-	919,000
Debt service	-	478	478
Community development	-	1,346,938	1,346,938
Drug forfeiture activities	-	8,667	8,667
Library	-	2,463,261	2,463,261
Street lighting	-	574,486	574,486
Metroact Broadband	179,082	-	179,082
Sanitation	324,000	-	324,000
Assigned - Capital projects	-	4,013,042	4,013,042
Unassigned	6,448,436	-	6,448,436
Total fund balances	8,000,839	12,371,418	20,372,257
Total liabilities, deferred inflows of resources, and fund balances	\$ 18,788,312	\$ 15,300,641	\$ 34,088,953

City of Westland, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2016

Fund Balance Reported in Governmental Funds	\$	20,372,257
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		206,576,215
Deferred outflows of resources related to pension are reported in the government-wide statements, but not in the governmental funds		34,360,977
Other long-term liabilities, such as incurred but not reported liabilities, do not present a claim on current financial resources and are not reported as fund liabilities		(1,699,874)
Deferred inflows of resources are reported in the governmental funds, but not in the government-wide statements		5,149,685
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities		(8,376,388)
Long-term liabilities are not due and payable in the current period and are not reported in the funds		(6,670,783)
Accrued interest on long-term liabilities is not reported in the funds		(27,070)
Unamortized bond premium		(66,931)
Net other postemployment benefit obligation is not recorded as a liability in the funds		(54,745,008)
Net pension obligation is not recorded as a liability in the funds		(130,170,340)
Net pollution remediation liability is not recorded as a liability in the funds		(70,000)
Net Position of Governmental Activities	\$	64,632,740

City of Westland, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2016

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue			
Property taxes	\$ 25,812,494	\$ 2,709,998	\$ 28,522,492
Licenses and permits	1,210,014	-	1,210,014
Federal sources	920,343	1,639,965	2,560,308
State sources	9,473,702	6,667,682	16,141,384
Charges for services	7,463,403	-	7,463,403
Court fines and fees	5,176,007	-	5,176,007
Interest income	201,192	26,326	227,518
Other revenue:			
Special assessments	-	1,685,982	1,685,982
Local sources	2,828,723	89,546	2,918,269
Cable franchise fees	1,885,946	-	1,885,946
Refund of captured property taxes	836,394	100,804	937,198
Other income	4,003,772	354,309	4,358,081
Total revenue	59,811,990	13,274,612	73,086,602
Expenditures			
Current:			
General government	15,512,474	381	15,512,855
Street lighting	90,212	1,379,564	1,469,776
Public safety	36,629,168	568,200	37,197,368
Highway, streets, and drains	-	4,772,935	4,772,935
Sanitation	2,969,212	-	2,969,212
Community and economic development	867,598	2,119,853	2,987,451
Cultural and recreation	2,485,333	2,994,112	5,479,445
Capital outlay	-	2,868,900	2,868,900
Debt service	376,883	799,645	1,176,528
Total expenditures	58,930,880	15,503,590	74,434,470
Excess of Revenue Over (Under) Expenditures	881,110	(2,228,978)	(1,347,868)
Other Financing Sources (Uses)			
Face value of debt issue	-	575,000	575,000
Proceeds from sale of capital assets	700,962	-	700,962
Transfers in (Note 7)	15,000	1,937,977	1,952,977
Transfers out (Note 7)	(669,490)	(1,283,487)	(1,952,977)
Total other financing sources	46,472	1,229,490	1,275,962
Net Change in Fund Balances	927,582	(999,488)	(71,906)
Fund Balances - Beginning of year	7,073,257	13,370,906	20,444,163
Fund Balances - End of year	<u>\$ 8,000,839</u>	<u>\$ 12,371,418</u>	<u>\$ 20,372,257</u>

City of Westland, Michigan

Governmental Funds **Reconciliation of the Statement of Revenue, Expenditures,** **and Changes in Fund Balances of Governmental Funds** **to the Statement of Activities** **Year Ended June 30, 2016**

Net Change in Fund Balances - Total Governmental Funds	\$ (71,906)
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	(7,983,428)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	266,604
Special assessment revenue is recorded in the statement of activities when the assessment is set; it is not reported in the funds until collected or collectible within 60 days of year end	(31,919)
Proceeds from long-term debt provide current financial resources to governmental funds, but debt increases long-term liabilities in the statement of net position	(575,000)
Repayment of debt principal is an expenditure in the governmental funds, but not in the government-wide statements (where it reduces long-term debt)	1,222,525
Change in accrued interest on long-term debt is not recorded in the governmental funds	8,587
Changes in liabilities incurred but not reported are not recorded in the governmental funds	(100,361)
Change in other postemployment benefit liability is not recorded in the governmental funds	(6,423,172)
Change in pension benefit liability is not recorded in the governmental funds	(12,300,679)
Change in environmental remediation liability	70,000
Change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(576,481)
Change in Net Position of Governmental Activities	<u>\$ (26,495,230)</u>

City of Westland, Michigan

Proprietary Funds Statement of Net Position June 30, 2016

	Enterprise Fund - Water and Sewer
Assets	
Current assets:	
Cash and cash equivalents	\$ 13,393,465
Receivables - Net	10,107,658
Inventories	97,467
Prepaid costs and other assets	28,986
Total current assets	23,627,576
Noncurrent assets:	
Restricted assets (Note 6)	3,336,166
Capital assets - Net (Note 5)	86,195,679
Total noncurrent assets	89,531,845
Total assets	113,159,421
Deferred Outflows of Resources	2,625,552
Liabilities	
Current liabilities:	
Accounts payable	4,237,015
Due to other funds	29,666
Escrow deposits and other	504,700
Accrued and other liabilities	1,279,250
Compensated absences	287,335
Provision for claims (Note 10)	184,256
Current portion of long-term debt	913,500
Total current liabilities	7,435,722
Noncurrent liabilities:	
Provision for claims (Notes 9, 10, and 12)	346,500
Net other postemployment benefits liability (Note 17)	5,621,189
Net pension liability (Note 15)	19,734,377
Long-term debt - Net of current portion	16,585,736
Total noncurrent liabilities	42,287,802
Total liabilities	49,723,524
Deferred Inflows of Resources	13,647
Net Position	
Net investment in capital assets	71,907,609
Restricted (Note 13)	125,000
Unrestricted	(5,984,807)
Total net position	\$ 66,047,802

City of Westland, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2016

	Enterprise Fund - Water and Sewer
Operating Revenue	
Water and sewer	\$ 26,670,975
Penalties	1,303,272
Other	<u>101,248</u>
Total operating revenue	28,075,495
Operating Expenses	
Cost of water	5,708,206
Cost of sewage disposal	9,078,559
Sundry	242,794
Wage and fringe benefits	4,573,898
Contracted services	4,291,941
Operating supplies	261,894
Repairs and maintenance	382,919
Rent, insurance claims, and other	4,838
Depreciation	<u>1,828,446</u>
Total operating expenses	<u>26,373,495</u>
Operating Income	1,702,000
Nonoperating Revenue (Expenses)	
Interest income	12,449
Interest expense	<u>(669,553)</u>
Total nonoperating expenses	<u>(657,104)</u>
Income - Before contributions	1,044,896
Capital Contributions - Lines donated by developers	<u>804,998</u>
Change in Net Position	1,849,894
Net Position - Beginning of year	<u>64,197,908</u>
Net Position - End of year	<u><u>\$ 66,047,802</u></u>

City of Westland, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2016

	Enterprise Fund - Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 29,378,342
Payments to suppliers	(16,881,040)
Payments to employees	(3,892,545)
Internal activity - Receipts from other funds	227,147
Claims paid	(1,125)
Net cash provided by operating activities	8,830,779
Cash Flows from Capital and Related Financing Activities	
Receipt of capital grants	312,988
Purchase of capital assets	(12,379,306)
Principal and interest paid on long-term debt	(2,007,382)
Net cash used in capital and related financing activities	(14,073,700)
Cash Flows from Investing Activities - Interest received on investments and other assets	12,449
Net Decrease in Cash and Cash Equivalents	(5,230,472)
Cash and Cash Equivalents - Beginning of year	21,960,103
Cash and Cash Equivalents - End of year	<u><u>\$ 16,729,631</u></u>
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and cash equivalents	\$ 13,393,465
Restricted bond proceeds (Note 6)	3,211,166
Restricted assets (Note 6)	125,000
Total cash and cash equivalents	<u><u>\$ 16,729,631</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 1,702,000
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	1,828,446
Changes in assets and liabilities:	
Receivables	1,302,847
Inventories	31,104
Accounts payable	2,968,649
Due to others	227,147
Estimated claims liability	(1,125)
Accrued and other liabilities	771,711
Net cash provided by operating activities	<u><u>\$ 8,830,779</u></u>

Noncash Activities - During the year ended June 30, 2016, developers donated \$492,010 of water and sewer lines to the City.

City of Westland, Michigan

Fiduciary Funds Statement of Net Position June 30, 2016

	Pension Trust Fund - Police and Fire Retirement	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ -	\$ 2,076,072
Investments (Note 3):		
U.S. government securities	9,405,534	-
Common stock	60,089,286	-
Corporate bonds	13,010,616	-
Real estate	9,635,574	-
Mutual funds	47,206,217	-
Securities lending - Mutual funds	8,284,164	-
Closely held - Equity	7,345,715	-
Accrued interest and other assets	296,683	-
Due from brokers	745,499	-
	<hr/>	<hr/>
Total assets	156,019,288	<u><u>\$ 2,076,072</u></u>
Liabilities		
Accounts payable	1,253,441	\$ -
Due to other governmental units	-	949,171
Accrued and other liabilities	-	1,126,901
Obligations under securities lending agreements	8,415,733	-
Due to brokers	638,018	-
	<hr/>	<hr/>
Total liabilities	10,307,192	<u><u>\$ 2,076,072</u></u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u><u>\$ 145,712,096</u></u>	

City of Westland, Michigan

Fiduciary Funds **Statement of Changes in Plan Net Position** **Year Ended June 30, 2016**

	Pension Trust Fund - Police and Fire Retirement
Additions	
Investment income (loss):	
Interest and dividends	\$ 4,113,509
Net decrease in fair value of investments	(5,791,862)
Investment-related expenses	(967,889)
Net investment loss	(2,646,242)
Employer contributions - Pension	6,717,939
Employee contributions and service credits	537,081
Total additions	4,608,778
Deductions - Benefit payments	14,992,676
Net Decrease	(10,383,898)
Net Position Held in Trust for Pension Benefits - Beginning of year	156,095,994
Net Position Held in Trust for Pension Benefits - End of year	\$ 145,712,096

City of Westland, Michigan

Component Units Statement of Net Position June 30, 2016

	Downtown Development Authority	Local Development Finance Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Total
Assets					
Cash and cash equivalents (Note 3)	\$ 794,516	\$ 397,816	\$ 1,058,860	\$ 193,508	\$ 2,444,700
Investments (Note 3)	-	-	84,868	-	84,868
Receivables - Net	-	-	73,933	-	73,933
Due from primary government	-	-	377,050	-	377,050
Restricted assets (Note 6)	-	-	1,643,150	-	1,643,150
Capital assets - Net	5,750,672	-	315,149	-	6,065,821
Total assets	6,545,188	397,816	3,553,010	193,508	10,689,522
Liabilities					
Accounts payable	19,350	900	59,047	-	79,297
Accrued and other liabilities	90,415	-	350,477	-	440,892
Current portion of long-term debt	280,000	-	605,000	-	885,000
Long-term debt - Net of current portion	2,465,000	-	15,305,000	-	17,770,000
Total liabilities	2,854,765	900	16,319,524	-	19,175,189
Net Position					
Net investment in capital assets	3,005,672	-	315,149	-	3,320,821
Unrestricted	684,751	396,916	(13,081,663)	193,508	(11,806,488)
Total net position	\$ 3,690,423	\$ 396,916	\$ (12,766,514)	\$ 193,508	\$ (8,485,667)

City of Westland, Michigan

		Program Revenue		Net (Expense)
		Operating	Capital Grants	Revenue and
	Expenses	Grants and	and	Changes in Net
		Contributions	Contributions	Position
Component Units				
Downtown Development Authority - Operations	\$ 1,350,272	\$ 35,848	\$ -	\$ (1,314,424)
Local Development Finance Authority - Operations	9,432	-	-	-
Tax Increment Finance Authority - Operations	1,637,772	7,048	-	-
Brownfield Redevelopment Authority - Operations	109,140	11,963	-	-
Total component units	\$ 3,106,616	\$ 54,859	\$ -	(1,314,424)
General revenue:				
Property taxes				1,762,947
Interest income				1,045
Total general revenue				1,763,992
Change in Net Position				449,568
Net Position - Beginning of year				3,240,855
Net Position - End of year				\$ 3,690,423

Component Units
Statement of Activities
Year Ended June 30, 2016

<u>Net (Expense) Revenue and Changes in Net Position</u>			
<u>Local</u>			
<u>Development</u>	<u>Tax Increment</u>	<u>Brownfield</u>	
<u>Finance</u>	<u>Finance</u>	<u>Redevelopment</u>	
<u>Authority</u>	<u>Authority</u>	<u>Authority</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ (1,314,424)
(9,432)	-	-	(9,432)
-	(1,630,724)	-	(1,630,724)
-	-	(97,177)	(97,177)
(9,432)	(1,630,724)	(97,177)	(3,051,757)
159,904	2,125,326	63,650	4,111,827
526	10,582	540	12,693
160,430	2,135,908	64,190	4,124,520
150,998	505,184	(32,987)	1,072,763
245,918	(13,271,698)	226,495	(9,558,430)
<u>\$ 396,916</u>	<u>\$ (12,766,514)</u>	<u>\$ 193,508</u>	<u>\$ (8,485,667)</u>

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Discretely Presented Component Units

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

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

Report Presentation

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

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

Fund Accounting

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

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

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

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

- The Police and Fire Retirement Pension Trust Fund accounts for the activities of the police and fire employees' retirement system, which accumulates resources for pension and benefit payments to qualified police and fire employees.
- The trust and agency funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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

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

Basis of Accounting

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

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

Specific Balances and Transactions

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

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

Approximately 18.58 percent of the plan's assets as of June 30, 2016 are not publicly traded and therefore do not always have a readily determinable market value. Management's estimates of these values are based on information provided by investment managers, general partners, real estate advisors, and other means. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

Note I - Summary of Significant Accounting Policies (Continued)

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

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

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

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to the defined benefit plan result from three transactions: contributions to the defined benefit pension plan subsequent to the plan's year end through the City's fiscal year, changes in assumptions related to economic and demographic factors, and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

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

Net Position Flow Assumption

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

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumption

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

Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

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

Note I - Summary of Significant Accounting Policies (Continued)

The 2015 taxable valuation of the City totaled \$1.59 billion (a portion of which is abated and a portion of which is captured by the TIFA and DDA), on which ad valorem taxes levied consisted of 6.4834 mills for the City's operating purposes, 1.9377 mills for operation of the library, 8.0000 mills for the Police and Fire Pension Fund, and 2.4300 mills for sanitation. The ad valorem taxes levied raised approximately \$10.4 million for City operations, approximately \$3.1 million for operation of the library, approximately \$12.8 million for the Police and Fire Pension Fund, and approximately \$3.9 million for sanitation. Portions of the amounts levied have been captured by the tax increment financing authorities reported in the component units. These amounts, net of the amounts reported by the component units, are recognized in the respective General Fund and Special Revenue Fund financial statements as taxes receivable or as tax revenue.

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

Note 2 - Stewardship, Compliance, and Accountability

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

Cumulative shortfall at July 1, 2015	\$ (2,349,742)
Current year permit revenue	1,070,097
Related expenses	<u>1,180,123</u>
Current year shortfall	<u>(110,026)</u>
Cumulative shortfall at June 30, 2016	<u>\$ (2,459,768)</u>

Note 3 - Deposits and Investments

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

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

The City has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

As permitted by state statutes and under the provisions of a securities lending authorization agreement, the City of Westland's Police and Fire Employees' Retirement System (the "System") lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The System's custodial bank manages the securities lending program and receives cash as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended June 30, 2016, only United States currency was received as collateral. The City then converts that cash received as collateral into other investments.

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

Note 3 - Deposits and Investments (Continued)

The City of Westland's Police and Fire Employees' Retirement System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pools as of June 30, 2016 was one day because the loans are terminable on demand; their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2016, the System had no credit risk exposure to borrowers. The collateral held (at cost) and the fair market value of the underlying securities on loan for the System as of June 30, 2016 was \$8,415,734 and \$8,266,804, respectively.

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$37,487,737 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. At year end, the component units had \$4,110,831 of bank deposits that were uninsured and uncollateralized.

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

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

City of Westland, Michigan

Notes to Financial Statements June 30, 2016

Note 3 - Deposits and Investments (Continued)

At year end, the City had the following investments:

Investment	Fair Value	Weighted Average Maturity (years)
Pension funds:		
U.S. Treasury	\$ 3,498,418	10.85
U.S. government agency securities	5,907,116	25.14
Corporate securities	13,010,616	9.65
Component units - U.S. Treasury securities	218,075	1.37

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

Investment	Fair Value	Rating	Rating Organization
Fiduciary funds:			
Corporate securities (pension)	\$ 1,679,834	A	S&P
Corporate securities (pension)	434,975	AA	S&P
Corporate securities (pension)	629,057	AAA	S&P
Corporate securities (pension)	615,313	B	S&P
Corporate securities (pension)	2,535,378	BB	S&P
Corporate securities (pension)	4,121,711	BBB	S&P
Corporate securities (pension)	1,222,469	NR	S&P
Foreign bonds (pension)	465,463	A	S&P
Foreign bonds (pension)	201,146	AA	S&P
Foreign bonds (pension)	16,709	AAA	S&P
Foreign bonds (pension)	145,129	B	S&P
Foreign bonds (pension)	365,768	BB	S&P
Foreign bonds (pension)	577,664	BBB	S&P
U.S. government agency securities (pension)	421,138	AA	S&P
U.S. government agency securities (pension)	8,984,396	NR	S&P

Concentration of Credit Risk - The City places no limit on the amount it may invest in any one issuer. For the year ended June 30, 2016, the City had investments in Loomis Sayles Small Midcap Core Trust and Vanguard FTSE Developed ETFs, comprising 8.59 percent and 8.32 percent of total investments, respectively.

City of Westland, Michigan

Notes to Financial Statements June 30, 2016

Note 4 - Receivables

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

	General Fund	Nonmajor Funds	Total Governmental Activities	Business-type Activities	Total Primary Government	Component Units
Receivables:						
Property taxes receivable	\$ 744,922	\$ 139,627	\$ 884,549	\$ 1,399,033	\$ 2,283,582	\$ -
Special assessments	-	29,116	29,116	-	29,116	-
Customer receivables	60,999	-	60,999	8,707,326	8,768,325	-
Interest	268,089	-	268,089	1,299	269,388	73,933
Other receivables	473,661	-	473,661	-	473,661	-
Due from other governmental units	3,246,714	1,033,283	4,279,997	-	4,279,997	-
Total receivables	\$ 4,794,385	\$ 1,202,026	\$ 5,996,411	\$ 10,107,658	\$ 16,104,069	\$ 73,933

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

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

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

	Revenue Not Available	Revenue Not Earned
General Fund - Personal property tax	\$ 868,969	\$ -
General Fund - E-911 wireless revenue	129,026	-
General Fund - Advanced engineering fees	-	72,233
General Fund - Youth program revenue	6,335	-
General Fund - Primary election revenue	56,533	-
General Fund - Westland Taylor receivable	3,979,473	-
General Fund - False alarms receivable	31,600	-
Local Roads Fund - Special assessment revenue	29,117	-
Other nonmajor governmental funds - Library personal property tax	89,572	-
Total	\$ 5,190,625	\$ 72,233

City of Westland, Michigan

Notes to Financial Statements June 30, 2016

Note 5 - Capital Assets

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

	Balance July 1, 2015	Additions	Disposals and Adjustments	Balance June 30, 2016
Governmental Activities				
Capital assets not being depreciated - Land	\$ 3,335,379	\$ -	\$ -	\$ 3,335,379
Capital assets being depreciated:				
Roads and sidewalks	705,145,759	1,444,682	-	706,590,441
Building and improvements	32,476,227	2,855,930	172,765	35,159,392
Other tools and equipment	33,785,678	1,508,581	1,067,961	34,226,298
Subtotal	771,407,664	5,809,193	1,240,726	775,976,131
Accumulated depreciation:				
Roads and sidewalks	530,084,626	10,838,431	-	540,923,057
Building and improvements	7,631,209	794,822	92,765	8,333,266
Other tools and equipment	22,468,359	2,050,255	1,039,642	23,478,972
Subtotal	560,184,194	13,683,508	1,132,407	572,735,295
Net capital assets being depreciated	211,223,470	(7,874,315)	108,319	203,240,836
Net capital assets	\$ 214,558,849	\$ (7,874,315)	\$ 108,319	\$ 206,576,215
Business-type Activities				
Capital assets being depreciated -				
Water and sewer distribution systems	\$ 115,954,874	\$ 13,060,087	\$ 375,767	\$ 128,639,194
Accumulated depreciation -				
Water and sewer distribution systems	40,802,065	1,851,963	210,513	42,443,515
Net capital assets	\$ 75,152,809	\$ 11,208,124	\$ 165,254	\$ 86,195,679
Component Units				
Capital assets not being depreciated - Land	\$ 90,000	\$ 176,364	\$ -	\$ 266,364
Capital assets being depreciated:				
DDA improvements	6,725,353	67,355	-	6,792,708
TIFA improvements	499,858	-	-	499,858
Subtotal	7,225,211	67,355	-	7,292,566
Accumulated depreciation:				
DDA improvements	1,132,491	175,909	-	1,308,400
TIFA improvements	161,234	23,475	-	184,709
Subtotal	1,293,725	199,384	-	1,493,109
Net capital assets being depreciated	5,931,486	(132,029)	-	5,799,457
Net capital assets	\$ 6,021,486	\$ 44,335	\$ -	\$ 6,065,821

City of Westland, Michigan

Notes to Financial Statements June 30, 2016

Note 5 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 1,218,977
Public safety	1,103,071
Public works	11,182,151
Recreation and culture	<u>179,309</u>
Total governmental activities	<u>\$ 13,683,508</u>
Business-type activities - Enterprise Fund - Water and sewer	<u>\$ 1,851,963</u>

Note 6 - Restricted Assets

Restricted assets at June 30, 2016 consist of bond reserve cash, unspent bond proceeds in the Water and Sewer Fund, and unspent bond proceeds in the Tax Increment Finance Authority Fund for the following purposes:

	Business-type Activities	Component Units
Bond reserve for 1998 Water and Sewer Revenue		
Bonds	\$ 125,000	\$ -
Unspent bond proceeds	<u>3,211,166</u>	<u>1,643,150</u>
Total restricted assets	<u>\$ 3,336,166</u>	<u>\$ 1,643,150</u>

City of Westland, Michigan

Notes to Financial Statements June 30, 2016

Note 7 - Interfund Balances and Operating Transfers

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

Receivable Fund	Payable Fund	Amount
General Fund	Other nonmajor governmental funds	\$ 1,574,571
Other nonmajor governmental funds	General Fund	2,580,179
	Water and Sewer Fund	29,666
	Other nonmajor governmental funds	109,753
	Total other nonmajor governmental funds	2,719,598
	Total interfund activity	\$ 4,294,169
Component unit - Tax Increment Finance Authority	Primary government - General Fund	\$ 377,050

The composition of operating transfers is as follows:

Operating Transfer Out	Operating Transfer In	Amount
General Fund	Other governmental funds (1)	\$ 669,490
Other nonmajor governmental funds	General Fund (3)	15,000
	Other nonmajor governmental funds (1)	339,525
	Other nonmajor governmental funds (2)	928,962
	Total other governmental funds	1,283,487
	Total operating transfers	\$ 1,952,977

(1) Transfer for debt service

(2) Transfer for local road construction and maintenance

(3) Transfer for capital improvements

City of Westland, Michigan

Notes to Financial Statements June 30, 2016

Note 8 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government.

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
2004 Michigan Transportation Fund Bonds	3.000%-4.000%	\$300,000	\$ 1,200,000	\$ -	\$ 300,000	\$ 900,000	\$ 300,000
2005 Building Authority Refunding Bonds	4.000%-5.000%	\$330,000-\$500,000	2,135,000	-	380,000	1,755,000	405,000
2015 Capital Improvement Bond	3.000%-5.000%	\$61,140-\$102,895	1,700,000	-	75,000	1,625,000	61,500
Unamortized bond premium	n/a	\$3,523	70,453	-	3,523	66,930	-
Installment purchase agreement:							
2009 recycle containers	5.980%	\$122,768-\$146,135	414,134	-	130,109	284,025	137,890
2013 New City Hall	2.600%	\$80,000-\$145,000	1,445,000	-	80,000	1,365,000	90,000
2013 Fire truck	3.440%	\$86,372-\$89,343	89,343	-	89,343	-	-
2014 Police cars	2.500%	\$162,371-\$166,759	331,309	-	164,550	166,759	166,759
	0.5289% -						
HUD Section 108 Loan	0.81220%	\$47,000 - \$48,000	-	575,000	-	575,000	48,000
Total governmental bonds			7,385,239	575,000	1,222,525	6,737,714	1,209,149
Compensated absences			7,799,907	7,222,076	6,645,595	8,376,388	1,042,590
Total governmental bonds			\$ 15,185,146	\$ 7,797,076	\$ 7,868,120	\$ 15,114,102	\$ 2,251,739
Business-type Activities							
Revenue bonds:							
1998 Water and Sewer Revenue Bonds	3.875%-3.900%	\$200,000-\$250,000	\$ 725,000	\$ -	\$ 225,000	\$ 500,000	\$ 250,000
2006 Water and Sewer Revenue Bonds	3.900%	\$275,000-\$300,000	300,000	-	300,000	-	-
General obligation bonds:							
2010 State Revolving Fund Loan	2.500%	\$25,000-\$35,000	437,794	-	25,000	412,794	25,000
2010 Strategic Water Quality Initiatives Loan	2.500%	\$110,000-\$317,183	2,152,183	-	110,000	2,042,183	115,000
2015 Capital Improvement Bond	3.000%-5.000%	\$348,860-\$587,105	9,700,000	-	425,000	9,275,000	348,500
2014 Capital Improvement Bond	2.000%-3.750%	\$175,000-\$400,000	5,000,000	-	175,000	4,825,000	175,000
Unamortized bond premium	n/a	\$23,517	467,776	-	23,517	444,259	-
Installment purchase agreement -							
Other equipment	4.800%	\$46,781-\$133,908	133,908	-	133,908	-	-
Compensated absences			253,762	263,092	229,519	287,335	287,335
Total business-type activities			\$ 19,170,423	\$ 263,092	\$ 1,646,944	\$ 17,786,571	\$ 1,200,835
Component Unit Activities							
General obligation bonds:							
2013 Tax Increment Financing Bonds - City Hall and Fire Station	3.000%-5.250%	\$0-\$1,285,000	\$ 16,500,000	\$ -	\$ 590,000	\$ 15,910,000	\$ 605,000
2014 Downtown Development Bonds - Farmer's Market	3.500%	\$225,000-\$325,000	3,020,000	-	275,000	2,745,000	280,000
Total bonds payable			\$ 19,520,000	\$ -	\$ 865,000	\$ 18,655,000	\$ 885,000

City of Westland, Michigan

Notes to Financial Statements June 30, 2016

Note 8 - Long-term Debt (Continued)

Annual debt service requirements to maturity, excluding unamortized bond premiums, for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 1,209,149	\$ 211,999	\$ 1,421,148	\$ 913,500	\$ 630,356	\$ 1,543,856	\$ 885,000	\$ 812,606	\$ 1,697,606
2018	1,052,512	169,467	1,221,979	951,623	598,152	1,549,775	915,000	782,806	1,697,806
2019	959,360	127,098	1,086,458	723,640	564,938	1,288,578	945,000	751,906	1,696,906
2020	717,342	96,280	813,622	770,658	538,380	1,309,038	975,000	719,906	1,694,906
2021	220,325	80,212	300,537	792,675	510,347	1,303,022	1,010,000	693,237	1,703,237
2022-2026	1,267,018	298,045	1,565,063	4,532,982	2,022,242	6,555,224	5,245,000	2,898,742	8,143,742
2027-2031	888,728	136,765	1,025,493	5,531,249	1,161,885	6,693,134	5,015,000	1,739,060	6,754,060
Thereafter	356,350	28,960	385,310	2,838,650	299,311	3,137,961	3,665,000	391,386	4,056,386
Total	\$ 6,670,784	\$ 1,148,826	\$ 7,819,610	\$ 17,054,977	\$ 6,325,611	\$ 23,380,588	\$ 18,655,000	\$ 8,789,649	\$ 27,444,649

Total interest incurred related to governmental and business-type activities and component units for the year approximated \$233,000, \$644,000, and \$832,000, respectively.

Future Revenue Pledged for Debt Payments - The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the above water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the water supply and sewage disposal systems. The bonds are payable solely from the net revenue of the water and sewer system. The remaining principal and interest to be paid on the bonds total \$533,570. During the current year, net revenue of the system was \$746,668 compared to the annual debt requirements of \$272,500.

Note 9 - Other Liabilities

Environmental Cleanup - Central City Park had been closed due to environmental contamination since 2007, but reopened during the prior fiscal year. During a previous year, Wayne County (the "County") deeded the property to the City and the City and County came to a shared agreement and remediation plan. According to the agreement, the City paid the County \$765,000 during fiscal year 2011 and then will reimburse the County an additional \$350,000, in total, over the next five years, beginning November 2012. The remaining balance of \$70,000 is recorded on the government-wide statements. According to the contract, the City of Westland shall be responsible for any additional costs that are incurred during the remediation process that are above the County's contribution of \$1,500,000. As of the report date, the remediation was completed and the City did not incur any material additional costs.

City of Westland, Michigan

Notes to Financial Statements June 30, 2016

Note 10 - Risk Management

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

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City estimates the liability for general liability claims, workers' compensation claims, and health insurance claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported. The estimate for the general liability, workers' compensation, and health claims are all included in the government-wide statement of net position allocated between governmental and business-type activities. Changes in the estimated liabilities for the years ended June 30, 2016 and 2015 were as follows:

	General Liability		Workers' Compensation		Health Insurance Claims	
	2016	2015	2016	2015	2016	2015
Estimated liability - Beginning of year	\$ 1,514,907	\$ 1,359,877	\$ 363,855	\$ 1,031,397	\$ 145,349	\$ (138,292)
Estimated claims incurred, including changes in estimates	2,126,940	1,449,205	128,965	(353,375)	9,788,207	8,710,335
Claim payments	(1,574,807)	(1,294,175)	(249,362)	(314,167)	(10,013,424)	(8,426,694)
Estimated liability - End of year	<u>\$ 2,067,040</u>	<u>\$ 1,514,907</u>	<u>\$ 243,458</u>	<u>\$ 363,855</u>	<u>\$ (79,868)</u>	<u>\$ 145,349</u>

Note 11 - Joint Ventures

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

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

City of Westland, Michigan

Notes to Financial Statements June 30, 2016

Note 11 - Joint Ventures (Continued)

The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Nankin Transit Commission and the Central Wayne County Sanitation Authority can be obtained from their administrative offices at the Jefferson Barnes Community Center, 32150 Dorsey St., Westland, MI 48186 and 3759 Commerce Court, Wayne, MI 48184, respectively.

Note 12 - Contingent Liabilities

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

Note 13 - Restricted Net Position

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

	Total Governmental Activities	Total Business-type Activities
Public Safety - E-911	\$ 80,635	\$ -
Public Safety - Drug Forfeiture	8,667	-
Debt service	478	-
Metroact Broadband	179,082	-
Street Lighting	574,486	-
Community Development	1,346,938	-
Revenue Bonds	-	125,000
Total	<u>\$ 2,190,286</u>	<u>\$ 125,000</u>

Note 14 - Commitments

The City has entered into several construction and maintenance contracts totaling \$16,631,041. As of June 30, 2016, the City has not recorded expenditures relating to these projects, as the work has not yet been performed.

Note 15 - Agent Defined Benefit Pension Plan Description

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

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

City of Westland, Michigan

Notes to Financial Statements June 30, 2016

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

The benefits are defined as follows:

Service Retirement

Unit	Multiplier	Max.	Final Avg. Comp.	Member Contrib.	COLA (Noncompound)		
					Percent	Start	Max.
AFSCME (closed to new hires)	2.80%	80%	3 years	5%	2.5%	55	15 yrs.
Supervisory (closed to new hires)	2.80%	80%	3 years	5%	2.5%	55	15 yrs.
Mayor, staff (closed to new hires)	2.80%	80%	3 years	5%	2.5%	55	15 yrs.
Judges, Crt. Super (closed to new hires)	2.80%	80%	3 years	5%	2.5%	55	15 yrs.
Court (closed to new hires)	2.80%	80%	3 years	0%	2.5%	55	15 yrs.
AFSCME (closed to new hires)	2.25%	80%	3 years	5%	2.5%	55	15 yrs.
Dispatchers (closed to new hires)	2.50%	80%	3 years	0%	2.5%	55	15 yrs.
Mayor staff hired after 1/1/08 (closed to new hires)	2.80%	no max	3 years	5%	2.5%	55	15 yrs.
Court Union (closed to new hires)	2.0%	no max	5 years	0%	2.5%	50 55	25 yrs 15 yrs
Dispatchers hired before 7/1/14 (Closed to new hires)	2.5%	80%	3 years	5%	2.5%	50 55	25 yrs 15 yrs
Dispatchers hired on or after 7/1/14	1.75%	no max	5 years	3%	n/a	50 55	25 yrs 15 yrs
Court Union hired after 7/1/10	1.5%	no max	5 years	5%	n/a	50 55	25 yrs 15 yrs
Supervisory after 7/1/10	1.50%	no max	5 years	5%	n/a	50 55	25 yrs 15 yrs
Eld HC Admin (closed to new hires)	2.5%		3 years	5%	n/a	50 55	25 yrs 15 yrs
Eld HC General (closed to new hires)	2.25%	80%	3 years	5%	n/a	50 55	25 yrs 15 yrs

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

Deferred Retirement:

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

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

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

Employees Covered by Benefit Terms - At the June 30, 2016 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	293
Inactive plan members entitled to but not yet receiving benefits	38
Active plan members	123
	<hr/>
Total employees covered by MERS	454

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

For the year ended June 30, 2016, the average active employee contribution rate was 4.54 percent of annual pay and the City's average contribution rate was 69.55 percent of annual payroll.

Net Pension Liability

The net pension liability reported at June 30, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

City of Westland, Michigan

Notes to Financial Statements June 30, 2016

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

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2014	\$ 121,195,287	\$ 54,891,027	\$ 66,304,260
Service cost	1,301,083	-	1,301,083
Interest	9,708,550	-	9,708,550
Differences between expected and actual experience	(109,173)	-	(109,173)
Changes in assumptions	6,359,502	-	6,359,502
Contributions - Employer	-	5,168,527	(5,168,527)
Contributions - Employee	-	362,187	(362,187)
Net investment income	-	(788,058)	788,058
Benefit payments, including refunds	(8,332,862)	(8,332,862)	-
Administrative expenses	-	(117,289)	117,289
Miscellaneous other charges	(1,345)	-	(1,343)
Net changes	<u>8,925,755</u>	<u>(3,707,495)</u>	<u>12,633,252</u>
Balance at December 31, 2015	<u>\$ 130,121,042</u>	<u>\$ 51,183,532</u>	<u>\$ 78,937,512</u>

Of the net total pension liability, \$59,203,135 has been allocated to governmental activities and \$19,734,377 has been allocated to the Water and Sewer Fund.

Changes in Assumptions - From the time of the last measurement date at December 31, 2014 to December 31, 2015, the actuary modified significant assumptions that affect the measurement of the total pension liability. The actuary adjusted the assumed annual rate of return down from 8.25 percent to 8.00 percent. The mortality tables were updated from the 1994 Group Mortality Table to a blend of the RP-2014 tables described below.

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

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

For the year ended June 30, 2016, the City recognized pension expense of \$10,737,466. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (54,587)
Changes in assumptions	3,179,751	-
Net difference between projected and actual earnings on pension plan investments	4,810,208	-
Employer contributions to the plan subsequent to the measurement date	2,512,248	-
Total	<u>\$ 10,502,207</u>	<u>\$ (54,587)</u>

Of the net deferred outflows of resources, \$7,876,655 has been allocated to governmental activities and \$2,625,552 has been allocated to the Water and Sewer Fund. Of the net deferred inflows of resources, \$40,940 has been allocated to governmental activities and \$13,647 has been allocated to the Water and Sewer Fund.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of employer contributions to the plan made subsequent to the measurement date (\$2,512,248), which will impact the net pension liability in fiscal year 2016, rather than pension expense.

Years Ending June 30	Amount
2017	\$ 4,382,158
2018	1,256,993
2019	1,256,993
2020	1,039,228

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

Actuarial Assumptions - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %	
Salary increases	3.8 %	With merit increases totaling up to 11%, for a total of 3.75 - 14.75%
Investment rate of return	8.0 %	Net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant mortality table, RP 2014 Employee mortality table, and RP-2014 Juvenile mortality table.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial study in 2009 - 2013.

Discount Rate - The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

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

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

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 8 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Net pension liability of the City	\$ 93,401,078	\$ 78,937,510	\$ 66,751,709

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

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

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

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

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

Employees Covered by Benefit Terms - At June 30, 2016, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	275
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	139
	<hr/>
Total employees covered by the Plan	416

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

Retirement benefits for police members hired before July 1, 2015 and fire members hired before November 1, 2014 are 2.8 percent of the member's final three-year average final compensation (AFC) times the member's first 30 years of service, plus 1 percent of AFC times years of service in excess of 30 years. These plan members are eligible to retire with 25 or more years of service, regardless of age.

Retirement benefits for police members hired on or after July 1, 2015 are 1.75 percent of the member's five-year AFC times all years of service. These plan members are eligible to retire with 25 or more years of service at age 50.

Retirement benefits for fire members hired on or after November 1, 2015 are 2.25 percent of five-year AFC times the first 30 years of service plus 1 percent of AFC times years of service in excess of 30 years. These plan members are eligible to retire with 25 or more years of service at age 50.

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

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

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

Contributions - Article 9, Section 24 of the State of Michigan Constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2016, the average active member contribution rate ranged from 3.0 to 5.0 percent of base pay and the City's average contribution rate was 1.0 percent of annual payroll.

Payable to the Pension Plan

At June 30, 2016, the City reported a payable of \$1,253,441 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2016.

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

Pension Plan Investments - Policy and Rate of Return

Investment Policy - The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Pension Board's adopted asset allocation policy as of June 30, 2016:

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

Rate of Return - For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (1.02) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Reserves

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

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

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

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

City of Westland, Michigan

Notes to Financial Statements June 30, 2016

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

The balances of the reserve accounts at June 30, 2016 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 173,271,329	\$ 144,107,423
Employee reserve	1,604,673	1,604,673

Net Pension Liability

The components of the net pension liability of the City at June 30, 2016 were as follows:

Total pension liability	\$ 216,679,302
Plan fiduciary net position	(145,712,096)
City's net pension liability	<u>\$ 70,967,206</u>

Plan fiduciary net position as a percentage of the total pension liability 67.2 %

The City has chosen to use June 30, 2016 as its measurement date for the net pension liability. The June 30, 2016 total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2015	\$ 207,268,894	\$ 156,095,995	\$ 51,172,899
Service cost	3,028,268	-	3,028,268
Interest	15,096,874	-	15,096,874
Changes in benefit terms	(724,126)	-	(724,126)
Differences between expected and actual experience	6,992,130	-	6,992,130
Contributions - Employer	-	6,717,939	(6,717,939)
Contributions - Employee	-	537,081	(537,081)
Net investment income	-	(2,646,242)	2,646,242
Benefit payments, including refunds	(14,982,738)	(14,982,738)	-
Miscellaneous other charges	-	(9,938)	9,938
Net changes	<u>9,410,408</u>	<u>(10,383,898)</u>	<u>19,794,306</u>
Balance at June 30, 2016	<u>\$ 216,679,302</u>	<u>\$ 145,712,097</u>	<u>\$ 70,967,205</u>

Note 16 - Defined Benefit Pension Plan - Police and Fire Retirement System (Continued)**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2016, the City recognized pension expense of \$13,555,137. At June 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 10,167,321
Net difference between projected and actual earnings on pension plan investments	<u>16,317,001</u>
Total	<u>\$ 26,484,322</u>

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

<u>Years Ending June 30</u>	<u>Amount</u>
2017	\$ 8,098,301
2018	8,098,301
2019	6,406,084
2020	3,881,636

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2016 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table.

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	8.0 %
International equity	7.6 %
Global fixed income	3.0 %
Hedge funds	3.8 %
Real estate	7.0 %
Cash/Cash equivalents	1.0 %

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability of the City	\$ 94,393,633	\$ 70,967,205	\$ 50,806,330

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

Note 17 - Other Postemployment Benefits

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

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

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

Funding Progress - For the year ended June 30, 2016, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2016. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

City of Westland, Michigan

Notes to Financial Statements June 30, 2016

Note 17 - Other Postemployment Benefits (Continued)

This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 14,532,590
Interest on the prior year's net OPEB obligation	2,405,827
Less adjustment to the annual required contribution	<u>(2,212,386)</u>
Total annual OPEB cost	14,726,031
Amounts contributed - Payments of current premiums	<u>(7,822,651)</u>
Increase in net OPEB obligation	6,903,380
OPEB obligation - Beginning of year	<u>53,462,817</u>
OPEB obligation - End of year	<u>\$ 60,366,197</u>

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Employer Contributions Percentage OPEB Costs Contributed	Net OPEB Obligation
6/30/11	6/30/11	\$ 12,769,427	36.8 %	\$ 23,378,403
6/30/12	6/30/11	12,798,630	41.6	30,849,306
6/30/13	6/30/13	13,932,870	47.0	38,231,921
6/30/14	6/30/13	13,959,582	44.0	45,987,642
6/30/15	6/30/15	14,698,984	49.0	53,462,817
6/30/16	6/30/15	14,726,031	53.1	60,366,197

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

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

Note 17 - Other Postemployment Benefits (Continued)

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

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

In the June 30, 2016 actuarial valuation, the projected unit credit with linear proration to decrement cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 5 percent after eight years. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 30 years.

Note 18 - Upcoming Accounting Pronouncements

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

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

Note 19 - Fair Value Measurement

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

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

City of Westland, Michigan

Notes to Financial Statements June 30, 2016

Note 19 - Fair Value Measurement (Continued)

The City has the following recurring fair value measurements as of June 30, 2016:

Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
ADR	\$ 2,053,015	\$ 2,053,015	\$ -	\$ -
Asset-backed securities	1,212,582	-	1,212,582	-
Closed end MF - Equity	17,374,250	17,374,250	-	-
Closed end MF - Fixed income tax	7,758,555	7,758,555	-	-
Collateralized mortgage obligations	1,035,736	-	1,035,736	-
Common stock	54,526,907	54,526,907	-	-
Corporate bonds	5,129,205	-	5,129,205	-
Foreign bonds	1,949,605	-	1,949,605	-
Foreign stock	3,491,424	3,491,424	-	-
Inflation index bonds	2,272,571	2,272,571	-	-
Mortgage-backed securities	3,349,103	-	3,349,103	-
Open end mutual fund - Fixed income tax	1,866,360	1,866,360	-	-
Preferred stock	17,940	-	-	17,940
Private placements	3,683,488	-	3,683,488	-
Real estate investment trusts	2,443,405	2,443,405	-	-
U.S. federal agencies	285,442	285,442	-	-
U.S. government obligations	3,498,418	3,498,418	-	-
U.S. Treasury bills	314,985	314,985	-	-
Mutual funds under securities lending agreements	8,284,164	-	8,284,164	-
Total investments by fair value level	<u>\$ 120,547,155</u>	<u>\$ 95,885,332</u>	<u>\$ 24,643,883</u>	<u>\$ 17,940</u>

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of asset and mortgage-backed securities, collateralized mortgage obligations, corporate and foreign bonds, and private placements at June 30, 2016 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Note 19 - Fair Value Measurement (Continued)

The fair value of preferred stock at June 30, 2016 was determined primarily based on Level 3 inputs. The City estimates the fair value of these investments using the City's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

Investments in Entities that Calculate Net Asset Value per Share

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

At the year ended June 30, 2016, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
CIF - Equity	\$ 12,515,173	\$ -	none	none
Real estate investment trusts	1,737,891	-	none	none
Open end mutual funds - Fixed income tax	1,928,186	-	none	none
CIF - Fixed income	5,859,687	-	none	none
Closely held equity	7,261,821	-	none	none
Total investments measured at NAV	<u>\$ 29,302,758</u>	<u>\$ -</u>		

The collective investment funds - equity, collective investment funds - fixed income, and open end mutual funds are global investment funds that invest exclusively in high-quality, short-term securities. The fair values of the investments of this type have been determined using the NAV per share of the investments.

The real estate funds class includes several real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this class have been estimated using the net asset value of the City's ownership interest in partners' capital.

The closely held equity funds class includes several private equity funds with diversified portfolios. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Required Supplemental Information

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 25,680,813	\$ 25,680,813	\$ 25,812,494	\$ 131,681
Licenses and permits	1,274,600	1,278,400	1,210,014	(68,386)
Federal sources	251,000	950,274	920,343	(29,931)
State sources	9,298,132	9,980,233	9,473,702	(506,531)
Charges for services	4,376,250	4,171,000	4,063,403	(107,597)
Court fines and fees	4,500,000	5,000,000	5,176,007	176,007
Interest income	260,000	260,000	200,815	(59,185)
Other:				
Local sources	2,041,428	2,109,428	2,134,509	25,081
Cable franchise fees	1,750,000	1,870,000	1,885,946	15,946
Refund of captured property taxes	1,000,000	1,000,000	836,394	(163,606)
Other miscellaneous income	5,919,596	5,709,422	5,551,472	(157,950)
Total revenue	56,351,819	58,009,570	57,265,099	(744,471)
Expenditures				
Current:				
General government:				
Legislative	100,968	133,341	132,248	1,093
Executive	756,570	944,694	933,959	10,735
Computer information systems	946,264	1,218,797	1,196,087	22,710
Law	800,000	800,000	781,325	18,675
Finance	1,490,682	1,548,122	1,498,866	49,256
Assessment	467,725	467,725	467,131	594
City clerk	827,690	839,190	820,875	18,315
City hall and grounds	434,750	487,660	436,458	51,202
Personnel	505,922	545,074	507,903	37,171
Housing	616,830	658,780	672,609	(13,829)
Insurance and bonds	1,600,000	2,200,000	2,145,758	54,242
General government	5,933,872	5,652,926	5,279,508	373,418
Community development	662,942	681,693	639,747	41,946
Total general government	15,144,215	16,178,002	15,512,474	665,528
Public safety:				
Police	17,003,004	17,480,970	17,572,495	(91,525)
Joint dispatch	1,938,294	2,038,594	2,076,473	(37,879)
Fire	12,874,024	13,499,014	13,486,596	12,418
Police and Fire Retirement Board	55,000	55,000	24,064	30,936
District Court	3,501,987	3,501,987	3,465,880	36,107
Total public safety	35,372,309	36,575,565	36,625,508	(49,943)
Highway maintenance	1,657,523	1,600,170	1,563,157	37,013
Sanitation	3,209,774	3,294,380	2,969,212	325,168
Youth Assistance Program	915,108	915,108	867,598	47,510
Recreation and culture:				
Parks and recreation	1,165,554	1,263,643	1,223,541	40,102
Ice arena	318,315	318,315	302,343	15,972
Senior resources	603,605	612,454	605,870	6,584
Golf course	354,391	354,391	353,579	812
Total recreation and culture	2,441,865	2,548,803	2,485,333	63,470
Debt service	362,508	356,804	376,553	(19,749)
Total expenditures	59,103,302	61,468,832	60,399,835	1,068,997
Excess of Expenditures Over Revenue	(2,751,483)	(3,459,262)	(3,134,736)	324,526

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ 680,000	\$ 700,962	\$ 700,962	\$ -
Transfers in	3,860,000	3,860,000	3,860,000	-
Transfers out	(257,806)	(257,806)	(467,176)	(209,370)
Total other financing sources	4,282,194	4,303,156	4,093,786	(209,370)
Net Change in Fund Balance	1,530,711	843,894	959,050	115,156
Fund Balance - Beginning of year	6,911,098	6,911,098	6,911,098	-
Fund Balance - End of year	<u><u>\$ 8,441,809</u></u>	<u><u>\$ 7,754,992</u></u>	<u><u>\$ 7,870,148</u></u>	<u><u>\$ 115,156</u></u>

City of Westland, Michigan

Note to Required Supplemental Information Year Ended June 30, 2016

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

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

Unexpended appropriations lapse at year end. The amount of encumbrances outstanding at June 30, 2016 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

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

	Total Revenue	Total Expenditures	Other Financing Sources
General Fund:			
Amounts per operating statement	\$ 59,811,990	\$ 58,930,880	\$ 46,472
Reimbursements from other funds recorded as revenue	(1,836,843)	1,563,157	3,400,000
E-911 Fund	(439,509)	(3,990)	452,314
Metro Act - Broadband Fund	(270,539)	(90,212)	195,000
Amounts per budget statement	<u>\$ 57,265,099</u>	<u>\$ 60,399,835</u>	<u>\$ 4,093,786</u>

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

	Budget	Actual	Variance
General Fund:			
Housing	\$ 658,780	\$ 672,609	\$ (13,829)
Police	17,480,970	17,572,495	(91,525)
Joint Dispatch	2,038,594	2,076,473	(37,879)
Debt Service	356,804	376,553	(19,749)

City of Westland, Michigan

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

	2015	2014
Total Pension Liability		
Service cost	\$ 1,301,083	\$ 1,373,374
Interest	9,708,550	9,483,985
Changes in benefit terms	-	-
Differences between expected and actual experience	(109,173)	-
Changes in assumptions	6,359,502	-
Benefit payments, including refunds	<u>(8,334,206)</u>	<u>(7,865,543)</u>
Net Change in Total Pension Liability	8,925,756	2,991,816
Total Pension Liability - Beginning of year	<u>121,195,287</u>	<u>118,203,471</u>
Total Pension Liability - End of year	<u>\$ 130,121,043</u>	<u>\$ 121,195,287</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 5,168,527	\$ 5,699,179
Contributions - Member	362,187	299,758
Net investment (loss) income	(788,058)	3,253,267
Administrative expenses	(117,289)	(120,757)
Benefit payments, including refunds	<u>(8,332,862)</u>	<u>(7,865,543)</u>
Net Change in Plan Fiduciary Net Position	(3,707,495)	1,265,904
Plan Fiduciary Net Position - Beginning of year	<u>54,891,027</u>	<u>53,625,123</u>
Plan Fiduciary Net Position - End of year	<u>\$ 51,183,532</u>	<u>\$ 54,891,027</u>
City's Net Pension Liability - Ending	<u>\$ 78,937,511</u>	<u>\$ 66,304,260</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	39.34 %	45.29 %
Covered Employee Payroll	\$ 7,451,135	\$ 7,555,355
City's Net Pension Liability as a Percentage of Covered Employee Payroll	1,059.4 %	877.6 %

City of Westland, Michigan

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

	2016	2015	2014
Total Pension Liability			
Service cost	\$ 3,028,268	\$ 2,860,595	\$ 3,222,792
Interest	15,096,874	14,268,302	14,057,789
Changes in benefit terms	(724,126)	-	-
Differences between expected and actual experience	6,992,130	8,888,109	-
Changes in assumptions	-	-	-
Benefit payments, including refunds	<u>(14,982,738)</u>	<u>(15,123,670)</u>	<u>(13,461,635)</u>
Net Change in Total Pension Liability	9,410,408	10,893,336	3,818,946
Total Pension Liability - Beginning of year	<u>207,268,894</u>	<u>196,375,558</u>	<u>192,556,612</u>
Total Pension Liability - End of year	<u>\$ 216,679,302</u>	<u>\$ 207,268,894</u>	<u>\$ 196,375,558</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 6,717,939	\$ 6,693,504	\$ 5,813,007
Contributions - Member	537,081	326,793	116,709
Net investment (loss) income	(2,646,242)	3,318,245	26,067,511
Administrative expenses	-	-	-
Benefit payments, including refunds	(14,982,738)	(15,123,670)	(13,461,635)
Other	<u>(9,938)</u>	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	(10,383,898)	(4,785,128)	18,535,592
Plan Fiduciary Net Position - Beginning of year	<u>156,095,994</u>	<u>160,881,122</u>	<u>141,409,908</u>
Plan Fiduciary Net Position - End of year	<u>\$ 145,712,096</u>	<u>\$ 156,095,994</u>	<u>\$ 159,945,500</u>
City's Net Pension Liability - Ending	<u>\$ 70,967,206</u>	<u>\$ 51,172,900</u>	<u>\$ 36,430,058</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	67.25 %	75.31 %	81.45 %
Covered Employee Payroll	\$ 11,103,002	\$ 9,126,696	\$ 10,198,898
City's Net Pension Liability as a Percentage of Covered Employee Payroll	639.2 %	560.7 %	357.2 %

City of Westland, Michigan

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 6,717,939	\$ 6,693,504	\$ 5,813,007	\$ 4,990,887	\$ 4,494,952	\$ 4,137,201	\$ 3,829,140	\$ 4,738,178	\$ 5,085,329	\$ 4,281,154
Contributions in relation to the actuarially determined contribution	6,717,939	6,693,504	5,813,007	4,990,887	4,494,952	4,137,201	3,829,140	4,738,178	5,085,329	4,281,154
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 11,103,002	\$ 9,126,696	\$10,198,898	\$10,609,537	\$10,840,217	\$10,939,952	\$12,951,032	\$12,862,009	\$12,661,870	\$12,580,386
Contributions as a Percentage of Covered Employee Payroll	60.5 %	73.3 %	57.0 %	47.0 %	41.5 %	37.8 %	29.6 %	36.8 %	40.2 %	34.0 %

Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined valuation rates were calculated as of June 30 each year, which is one year prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age actuarial cost method

Amortization method Level percent of payroll

Remaining amortization period 20 years, closed

Asset valuation method Five-year smoothed market

Inflation 4.0%

Salary increases 4.0%-8.0% including inflation

Investment rate of return 7.5%

Mortality Experience-based table of rates that are specific to the type of eligibility condition. RP-2000 males (unadjusted) and females (unadjusted) Healthy Life Mortality Table projected 20 years.

Other information None

City of Westland, Michigan

Required Supplemental Information Schedule of MERS Contributions Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 4,959,882	\$ 4,840,206	\$ 4,366,557	\$ 4,124,906	\$ 3,115,379	\$ 3,550,609	\$ 3,530,623	\$ 3,744,570	\$ 3,733,896	\$ 3,569,964
Contributions in relation to the actuarially determined contribution	5,130,452	6,060,338	4,366,557	4,124,906	3,115,379	3,550,609	3,530,623	3,744,570	3,733,896	3,569,964
Contribution (Excess) Deficiency	\$ (170,570)	\$ (1,220,132)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 7,399,002	\$ 6,939,596	\$ 7,555,355	\$ 7,076,423	\$ 7,377,631	\$ 7,969,308	\$ 9,960,227	\$10,257,650	\$10,622,098	\$10,177,100
Contributions as a Percentage of Covered Employee Payroll	69.3 %	87.3 %	57.8 %	58.3 %	42.2 %	44.6 %	35.4 %	36.5 %	35.2 %	35.1 %

Notes to Schedule of City Contributions

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 end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20-23 years
Asset valuation method	10-year smoothed market
Inflation	2.5%
Salary increases	3.75% - 14.75%
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 Mortality Table
Other information	None

City of Westland, Michigan

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return - Net of investment expense	(1.0)%	2.5 %	18.6 %

City of Westland, Michigan

Required Supplemental Information OPEB System Schedule Year Ended June 30, 2016

The schedule of funding progress is as follows:

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

Other Supplemental Information

City of Westland, Michigan

Special Revenue Funds						
	Major Roads Fund	Local Roads Fund	Community Development Block Grant	Street Lighting	Drug Forfeiture	Library
Assets						
Cash and cash equivalents	\$ 1,424,702	\$ 2,739,335	\$ -	\$ 808,699	\$ 34,142	\$ 2,500,550
Receivables - Net	810,500	251,899	-	-	-	139,627
Due from other funds	-	-	548,970	-	40,000	-
Prepaid expenses and other assets	500,000	-	-	-	-	-
Assets held for resale	-	-	1,214,793	-	-	-
Total assets	\$ 2,735,202	\$ 2,991,234	\$ 1,763,763	\$ 808,699	\$ 74,142	\$ 2,640,177
Liabilities						
Accounts payable	\$ 159,386	\$ 426,415	\$ 113,686	\$ -	\$ 65,475	\$ 55,792
Due to other funds	671,665	475,307	303,139	234,213	-	-
Accrued and other liabilities	-	-	-	-	-	31,552
Total liabilities	831,051	901,722	416,825	234,213	65,475	87,344
Deferred Inflows of Resources -						
Unavailable revenue	-	29,117	-	-	-	89,572
Fund Balances						
Nonspendable - Major roads	500,000	-	-	-	-	-
Restricted:						
Roads	1,404,151	2,060,395	-	-	-	-
Debt service	-	-	-	-	-	-
Community development	-	-	1,346,938	-	-	-
Drug forfeiture	-	-	-	-	8,667	-
Library	-	-	-	-	-	2,463,261
Street lighting	-	-	-	574,486	-	-
Assigned	-	-	-	-	-	-
Total fund balances	1,904,151	2,060,395	1,346,938	574,486	8,667	2,463,261
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,735,202	\$ 2,991,234	\$ 1,763,763	\$ 808,699	\$ 74,142	\$ 2,640,177

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

Debt Service Funds				
Motor Vehicle Highway Debt - Newburgh	Building Authority Debt - 2005 Refunding	HUD Loan	Capital Project Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 478	\$ 2,156,318	\$ 9,664,224
-	-	-	-	1,202,026
-	-	-	2,130,628	2,719,598
-	-	-	-	500,000
-	-	-	-	1,214,793
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 478</u>	<u>\$ 4,286,946</u>	<u>\$ 15,300,641</u>
\$ -	\$ -	\$ -	\$ 273,904	\$ 1,094,658
-	-	-	-	1,684,324
-	-	-	-	31,552
-	-	-	273,904	2,810,534
-	-	-	-	118,689
-	-	-	-	500,000
-	-	-	-	3,464,546
-	-	478	-	478
-	-	-	-	1,346,938
-	-	-	-	8,667
-	-	-	-	2,463,261
-	-	-	-	574,486
-	-	-	4,013,042	4,013,042
-	-	478	4,013,042	12,371,418
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 478</u>	<u>\$ 4,286,946</u>	<u>\$ 15,300,641</u>

City of Westland, Michigan

	Special Revenue Funds					
	Major Roads Fund	Local Roads Fund	Community Development Block Grant	Street Lighting	Drug Forfeiture	Library
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,709,998
Federal sources	-	-	1,639,965	-	-	-
State sources	4,562,069	1,428,157	-	-	562,525	114,931
Interest income	6,367	5,818	13	779	-	7,269
Other revenue:						
Special assessments	-	34,180	-	1,651,802	-	-
Local sources	-	-	-	-	-	89,546
Refund of captured property taxes	-	-	-	-	-	100,804
Other income	3,080	-	-	-	8,210	13,019
Total revenue	4,571,516	1,468,155	1,639,978	1,652,581	570,735	3,035,567
Expenditures						
Current:						
General government	-	-	-	-	-	-
Street lighting	-	-	-	1,379,564	-	-
Public safety	-	-	-	-	568,200	-
Highway, streets, and drains	2,155,523	2,617,412	-	-	-	-
Community and economic development	-	-	1,544,715	-	-	-
Cultural and recreation	-	-	-	-	-	2,994,112
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	2,155,523	2,617,412	1,544,715	1,379,564	568,200	2,994,112
Excess of Revenue Over (Under) Expenditures	2,415,993	(1,149,257)	95,263	273,017	2,535	41,455
Other Financing Sources (Uses)						
Face value of debt issue	-	-	-	-	-	-
Transfers in	-	928,962	-	-	-	-
Transfers out	(1,268,487)	-	-	(15,000)	-	-
Total other financing (uses) sources	(1,268,487)	928,962	-	(15,000)	-	-
Net Change in Fund Balances	1,147,506	(220,295)	95,263	258,017	2,535	41,455
Fund Balances - Beginning of year	756,645	2,280,690	1,251,675	316,469	6,132	2,421,806
Fund Balances - End of year	\$ 1,904,151	\$ 2,060,395	\$ 1,346,938	\$ 574,486	\$ 8,667	\$ 2,463,261

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2016

Debt Service Funds				
Motor Vehicle	Building			Total
Highway Debt	Authority		Capital	Nonmajor
- Newburgh	Debt - 2005		Project Fund	Governmental
	Refunding	HUD Loan		Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,709,998
-	-	-	-	1,639,965
-	-	-	-	6,667,682
-	-	616	5,464	26,326
-	-	-	-	1,685,982
-	-	-	-	89,546
-	-	-	-	100,804
-	-	-	330,000	354,309
-	-	616	335,464	13,274,612
-	-	-	381	381
-	-	-	-	1,379,564
-	-	-	-	568,200
-	-	-	-	4,772,935
-	-	575,138	-	2,119,853
-	-	-	-	2,994,112
-	-	-	2,868,900	2,868,900
339,525	460,120	-	-	799,645
339,525	460,120	575,138	2,869,281	15,503,590
(339,525)	(460,120)	(574,522)	(2,533,817)	(2,228,978)
-	-	575,000	-	575,000
339,525	460,120	-	209,370	1,937,977
-	-	-	-	(1,283,487)
339,525	460,120	575,000	209,370	1,229,490
-	-	478	(2,324,447)	(999,488)
-	-	-	6,337,489	13,370,906
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 478</u>	<u>\$ 4,013,042</u>	<u>\$ 12,371,418</u>

City of Westland, Michigan

Other Supplemental Information Combining Balance Sheet Fiduciary Funds - Agency Funds June 30, 2016

	Agency Funds			Total Agency Funds
	Trust and Agency	Undistributed Tax Collection	District Court	
Assets - Cash and cash equivalents	\$ 1,126,901	\$ 949,171	\$ 320,847	\$ 2,396,919
Liabilities				
Due to other governmental units	\$ -	\$ 949,171	\$ 124,778	\$ 1,073,949
Accrued liabilities and other	1,126,901	-	196,069	1,322,970
Total liabilities	\$ 1,126,901	\$ 949,171	\$ 320,847	\$ 2,396,919

City of Westland, Michigan

Report to the City Council

June 30, 2016

December 22, 2016

To the Honorable Mayor and
Members of the City Council
City of Westland, Michigan

We have audited the financial statements of the City of Westland, Michigan (the "City") as of and for the year ended June 30, 2016 and have issued our report thereon dated December 22, 2016. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Other Recommendations and Related Information

Section III - Legislative and Informational Items

Section I includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the mayor and members of the City Council.

Section II presents recommendations related to internal control, procedures, and other matters noted during our current year audit. These comments are offered in the interest of helping the City in its efforts toward continuous improvement, not just in the areas of internal control and accounting procedures, but also in operational or administrative efficiency and effectiveness.

Section III contains updated legislative and informational items that we believe will be of interest to you.

In addition to the comments and recommendations in this letter, our observations and comments regarding the City of Westland, Michigan's internal control, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. This report is included in the supplemental schedule of federal awards, and we recommend that the matters we have noted there receive your careful consideration. Several of these comments would be repeat in nature from the June 30, 2015 report to the City Council.

We would like to take this opportunity to thank the City's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the City Council and management of the City of Westland, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

To the Honorable Mayor and
Members of the City Council
City of Westland, Michigan

December 22, 2016

We welcome any questions you may have regarding the following communications and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Michael J. Swartz", with a stylized flourish at the end.

Michael J. Swartz

Section I - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 19, 2016, our responsibility, as described by professional standards, is to express an opinion 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. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the City of Westland, Michigan (the City of Westland or the “City”). Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the City of Westland’s financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the City of Westland, including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of error or fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated December 22, 2016 regarding our consideration of the City of Westland’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 19, 2016.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Westland are described in Note 1 to the financial statements.

As described in Note 19, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Accordingly, Note 3 to the financial statements includes additional disclosures regarding the fair value of pension investments.

Section I - Required Communications with Those Charged with Governance (Continued)

We noted no transactions entered into by the City of Westland during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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.

The most sensitive estimates affecting the financial statements include the historical cost of the City's infrastructure (roads and buildings), net other postemployment benefits obligation, net pension liability, incurred but not reported claims of workers' compensation, general liability and health insurance, the valuation of the alternative investments in the Police and Fire Pension Fund, the estimated liability related to legal proceedings, and the estimated liability recorded for potential Michigan Tax Tribunals and future county chargebacks. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

The City's year-end adjustments to the accounting records and schedule of expenditures of federal awards needed adjustment during the audit. The City provided necessary journal entries to close the year during the course of the audit. In addition, the audit team again provided accounting assistance during the course of the audit by suggesting necessary adjustments to properly close the year.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as 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.

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. Management has corrected all such misstatements.

The following material misstatements detected as a result of audit procedures were corrected by management. Several entries made relating to cash, fixed assets, accounts payable, and debt, although not material individually, were material in the aggregate. Entries related to retirement system were material and are reported as a material weakness.

Section I - Required Communications with Those Charged with Governance (Continued)

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the City, and business plans and strategies that may affect the risks of material misstatement with management each year prior to our 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 of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 22, 2016.

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.

Section II - Other Recommendations and Related Information

In other sections of this report and also in the report on federal awards, we outline several significant deficiencies and material weaknesses related to internal controls over various financial processes. Comments included in the fiscal year ended June 30, 2015 reports included comments related to bank reconciliations, required journal entries to close the books, general audit readiness, grant activity summaries, and retirement system accounting. During 2016, significant improvements were made in the timeliness of bank reconciliations and some improvements were noted in the journal entry closing and accounts payable process. The comments included in the June 30, 2016 reports were, however, somewhat similar, showing additional improvement is needed.

We had hoped that more progress could be made but, principally due to demands put on current staff due to the water meter conversion project, various legal matters, and other special projects, limited progress was made. It seems that urgent matters keep delaying progress on important matters. To assist in this area, we suggest that you consider again separating the controller and purchasing agent positions. They were combined some time ago due to budget constraints but the workload and supervision responsibilities in the finance department warrant a review of the positions again. Prior to concluding on this matter, we suggest you have a thorough review completed of the finance department to identify required staffing levels, duplicate tasks, potential time wasters, or other potential organizational changes.

Additionally, during our audit, we noted the following matters that we wanted to bring to your attention:

- While the fund balance of the General Fund remains in a solid position, there will be significant pressure on it in the near future. The annual contributions required of the MERS program will be a major reason for this pressure. The City's MERS pension plan continues to decrease in funding percentage. As of December 31, 2015, the funding percentage is just over 39 percent, down from 45 percent last year. The City made the required contributions, but due to changes in assumptions and a low investment rate of return in the current year, the net pension liability increased by approximately \$12 million. This increase in liability is likely to lead to increases in required contributions to the plan in the upcoming years. The City is currently being proactive in making additional contributions to attempt to fund the liability, and we recommend continuing to do so if feasible.
- As you are aware, the City's revenue streams are very flat. Both the City Council and administration have done a great job containing costs in light of this in the past. Unfortunately, the need to continue to do this will last into the foreseeable future. Increased inflation of costs, particularly benefit costs, and capital structure needs will add to this pressure. Some capital needs have been funded with the Capital Project Fund while others have been funded by debt. We encourage you to place close attention to long-range financial plans when reviewing current financial decisions.

Section II - Other Recommendations and Related Information (Continued)

- In recent years, the City has worked hard to rebuild the equity of the Water and Sewer Fund through cost containment, capital project deferral, rate adjustments, and increased effort on cash collection. As a result of this effort, bond ratings have improved and debt service costs on new projects have declined. Additionally, cash balances have improved to again allow the City to focus on preventive maintenance rather than funding emergency repair. We commend you on this focused direction. We encourage you now to continue your focus on the preventive capital maintenance program. While all projects may not be able to be accomplished, continued focus on a well-thought-out plan helps define priorities.
- The City sets water and sewer rates partially based on estimates and historical information from the City of Detroit/GLWA and Wayne County. The industrial waste charge is a simple pass-through cost to the users. In the current year, there was an unexpected decrease in industrial waste charges after the City rates were set. The anticipated pass-through cost was approximately \$695,000 while the actual cost was approximately \$435,000. We recommend the City consider this when evaluating the rate charges in the upcoming rate year.
- Finally, a goal of a finance department is to maintain an internal audit function as well as accounting for the everyday financial transactions. Once current practices are brought under control as suggested above, we would be happy to work with the finance team to develop this function.

Section III - Legislative and Informational Items

New Other Postemployment Benefits Standards (Retiree Healthcare Obligations)

In June 2015, the GASB issued new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB, which refers to retiree healthcare). GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees.

Under the new standard, OPEB plans will now be required to include in the financial statements more extensive footnote disclosures and required supplementary information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the City will, after adoption of GASB 75, recognize on the face of the financial statements its net OPEB liability. The City is currently evaluating the impact these standards will have on the financial statements when adopted. GASB 75 is effective for fiscal years beginning after June 15, 2017 (the City's year end of June 30, 2018).

Revenue Sharing

The FY 2017 governor's budget recommendation includes \$1.3 billion for revenue sharing broken down as follows:

Description	FY 2016 Budget	FY 2016 Forecasted Actual	Final 2017 Budget
Constitutionally required payments	\$ 783.8 M	\$ 745.9 M	\$ 757.9 M
CVTRS	243.0 M	243.0 M	243.0 M
CVTRS - One-time payments	5.8 M	5.8 M	5.8 M
County revenue sharing	171.8 M	171.8 M	174.2 M
County incentive program	42.9 M	42.9 M	43.0 M
Fiscally Distressed Community Grants	5.0 M	5.0 M	5.0 M
Total	\$ 1,252.3 M	\$ 1,214.4 M	\$ 1,228.9 M

As noted above, actual sales tax revenue, which serves as the base for the constitutionally required payments, came in lower than expected. As a result, constitutional revenue sharing is \$38 million lower than budgeted. The new budget for 2017 anticipates a slight increase of 1.6 percent. The FY 2017 budget also includes the "city, village, and township revenue sharing" (CVTRS) appropriation, which was established in FY 2015 and that number remains flat at \$243 million. Each community's overall increase will vary as each has a different mix of constitutional and CVTRS.

Section III - Legislative and Informational Items (Continued)

In order to receive the CVTRS payments in FY 2017, qualified local units will once again need to comply with the same best practices as they did last year:

- A citizen's guide to local finances with disclosure of unfunded liabilities
- Performance dashboard
- Debt service report
- Two-year budget projection

The "one-time" additional CVTRS payments that existed in the 2015 and 2016 budgets were not in the governor's 2017 budget. However, the payments were reinstated in the final 2017 budget.

Personal Property Tax

In August 2014, Michigan voters put the last piece of personal property tax reform in place. As a result, personal property taxes will be reduced in two respects:

1. **Small Taxpayer Exemption Loss (STEL)** - Small taxpayers with total personal property within a taxing unit valued at less than \$80,000 are able to sign an affidavit exempting this personal property from taxation. This exemption began with the 2014 tax billings.
2. Beginning with 2016 tax filings, an affidavit can be filed to exempt eligible property used in a manufacturing process that is purchased either prior to 2006 or after December 31, 2012.

For 2014 and 2015, all communities were qualified to be reimbursed for losses related to debt millages and lost TIF capture arising from the STEL. Only cities were reimbursed for the balance of the Small Taxpayer Exemption Loss. However, for 2016, the legislation is generally intended to fully reimburse all local units of government for revenue losses that result from all exempt personal property.

The changes include creation of a new Local Community Stabilization Authority (LCSA) that will receive money from two sources:

- **Use Tax**: The legislation includes specific amounts of the use tax that will be diverted from the State's General Fund to the new LCSA.
- **Essential Services Assessment**: Manufacturers will pay a "local community essential services assessment" to the LCSA based on the value of their exempt manufacturing property. The rate is set at 2.4 mills for a property's first five years, then 1.25 mills for the next five, then 0.9 mills thereafter.

Please keep in mind that if these two sources do not generate sufficient revenue for 100 percent of the losses, there could be a potential for something less than full reimbursement.

Section III - Legislative and Informational Items (Continued)

Local Community Stabilization Authority Revenue - As noted above, eligible communities began receiving reimbursements for certain lost personal property taxes. The state agency making those reimbursements is the Local Community Stabilization Authority (LCSA). These reimbursements should not be reported on the financial statements with property taxes; instead, they should be included with other intergovernmental revenue from the State (state shared revenue, grants, and other). The State has created a new account number for the revenue, 573, and titled it "Local Community Stabilization Share Appropriation." As always, communities should follow the State's guidance related to the Uniform Chart of Accounts.

The State Department of Treasury will compute the reimbursements and is scheduled to make the payments by October 20 of each year. The State will compare the total current year taxable value of commercial and industrial personal property to the value as of 2013 (the year before PPT reform).

Pension/OPEB Bonds

Originally, the public act allowing for the issuance of pension/OPEB borrowings was set to sunset effective December 31, 2015 but was extended until December 31, 2018 through Public Act 46 of 2015. Therefore, communities meeting certain criteria such as maintaining a credit rating of AA or higher and closing or freezing plans can issue bonds up until December 31, 2018. House Bill 4529 would eliminate the sunset provision altogether. House Bill 4158 of 2015 would add entities with a bond rating of "A" if debt were insured.

EVIP-like Requirements Tied to Act 51 Monies (Public Act 301 of 2014)

PA 301 of 2014 (the "Act") became effective October 9, 2014. This Act creates EVIP-like requirements for those who pay employees with Act 51 monies. For the purposes of this Act, "transportation employee" means an employee paid in whole or in part through Act 51 revenue or who is engaged in work funded through Act 51 revenue.

The Act requires local units receiving Act 51 money for the construction or maintenance of roads to comply with one of the following conditions by September 30, 2015:

1. Develop and publicize a transportation employee compensation plan that the local agency intends to implement with any new, modified, or extended employment contracts or agreements. This compensation plan must include certain limitations on employer contribution toward retirement plans and health insurance as well as limitations on factors that determine pension benefits.
2. Comply with Public Act 152 of 2011, which requires public employers to place hard caps on the amounts they contribute toward healthcare costs with an option to elect an 80 percent contribution cap rather than a hard cap. These hard caps are adjusted annually for inflation.
3. Certify that the local road agency does not offer medical benefits to its transportation employees or elected public officials.

Section III - Legislative and Informational Items (Continued)

If a local unit receiving Act 51 money does not certify that it complies with one of the above criteria by September 30 of each year, the Department of Transportation may withhold Act 51 distributions until compliance is established. Act 301 also requires local road agencies to maintain a searchable website (accessible to the public) that includes the current budget, the number of active transportation employees by job classification and wage rate, a financial performance dashboard, the names and contact information of the governing body, and a copy of the annual certification provided to MDOT.

For communities that are already complying with the requirements of Public Act 152 of 2011, we do not expect this new legislation to have a significant impact on operations since it essentially just creates a new reporting requirement; however, please contact your audit team if you would like to talk through the details of the act and the City's compliance.

PA 298 of 2012 - Act 51 Performance Audits

Public Act 298 of 2012 allows the Michigan Department of Transportation (MDOT) to conduct performance audits and make investigations of the disposition of all Act 51 state funds received by county road commissions, cities, and villages. The act states that these audits will be conducted by either an independent CPA or an employee of MDOT; however, recent communications sent to all cities, villages, and road commissions from MDOT indicate that you will need to have your CPA conduct the performance audit.

Based on this communication, the City will need a performance audit for its fiscal year ending June 30, 2017 (the year that begins after October 1, 2015). These procedures will be focused on evaluating the procedures the City puts in place to ensure it complies with the requirements of Public Act 51, and we will issue a separate report for this engagement. We are currently in the process of writing programs to address the key compliance areas. It is not clear to us whether this will be an annual requirement, but we will keep you apprised as additional information is provided by the State.

A key aspect of the compliance testing will focus on support for allocated costs. Recent communication from MDOT stated that MDOT auditors have determined that because time cards support, as a fundamental accounting record, the amounts billed for labor, equipment, and materials that cost allocations plans are not acceptable and therefore labor costs must be based on actual time, which can be verified by signed and approved time cards. Given the October 1, 2015 commencement of the audit time period, we encourage you to review your documentation methods to ensure compliance with this critical aspect.

Proposed Legislation

Tax Increment Finance Reforms (HB 5851-5856) - There are several bills that would limit captures related to special voted mills as well as require additional reporting requirements in the name of transparency. Another proposed change is that TIF revenue would need to be spent within five years. These bills are currently in Committee.

Section III - Legislative and Informational Items (Continued)

Dark Stores Update (HB 5578) - This bill passed the House and is now on to the Senate Finance Committee. This legislation would require the Michigan Tax Tribunal while addressing appeals, to consider their highest and best use and future and past income and to also ensure that comparable properties are used when comparing the same highest and best use.

In recent years, the MTT has used the "dark store" assessing theory even for fully functional big box retail stores. The result is much lower assessments since the property is compared to the sales of vacant structures that oftentimes have deed restrictions severely limiting their use.

Transformational Brownfields (SB 1061-1065) - This legislation would create a new type of Brownfield. The main difference from traditional Brownfields is that a Transformational Brownfield would capture sales and income tax on the specific development and those dollars would be available to developers. There would be a limit of one allowed per community and they would have to meet the definition of a "large scale investment". This definition varies based upon population. The minimum is \$25 million for communities under 50,000 in population but increases based upon population (for example, the City of Detroit minimum would be approximately \$500 million). This is directed at projects that would have a transformational impact on local economic development and community revitalization. This legislation is currently at the Committee level.

Trunkline Cost-sharing (SB 557) - This legislation is a proposal to eliminate cost sharing with MDOT for communities over 25,000 in population. This issue has gained traction with the extensive local participation costs expected to be incurred related to the I-75 corridor project. The House and Senate passed the bill but it was ultimately vetoed by the governor in early September.

Restriction on Judgment Levies (SB 630 and 631) - Historically, judgment levies could be assessed by a local government unit in addition to other property tax limitations. Under these bills, a judgment levy would have to pay from existing tax revenue unless voters approved an increase to the existing millage. The bills would also prohibit the issuance of bonds to repay a judgment if the bonds would increase total taxes. Bonds could be issued only through a local vote.

City of Westland, Michigan

**Federal Awards
Supplemental Information
June 30, 2016**

City of Westland, Michigan

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Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance

Independent Auditor's Report

To the City Council
City of Westland, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Westland, Michigan (the "City") as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 22, 2016, which contained unmodified opinions on the 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. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 22, 2016.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

December 22, 2016

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the City Council
City of Westland, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Westland, Michigan (the "City") as of and for the year ended June 30, 2016, and related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Westland, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as Findings 2016-002, 2016-003, 2016-005, and 2016-006, to be material weaknesses.

To Management and the City Council
City of Westland, Michigan

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as Findings 2016-001 and 2016-004, to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Westland, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Westland's Responses to Findings

The City of Westland, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Westland, Michigan's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

December 22, 2016

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the City Council
City of Westland, Michigan

Report on Compliance for Each Major Federal Program

We have audited the City of Westland, Michigan's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal programs for the year ended June 30, 2016. The City of Westland, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Westland, Michigan's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Westland, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Westland, Michigan's compliance.

To the City Council
City of Westland, Michigan

Opinion on Each Major Federal Program

In our opinion, the City of Westland, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the City of Westland, Michigan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Westland, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention of those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2016-007 to be a material weakness.

The City of Westland, Michigan's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The City of Westland, Michigan's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

To the City Council
City of Westland, Michigan

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

December 22, 2016

City of Westland, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development:				
CDBG Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grant	14.218	B-14-MC-26-0017	\$ -	\$ 298,294
Community Development Block Grants/Entitlement Grant	14.218	B-15-MC-26-0017	22,313	769,070
Neighborhood Stabilization Program I	14.218	B-08-MN-26-0016	-	18,356
Neighborhood Stabilization Program 3 - Passed through Wayne County, Michigan	14.218	N/A	-	68,350
Subtotal CDBG Entitlement Grants Cluster				1,154,070
Section 108 Loan	14.248	B-13-MC-26-0017	-	575,000
Home Investment Partnerships Program	14.239	M15-MC260218	-	365,011
Total U.S. Department of Housing and Urban Development				2,094,081
U.S. Department of Transportation - Office of Highway Safety Cluster Programs - Seatbelt and OWI Enforcement	20.601	AL-10-04 & AL-11-30	-	25,274
U.S. Department of Justice:				
JAG Program Cluster - Bureau of Justice Assistance:				
Edward Byrne Memorial Justice Assistance Grant Program - Passed through Wayne County, Michigan	16.738	2015-MU-BX-0964	-	38,534
Edward Byrne Memorial Justice Assistance Grant Program - Passed through Wayne County, Michigan	16.738	2013-DJ-BX-0503	-	23,773
Subtotal JAG Grants Cluster				62,307
Office of Community Oriented Policing Services (COPS) - Public Safety Partnership and Community Policing Grant	16.710	2014UMWX0100	-	162,730
Total U.S. Department of Justice			-	225,037
U.S. Department of Health and Human Services - Block Grants for Prevention and Treatment of Substance Abuse - Passed through the Southeast Michigan Community Alliance	93.959		-	75,532
U.S. Department of Homeland Security - Staffing for Adequate Fire & Emergency Response Program	97.083	EMW-2014-FH-00372	-	594,239
U.S. Department of Agriculture - Food Distribution	10.550	ERP-337.20	-	31,957
Total federal awards			<u>\$ 22,313</u>	<u>\$ 3,046,120</u>

City of Westland, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Westland under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City of Westland, Michigan, it is not intended to and does not present the financial position, changes in net net position, or cash flows of the City of Westland, Michigan.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The City has elected not to use the 10 percent *de minimus* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Note 3 - Loan Balances

Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the schedule of expenditures of federal awards. The balance of loans outstanding at June 30, 2016 consists of the following:

<u>Cluster/Program Title</u>	<u>CFDA Number</u>	<u>Loan Balances</u>
Section 108 Loan	14.248	<u>\$ 575,000</u>

City of Westland, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)? ☒ Yes ☐ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grants Entitlement Cluster
14.248	Section 108 Loans

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

Section II - Financial Statement Audit Findings

Reference Number	Finding
2016-001	<p>Finding Type - Significant deficiency</p> <p>Criteria - The City should review invoices received after fiscal year end to ensure expenditures are recorded in the proper year.</p> <p>Condition - The City recorded expenditures in the wrong fiscal year.</p> <p>Context - Entries were required to be made to correct accounts payable balances in the Downtown Development Authority and Water and Sewer Fund general ledgers.</p> <p>Cause - Lack of monitoring procedures related to proper cut-off of expenditures</p> <p>Effect - Expenditures in the amount of approximately \$161,000 were recorded in an incorrect fiscal year.</p> <p>Recommendation - We recommend the City focus its review of invoices on service periods covered or dates goods were received to properly determine the correct fiscal year in which it needs to record those invoices.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City agreed on reviewing all cash disbursements made after fiscal year end for proper cut-off.</p>
Reference Number	Finding
2016-002	<p>Finding Type - Material weakness</p> <p>Criteria - Management's goal is to have workpaper preparation completed for the auditors and to present the trial balance ready for audit in accordance with generally accepted accounting principles</p> <p>Condition - While progress over the years continues to be made, the account balances did require analysis and adjustment after the beginning of the audit. The City was required to post entries in order for the financial statements to be correctly stated.</p> <p>Context - Journal entries were required to be made to the City's funds after the audit commenced in September 2016.</p> <p>Cause - The City has had staffing challenges in recent years, making it difficult to reconcile audit schedules to record balances in time for the scheduled start of the audit.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2016-002 (Cont.)	<p>Effect - As a result, certain transactions were not originally recorded in audit records or were recorded incorrectly prior to the audit process and material adjustments, both in number and size, were required.</p> <p>Recommendation - The City should attempt to reconcile all year-end entries against schedules prepared by the finance staff.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City has redistributed certain responsibilities among finance staff members to achieve more efficient workflow. The City will ensure a higher level review is made prior to the scheduled audit to ensure accuracy of the audited trial balance.</p>

Reference Number	Finding
2016-003	<p>Finding Type - Material weakness</p> <p>Criteria - Investment balances in the Police and Fire Employees' Retirement System should be reconciled to the general ledger on a regular basis.</p> <p>Condition - The City posts all of its retirement trust activity as one entry at year end. As a result, it is difficult to have an overview of the financial results of the system outside of the Police and Fire Employees' Retirement System board.</p> <p>Context - Material journal entries were required during the audit to record the activity of the retirement system trust fund.</p> <p>Cause - Controls have not been put into place to reconcile the investments on a monthly or quarterly basis.</p> <p>Effect - Activity is not properly stated until year end. As a result, material adjustments are made to properly reflect income and expenditures of the fund.</p> <p>Recommendation - We recommend the City post retirement system activity on a quarterly basis at a minimum.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will post retirement fund activity for the Police and Fire Retirement Fund on a quarterly basis. The City has distributed additional workflow to existing finance staff to ensure this will be completed.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2016-004	<p>Finding Type - Significant deficiency</p> <p>Criteria - The City should reconcile all cash balances, regardless of size, to third-party statements.</p> <p>Condition - The City let one tax collection bank account go inactive. Statements were sent by the bank to the prior City Hall address. The bank reconciliations were prepared for this account even though no bank statements were received by the City. After year end, as a result of inactivity and after sending notices to the old address without response, the bank closed the account and escheated the funds to the State of Michigan. The City recovered the funds prior to completion of the audit.</p> <p>Context - Significant time and effort of the City's financial manager were required to regain possession of the escheated funds totaling approximately \$210,000.</p> <p>Cause - Cash accounts with insignificant balances were not reconciled against bank statements during monthly cash reconciliation procedures.</p> <p>Effect - While the funds were in a city account at year end, the lack of interaction with the bank subjected the funds to a risk of loss.</p> <p>Recommendation - We recommend all cash balances be reconciled against actual bank statements. Any accounts that do not have bank statements should be followed up on.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will ensure statements are received for all accounts and that they are reviewed and reconciled on a monthly basis.</p>

Reference Number	Finding
2016-005	<p>Finding Type - Material weakness</p> <p>Criteria - The City is expected to track its capital assets and adjust financial information for any additions and disposals.</p> <p>Condition - The City completed conversion of tracking capital assets from manual schedules to online-based application. Upon auditor review, adjustments were needed to correct beginning balances and double recording of current year additions and disposals. In addition, adjustments were needed to correct errors made during the set-up of estimated lives and depreciation methods.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2016-005 (Cont.)	<p>Context - An inaccurate schedule of capital assets was presented at the beginning of the audit. Significant adjustments were recorded to properly reflect the capital asset activity.</p> <p>Cause - Beginning balances were not reviewed to balance to prior year ending balances. There is a lack of review process in the preparation of the capital asset schedule.</p> <p>Effect - Material adjustments were required in order to present capital assets in accordance with generally accepted accounting principles.</p> <p>Recommendation - We recommend a review process of all capital asset activity be performed to ensure all amounts are properly recorded.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will ensure statements are received for all accounts and that they are reviewed and reconciled on a monthly basis.</p>

Reference Number	Finding
2016-006	<p>Finding Type - Material weakness</p> <p>Criteria - The City should provide auditors with a complete schedule of federal awards that properly reflects the activity recorded in the general ledger accounts. The general ledger should separately identify federal from non-federal activity in order to accomplish completion of an accurate SEFA.</p> <p>Condition - The schedule of expenditures of federal awards (SEFA) required revision to agree to the general ledger accounts.</p> <p>Context - During the performance of the single audit, it was noted that expenditures from federal sources were not accurately reflected on the SEFA. In addition, federal grant activity was included in the same general ledger accounts as non-federal grant activity. Identification of the individual grants was therefore a cumbersome process.</p> <p>Cause - There is a lack of segregation of individual grant activities in the general ledger.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2016-006 (Cont.)	<p>Effect - Adjustments were required to the SEFA in order to present a complete and accurate report. Without proper reporting and reconciliation of the SEFA, material amounts could go unreported or material adjustments could be undetected.</p> <p>Recommendation - We recommend a review process of all federal activity be performed to ensure all amounts presented are accurate. We also recommend grants be segregated in the general ledger for ease of reporting.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will separate federal grants in the general ledger. The City will also ensure that all amounts included on the SEFA are accurate. An additional review process has been set up with existing staff to complete this task.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2016

Section III - Federal Program Audit Findings

Reference Number	Finding
2016-007	<p>CFDA Number, Federal Agency, and Program Name - Federal Agency - Housing and Urban Development, Section 108 Loans, CFDA 14.248</p> <p>Federal Award Identification Number and Year - B-13-MC-26-0017</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Material weakness</p> <p>Repeat finding - No</p> <p>Criteria - Per 2 CFR 210 and 205, the schedule of expenditures of federal awards should be complete and accurate and properly reflect the activity recorded in the general ledger accounts using the correct CFDA numbers for each program.</p> <p>Condition - The schedule of expenditures of federal awards (SEFA) required revision to agree underlying federal activity. In addition, the Section 108 Loan program (CFDA 14.248) was initially improperly clustered with Community Development Block Grant Entitlement Cluster programs (CFDA 14.218), as a result impacting major program determination.</p> <p>Questioned Costs - None</p> <p>Identification of How Questioned Costs were Computed - N/A</p> <p>Context - The SEFA includes awards from various funding sources. The Section 108 Loan program in the amount of \$575,000 was initially incorrectly reported as a part of the Community Development Block Grant Cluster and as a result was not originally tested as a major program. In addition, federal grant activity was included in the same general ledger accounts as nonfederal grant activity, making identification of the individual grants a cumbersome process.</p> <p>Cause and Effect - The City did not have processes in place to properly identify the CFDA numbers or segregate Section 108 expenditures on the SEFA, which initially impacted major program determination.</p> <p>Recommendation - We recommend a review process of all federal activity be performed to ensure all elements presented in the SEFA are accurate. Also, we recommend that grants be segregated in the general ledger for accurate reporting.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will separate federal grants in the general ledger. The City will also ensure that all amounts included on the SEFA are accurate. An additional review process has been set up with existing staff to complete this task.</p>

City of Westland, Michigan

Summary Schedule of Prior Audit Findings Year Ended June 30, 2016

Prior Year Finding Number	Fiscal Year in Which the Finding Initially Occurred	Federal Program, CFDA Number, and Name	Original Finding Description	Status/Partial Corrective Action (as Applicable)	Planned Corrective Action (if Finding not Corrected)
2015-001	2015	n/a	The City should prepare bank reconciliations that agree to the bank statement and to the general ledger.	Partially corrected, see 2016-004	See corrective action plan
2015-002	2015	n/a	Journal entries were required to be made to the City's funds after the audit commenced.	Recurring - See 2016-002	See corrective action plan
2015-003	2015	n/a	The SEFA was not reconciled to the general ledger.	Recurring - See 2016-006	See corrective action plan
2015-004	2015	n/a	Investment balances in the Police and Fire Employees Retirement System should be reconciled to the ledger on a regular basis.	Recurring - See 2016-003	See corrective action plan
2015-005	2015	14.218, Community Development Block Grant Entitlement Cluster	Noncompliance with Uniform Grant Guidance	Corrected	n/a

Department of Finance

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City of Westland Federal Awards Corrective Action Plan June 30, 2016

Finding Number	Responsible Person	Management Views	Corrective Action	Anticipated Completion Date
2016-001	Finance Director - Steve Smith	Management agrees with the finding and the recommendation	The City will review all cash disbursements made after fiscal year end for proper cutoff	In process with a completion date of 6/30/2017
2016-002	Finance Director - Steve Smith	Management agrees with the finding and the recommendation	The City has redistributed certain responsibilities among finance staff members to achieve more efficient workflow. The City will ensure higher level review is made prior to scheduled audit to ensure accuracy of the audited trial balance.	In process with a completion date of 6/30/2017
2016-003	Finance Director - Steve Smith	Management agrees with the finding and the recommendation	The City will post retirement fund activity for the Police and Fire Retirement fund on a quarterly basis. The City has distributed additional workflow to existing Finance staff to ensure this will be completed.	In process with a completion date of 6/30/2017
2016-004	Finance Director - Steve Smith	Management agrees with the finding and the recommendation	The City will ensure statements are received for all accounts and that they are reviewed and reconciled on a monthly basis.	In process with a completion date of 6/30/2017
2016-005	Finance Director - Steve Smith	Management agrees with the finding and the recommendation	The City will ensure statements are received for all accounts and that they are reviewed and reconciled on a monthly basis.	In process with a completion date of 6/30/2017
2016-006 and 2016-007	Finance Director - Steve Smith	Management agrees with the finding and the recommendation	The City will separate federal grants from other grants in the general ledger. The City will also ensure that all amounts included on the SEFA are accurate. An additional review process has	In process with a completion date of 6/30/2017