

# **City of Westland, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2016**

# **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**

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## **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                  |
| <b>Assets</b>                         |                         |                      |                          |                      |                       |                       |
| Current assets                        | \$ 24,630,184           | \$ 25,079,046        | \$ 23,597,910            | \$ 20,132,661        | \$ 48,228,094         | \$ 45,211,707         |
| Noncurrent assets                     | <u>211,770,481</u>      | <u>219,390,113</u>   | <u>89,531,845</u>        | <u>88,745,794</u>    | <u>301,302,326</u>    | <u>308,135,907</u>    |
| Total assets                          | 236,400,665             | 244,469,159          | 113,129,755              | 108,878,455          | 349,530,420           | 353,347,614           |
| <b>Deferred Outflows of Resources</b> | 34,360,977              | 16,025,387           | 2,625,552                | 923,982              | 36,986,529            | 16,949,369            |
| <b>Liabilities</b>                    |                         |                      |                          |                      |                       |                       |
| Current liabilities                   | 7,386,990               | 9,858,726            | 7,406,056                | (12,157,587)         | 14,793,046            | (2,298,861)           |
| Long-term liabilities                 | <u>198,700,972</u>      | <u>159,507,850</u>   | <u>42,287,802</u>        | <u>57,762,116</u>    | <u>240,988,774</u>    | <u>217,269,966</u>    |
| Total liabilities                     | 206,087,962             | 169,366,576          | 49,693,858               | 45,604,529           | 255,781,820           | 214,971,105           |
| <b>Deferred Inflows of Resources</b>  | 40,940                  | -                    | 13,647                   | -                    | 54,587                | -                     |
| <b>Net Position</b>                   |                         |                      |                          |                      |                       |                       |
| 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                    | <b>\$ 64,632,740</b>    | <b>\$ 91,127,970</b> | <b>\$ 66,047,802</b>     | <b>\$ 64,197,908</b> | <b>\$ 130,680,542</b> | <b>\$ 155,325,878</b> |

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                  |
| <b>Net Position - Beginning of year</b> | \$ 91,127,970           | \$ 104,090,216       | \$ 64,197,908            | \$ 62,089,645        | \$ 155,325,878        | \$ 166,179,861        |
| <b>Revenue</b>                          |                         |                      |                          |                      |                       |                       |
| 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           |
| <b>Program Expenses</b>                 |                         |                      |                          |                      |                       |                       |
| 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           |
| <b>Change in Net Position</b>           | <b>(26,495,230)</b>     | <b>(12,962,246)</b>  | <b>1,849,894</b>         | <b>2,108,263</b>     | <b>(24,645,336)</b>   | <b>(10,853,983)</b>   |
| <b>Net Position - End of year</b>       | <b>\$ 64,632,740</b>    | <b>\$ 91,127,970</b> | <b>\$ 66,047,802</b>     | <b>\$ 64,197,908</b> | <b>\$ 130,680,542</b> | <b>\$ 155,325,878</b> |

### 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**

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## **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**

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## **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      |                      |                          |                       |  |
|---|-------------------------|----------------------|--------------------------|-----------------------|--|
|   | Governmental Activities |                      | Business-type Activities | Total                 |  |
|   |                         |                      |                          |                       |  |
| <b>Assets</b>   |                         |                      |                          |                       |  |
| 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                | -                     |  |
| <b>Total assets</b>   | <b>236,400,665</b>      | <b>113,129,755</b>   | <b>349,530,420</b>       | <b>10,689,522</b>     |  |
| <b>Deferred Outflows of Resources</b>   |                         |                      |                          |                       |  |
| (Notes 15 and 16)   | 34,360,977              | 2,625,552            | 36,986,529               | -                     |  |
| <b>Liabilities</b>  |                         |                      |                          |                       |  |
| 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            |  |
| <b>Total liabilities</b>  | <b>206,087,962</b>      | <b>49,693,858</b>    | <b>255,781,820</b>       | <b>19,175,189</b>     |  |
| <b>Deferred Inflows of Resources</b> - Deferred inflows related to pensions (Notes 15 and 16) | <b>40,940</b>           | <b>13,647</b>        | <b>54,587</b>            | <b>-</b>              |  |
| <b>Net Position</b>   |                         |                      |                          |                       |  |
| 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)          |  |
| <b>Total net position</b>   | <b>\$ 64,632,740</b>    | <b>\$ 66,047,802</b> | <b>\$ 130,680,542</b>    | <b>\$ (8,485,667)</b> |  |

# City of Westland, Michigan

|  | Program Revenue       |                      |                                    |                                  |
|--|-----------------------|----------------------|------------------------------------|----------------------------------|
|  | Expenses              | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Functions/Programs</b>                  |                       |                      |                                    |                                  |
| 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                          | 255,227                          |
| Public works                               | 18,212,506            | 1,608,617            | 5,884,056                          | 2,261                            |
| 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                         | 257,488                          |
| Business-type activities - Water and sewer | 27,043,048            | 28,075,495           | -                                  | 804,998                          |
| Total primary government                   | <b>\$ 125,056,472</b> | <b>\$ 50,146,971</b> | <b>\$ 10,752,797</b>               | <b>\$ 1,062,486</b>              |
| Component units                            | <b>\$ 3,106,616</b>   | <b>\$ -</b>          | <b>\$ 54,859</b>                   | <b>\$ -</b>                      |

## 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)           |
| <b>\$ 64,632,740</b>                              | <b>\$ 66,047,802</b>     | <b>\$ 130,680,542</b> | <b>\$ (8,485,667)</b> |

# City of Westland, Michigan

## Governmental Funds Balance Sheet June 30, 2016

|  | General Fund         | Nonmajor<br>Funds    | Total                |
|--|----------------------|----------------------|----------------------|
| <b>Assets</b>  |                      |                      |                      |
| 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            |
| <b>Total assets</b>  | <b>\$ 18,788,312</b> | <b>\$ 15,300,641</b> | <b>\$ 34,088,953</b> |
| <b>Liabilities</b>   |                      |                      |                      |
| 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               |
| <b>Total liabilities</b>   | <b>5,715,537</b>     | <b>2,810,534</b>     | <b>8,526,071</b>     |
| <b>Deferred Inflows of Resources -</b>                                     |                      |                      |                      |
| Unavailable revenue (Note 4)   | 5,071,936            | 118,689              | 5,190,625            |
| <b>Fund Balances</b>   |                      |                      |                      |
| Nonspendable - Prepays/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            |
| <b>Total fund balances</b>   | <b>8,000,839</b>     | <b>12,371,418</b>    | <b>20,372,257</b>    |
| <b>Total liabilities, deferred inflows of resources, and fund balances</b> | <b>\$ 18,788,312</b> | <b>\$ 15,300,641</b> | <b>\$ 34,088,953</b> |

# **City of Westland, Michigan**

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

| <b>Fund Balance Reported in Governmental Funds</b>  | <b>\$</b> | <b>20,372,257</b>        |
|---|-----------|--------------------------|
| 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   |           | <u>(70,000)</u>          |
| <b>Net Position of Governmental Activities</b>  | <b>\$</b> | <b><u>64,632,740</u></b> |

# City of Westland, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2016

|  | General Fund        | Other Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|---|--------------------------------|
| <b>Revenue</b>                                     |                     |   |                                |
| 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                     |
| <b>Expenditures</b>                                |                     |   |                                |
| 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                     |
| <b>Excess of Revenue Over (Under) Expenditures</b> | 881,110             | (2,228,978)                             | (1,347,868)                    |
| <b>Other Financing Sources (Uses)</b>              |                     |   |                                |
| 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                      |
| <b>Net Change in Fund Balances</b>                 | 927,582             | (999,488)                               | (71,906)                       |
| <b>Fund Balances - Beginning of year</b>           | 7,073,257           | 13,370,906                              | 20,444,163                     |
| <b>Fund Balances - End of year</b>                 | <b>\$ 8,000,839</b> | <b>\$ 12,371,418</b>                    | <b>\$ 20,372,257</b>           |

# **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**

| <b>Net Change in Fund Balances - Total Governmental Funds</b>   | <b>\$</b> | <b>(71,906)</b>            |
|---|-----------|----------------------------|
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p>   |           |                            |
| 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)                  |
| <b>Change in Net Position of Governmental Activities</b>  | <b>\$</b> | <b><u>(26,495,230)</u></b> |

# City of Westland, Michigan

## Proprietary Funds Statement of Net Position June 30, 2016

|   | <u>Enterprise Fund -<br/>Water and Sewer</u> |
|---|--|
| <b>Assets</b>   |  |
| Current assets:                                       |  |
| Cash and cash equivalents                             | \$ 13,393,465                                |
| Receivables - Net                                     | 10,107,658                                   |
| Inventories   | 97,467                                       |
| Prepaid costs and other assets                        | <u>28,986</u>                                |
| Total current assets                                  | 23,627,576                                   |
| Noncurrent assets:                                    |  |
| Restricted assets (Note 6)                            | 3,336,166                                    |
| Capital assets - Net (Note 5)                         | <u>86,195,679</u>                            |
| Total noncurrent assets                               | 89,531,845                                   |
| Total assets  | 113,159,421                                  |
| <b>Deferred Outflows of Resources</b>                 | 2,625,552                                    |
| <b>Liabilities</b>                                    |  |
| 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                     | <u>913,500</u>                               |
| 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               | <u>16,585,736</u>                            |
| Total noncurrent liabilities                          | 42,287,802                                   |
| Total liabilities                                     | 49,723,524                                   |
| <b>Deferred Inflows of Resources</b>                  | <u>13,647</u>                                |
| <b>Net Position</b>                                   |  |
| Net investment in capital assets                      | 71,907,609                                   |
| Restricted (Note 13)                                  | 125,000                                      |
| Unrestricted  | <u>(5,984,807)</u>                           |
| Total net position                                    | <u>\$ 66,047,802</u>                         |

# City of Westland, Michigan

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

|  |  | Enterprise Fund -<br>Water and Sewer |
|--|--|--------------------------------------|
| <b>Operating Revenue</b>                                   |  |                                      |
| Water and sewer  |  | \$ 26,670,975                        |
| Penalties  |  | 1,303,272                            |
| Other  |  | <u>101,248</u>                       |
|  |  | Total operating revenue              |
|  |  | 28,075,495                           |
| <b>Operating Expenses</b>                                  |  |                                      |
| 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>                    |
| <b>Operating Income</b>                                    |  | 1,702,000                            |
| <b>Nonoperating Revenue (Expenses)</b>                     |  |                                      |
| Interest income  |  | 12,449                               |
| Interest expense   |  | <u>(669,553)</u>                     |
|  |  | Total nonoperating expenses          |
|  |  | <u>(657,104)</u>                     |
| <b>Income - Before contributions</b>                       |  | 1,044,896                            |
| <b>Capital Contributions</b> - Lines donated by developers |  | <u>804,998</u>                       |
| <b>Change in Net Position</b>                              |  | 1,849,894                            |
| <b>Net Position</b> - Beginning of year                    |  | <u>64,197,908</u>                    |
| <b>Net Position</b> - End of year                          |  | <u>\$ 66,047,802</u>                 |

# City of Westland, Michigan

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

|   | Enterprise Fund -<br>Water and Sewer |
|---|--------------------------------------|
| <b>Cash Flows from Operating Activities</b>   |                                      |
| 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   | <u>(1,125)</u>                       |
| Net cash provided by operating activities   | 8,830,779                            |
| <b>Cash Flows from Capital and Related Financing Activities</b>                                 |                                      |
| Receipt of capital grants   | 312,988                              |
| Purchase of capital assets  | (12,379,306)                         |
| Principal and interest paid on long-term debt   | <u>(2,007,382)</u>                   |
| Net cash used in capital and related financing activities                                       | (14,073,700)                         |
| <b>Cash Flows from Investing Activities - Interest received on investments and other assets</b> | <u>12,449</u>                        |
| <b>Net Decrease in Cash and Cash Equivalents</b>  | (5,230,472)                          |
| <b>Cash and Cash Equivalents - Beginning of year</b>  | <u>21,960,103</u>                    |
| <b>Cash and Cash Equivalents - End of year</b>  | <b>\$ 16,729,631</b>                 |
| <b>Balance Sheet Classification of Cash and Cash Equivalents</b>                                |                                      |
| Cash and cash equivalents   | \$ 13,393,465                        |
| Restricted bond proceeds (Note 6)   | 3,211,166                            |
| Restricted assets (Note 6)  | <u>125,000</u>                       |
| Total cash and cash equivalents   | <b><u>\$ 16,729,631</u></b>          |
| <b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>                 |                                      |
| 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   | <u>771,711</u>                       |
| Net cash provided by operating activities   | <b><u>\$ 8,830,779</u></b>           |

**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<br>and Fire | Retirement | Agency Funds   |
|---|---------------|---------------------------|------------|----------------|
| <b>Assets</b>   |               |                           |            |                |
| 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       |                           |            | -              |
|   |               |                           |            |                |
| Total assets  | 156,019,288   |                           |            | \$ 2,076,072   |
| <b>Liabilities</b>  |               |                           |            |                |
| 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       |                           |            | -              |
|   |               |                           |            |                |
| Total liabilities   | 10,307,192    |                           |            | \$ 2,076,072   |
| <b>Net Position Held in Trust for Pension and Other Employee Benefits</b> |               |                           |            |                |
|   |               |                           |            | \$ 145,712,096 |

# **City of Westland, Michigan**

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

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

# City of Westland, Michigan

## Component Units Statement of Net Position June 30, 2016

|   | Local                          |                               |                                 |                                    |                              |  |
|---|--------------------------------|-------------------------------|---------------------------------|------------------------------------|------------------------------|--|
|   | Downtown Development Authority | Development Finance Authority | Tax Increment Finance Authority | Brownfield Redevelopment Authority | Total                        |  |
| <b>Assets</b>                           |                                |                               |                                 |                                    |                              |  |
| 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                    | <u>5,750,672</u>               | <u>-</u>                      | <u>315,149</u>                  | <u>-</u>                           | <u>6,065,821</u>             |  |
| Total assets                            | <u>6,545,188</u>               | <u>397,816</u>                | <u>3,553,010</u>                | <u>193,508</u>                     | <u>10,689,522</u>            |  |
| <b>Liabilities</b>                      |                                |                               |                                 |                                    |                              |  |
| 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 | <u>2,465,000</u>               | <u>-</u>                      | <u>15,305,000</u>               | <u>-</u>                           | <u>17,770,000</u>            |  |
| Total liabilities                       | <u>2,854,765</u>               | <u>900</u>                    | <u>16,319,524</u>               | <u>-</u>                           | <u>19,175,189</u>            |  |
| <b>Net Position</b>                     |                                |                               |                                 |                                    |                              |  |
| Net investment in capital assets        | 3,005,672                      | -                             | 315,149                         | -                                  | 3,320,821                    |  |
| Unrestricted                            | <u>684,751</u>                 | <u>396,916</u>                | <u>(13,081,663)</u>             | <u>193,508</u>                     | <u>(11,806,488)</u>          |  |
| Total net position                      | <u><b>\$ 3,690,423</b></u>     | <u><b>\$ 396,916</b></u>      | <u><b>\$ (12,766,514)</b></u>   | <u><b>\$ 193,508</b></u>           | <u><b>\$ (8,485,667)</b></u> |  |

# City of Westland, Michigan

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|  | Program Revenue     |  |  | Net (Expense)<br>Revenue and<br>Changes in Net<br>Position |  |
|--|---------------------|--|--|--|--|
|  | Expenses            | Operating<br>Grants and<br>Contributions | Capital Grants<br>and<br>Contributions | Downtown<br>Development<br>Authority                       |  |
|  |                     |  |  |  |  |
| <b>Component Units</b>                           |                     |  |  |  |  |
| 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                                   | -                                      | -  |  |
| <b>Total component units</b>                     | <b>\$ 3,106,616</b> | <b>\$ 54,859</b>                         | <b>\$ -</b>                            | <b>(1,314,424)</b>   |  |
| General revenue:                                 |                     |  |  |  |  |
| Property taxes                                   |                     |  |  | 1,762,947  |  |
| Interest income                                  |                     |  |  | 1,045  |  |
|  |                     |  |  |  |  |
|  |                     |  |  | <b>1,763,992</b>   |  |
| <b>Change in Net Position</b>                    |                     |  |  | 449,568  |  |
| <b>Net Position - Beginning of year</b>          |                     |  |  | <b>3,240,855</b>   |  |
| <b>Net Position - End of year</b>                |                     |  |  | <b>\$ 3,690,423</b>  |  |

**Component Units**  
**Statement of Activities**  
**Year Ended June 30, 2016**

**Net (Expense) Revenue and Changes in Net Position**

| Local                               |                                       |  |                       |
|-------------------------------------|---------------------------------------|--|-----------------------|
| Development<br>Finance<br>Authority | Tax Increment<br>Finance<br>Authority | Brownfield<br>Redevelopment<br>Authority | Total                 |
| \$ -                                | \$ -                                  | \$ -                                     | \$ (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                |
| <u>160,430</u>                      | <u>2,135,908</u>                      | <u>64,190</u>                            | <u>4,124,520</u>      |
| 150,998                             | 505,184                               | (32,987)                                 | 1,072,763             |
| 245,918                             | (13,271,698)                          | 226,495                                  | (9,558,430)           |
| <b>\$ 396,916</b>                   | <b>\$ (12,766,514)</b>                | <b>\$ 193,508</b>                        | <b>\$ (8,485,667)</b> |

# **City of Westland, Michigan**

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## **Notes to Financial Statements** **June 30, 2016**

### **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.

# **City of Westland, Michigan**

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## **Notes to Financial Statements** **June 30, 2016**

### **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.

# **City of Westland, Michigan**

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## **Notes to Financial Statements** **June 30, 2016**

### **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.

# **City of Westland, Michigan**

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## **Notes to Financial Statements** **June 30, 2016**

### **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.

# **City of Westland, Michigan**

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## **Notes to Financial Statements** **June 30, 2016**

### **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.

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2016

### 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  |

# **City of Westland, Michigan**

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## **Notes to Financial Statements** **June 30, 2016**

### **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.

# **City of Westland, Michigan**

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## **Notes to Financial Statements** **June 30, 2016**

### **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.

# **City of Westland, Michigan**

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## **Notes to Financial Statements** **June 30, 2016**

### **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.

# **City of Westland, Michigan**

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## **Notes to Financial Statements** **June 30, 2016**

### **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                | (110,026)             |
| Cumulative shortfall at June 30, 2016 | <u>\$ (2,459,768)</u> |

# **City of Westland, Michigan**

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## **Notes to Financial Statements** **June 30, 2016**

### **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.

# **City of Westland, Michigan**

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## **Notes to Financial Statements** **June 30, 2016**

### **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) |
|--|--------------|-----------------------------------|
| <b>Pension funds:</b>                      |              |                                   |
| 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 | Organization |
|---|--------------|--------|--------------|
| <b>Fiduciary funds:</b>                     |              |        |              |
| 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:

|                                   | Total               |                     |                            |                             |                             |                  | Component<br>Units |
|-----------------------------------|---------------------|---------------------|----------------------------|-----------------------------|-----------------------------|------------------|--------------------|
|                                   | General Fund        | Nonmajor<br>Funds   | Governmental<br>Activities | Business-type<br>Activities | Total Primary<br>Government |                  |                    |
| <b>Receivables:</b>               |                     |                     |                            |                             |                             |                  |                    |
| 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                   | -                | -                  |
| <b>Total receivables</b>          | <b>\$ 4,794,385</b> | <b>\$ 1,202,026</b> | <b>\$ 5,996,411</b>        | <b>\$ 10,107,658</b>        | <b>\$ 16,104,069</b>        | <b>\$ 73,933</b> |                    |

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<br>Available | Revenue Not<br>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                   | -                     |
| <b>Total</b>  | <b>\$ 5,190,625</b>      | <b>\$ 72,233</b>      |

# 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:

| <b>Governmental Activities</b>   | <u>Balance<br/>July 1, 2015</u> | <u>Additions</u> | <u>Disposals and<br/>Adjustments</u> | <u>Balance<br/>June 30, 2016</u> |
|--|---------------------------------|------------------|--------------------------------------|----------------------------------|
| 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                   |
| <b>Business-type Activities</b>  | <u>Balance<br/>July 1, 2015</u> | <u>Additions</u> | <u>Disposals and<br/>Adjustments</u> | <u>Balance<br/>June 30, 2016</u> |
| Capital assets being depreciated -<br>Water and sewer distribution systems | \$ 115,954,874                  | \$ 13,060,087    | \$ 375,767                           | \$ 128,639,194                   |
| Accumulated depreciation -<br>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                    |
| <b>Component Units</b>   | <u>Balance<br/>July 1, 2015</u> | <u>Additions</u> | <u>Disposals and<br/>Adjustments</u> | <u>Balance<br/>June 30, 2016</u> |
| 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**

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## **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:

|   | <u>Business-type Activities</u> | <u>Component Units</u> |
|---|---------------------------------|------------------------|
| 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       | <u>109,753</u>      |
|  | Total other nonmajor governmental funds | <u>2,719,598</u>    |
|  | Total interfund activity                | <u>\$ 4,294,169</u> |
| Component unit - Tax Increment Finance Authority | Primary government - General Fund       | <u>\$ 377,050</u>   |

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) | <u>928,962</u>      |
|                                   | Total other governmental funds        | <u>1,283,487</u>    |
|                                   | Total operating transfers             | <u>\$ 1,952,977</u> |

(1) Transfer for debt service

(2) Transfer for local road construction and maintenance

(3) Transfer for capital improvements

# City of Westland, Michigan

## Notes to Financial Statements June 30, 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 |
|---|-----------------------|---------------------------|-------------------|--------------|--------------|----------------|---------------------|
| <b>Governmental Activities</b>                                  |                       |                           |                   |              |              |                |                     |
| 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% -<br>0.81220% |                           |                   |              |              |                |                     |
| HUD Section 108 Loan  |                       | \$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        |
| <br><b>Business-type Activities</b>                             |                       |                           |                   |              |              |                |                     |
| 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      | -              | -                   |
|   |                       |                           | 253,762           | 263,092      | 229,519      | 287,335        | 287,335             |
| Compensated absences  |                       |                           |                   |              |              |                |                     |
| Total business-type activities                                  |                       |                           | \$ 19,170,423     | \$ 263,092   | \$ 1,646,944 | \$ 17,786,571  | \$ 1,200,835        |
| <br><b>Component Unit Activities</b>                            |                       |                           |                   |              |              |                |                     |
| 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<br>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                         | \$ 2,067,040      | \$ 1,514,907 | \$ 243,458            | \$ 363,855   | \$ (79,868)             | \$ 145,349   |

### 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:

|                                 | <u>Total<br/>Governmental<br/>Activities</u> | <u>Total<br/>Business-type<br/>Activities</u> |
|---------------------------------|--|---|
| 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                                       |
| <b>Total</b>                    | <b>\$ 2,190,286</b>                          | <b>\$ 125,000</b>                             |

### **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.

# **City of Westland, Michigan**

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## **Notes to Financial Statements**

### **June 30, 2016**

#### **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](http://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<br>55 | 25 yrs<br>15 yrs |
| Dispatchers hired before 7/1/14 (Closed to new hires) | 2.5%       | 80%    | 3 years          | 5%              | 2.5%               | 50<br>55 | 25 yrs<br>15 yrs |
| Dispatchers hired on or after 7/1/14                  | 1.75%      | no max | 5 years          | 3%              | n/a                | 50<br>55 | 25 yrs<br>15 yrs |
| Court Union hired after 7/1/10                        | 1.5%       | no max | 5 years          | 5%              | n/a                | 50<br>55 | 25 yrs<br>15 yrs |
| Supervisory after 7/1/10                              | 1.50%      | no max | 5 years          | 5%              | n/a                | 50<br>55 | 25 yrs<br>15 yrs |
| Eld HC Admin (closed to new hires)                    | 2.5%       |        | 3 years          | 5%              | n/a                | 50<br>55 | 25 yrs<br>15 yrs |
| Eld HC General (closed to new hires)                  | 2.25%      | 80%    | 3 years          | 5%              | n/a                | 50<br>55 | 25 yrs<br>15 yrs |

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2016

### 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   |
|   | <hr/> |

**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       |
| <b>Balance at December 31, 2014</b>                | <b>\$ 121,195,287</b>        | <b>\$ 54,891,027</b>        | <b>\$ 66,304,260</b>        |
| 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>           |
| <b>Balance at December 31, 2015</b>                | <b><u>\$ 130,121,042</u></b> | <b><u>\$ 51,183,532</u></b> | <b><u>\$ 78,937,512</u></b> |

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.

# **City of Westland, Michigan**

## **Notes to Financial Statements** **June 30, 2016**

### **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:

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

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.

| <u>Years Ending</u> |               |
|---------------------|---------------|
| <u>June 30</u>      | <u>Amount</u> |
| 2017                | \$ 4,382,158  |
| 2018                | 1,256,993     |
| 2019                | 1,256,993     |
| 2020                | 1,039,228     |

# **City of Westland, Michigan**

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## **Notes to Financial Statements** **June 30, 2016**

### **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.

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2016

### 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:

|                                   | Current             |                       |                     |
|-----------------------------------|---------------------|-----------------------|---------------------|
|                                   | 1% Decrease<br>(7%) | Discount Rate<br>(8%) | 1% Increase<br>(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 reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

# **City of Westland, Michigan**

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## **Notes to Financial Statements** **June 30, 2016**

### **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 of 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.

# **City of Westland, Michigan**

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## **Notes to Financial Statements** **June 30, 2016**

### **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.

# City of Westland, Michigan

## Notes to Financial Statements 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  | <u>(145,712,096)</u> |
| 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       |
| <b>Balance at June 30, 2015</b>                    | <b>\$ 207,268,894</b>        | <b>\$ 156,095,995</b>        | <b>\$ 51,172,899</b>        |
| 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>           |
| <b>Balance at June 30, 2016</b>                    | <b><u>\$ 216,679,302</u></b> | <b><u>\$ 145,712,097</u></b> | <b><u>\$ 70,967,205</u></b> |

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2016

### 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:

|  | Deferred<br>Outflows of<br>Resources |
|--|--------------------------------------|
| 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><u>\$ 26,484,322</u></u>          |

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

| Years Ending   |               |
|----------------|---------------|
| <u>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.

# **City of Westland, Michigan**

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## **Notes to Financial Statements** **June 30, 2016**

### **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<br/>Expected Real<br/>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 %   |

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2016

### 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:

|                                   | Current       |               |               |
|-----------------------------------|---------------|---------------|---------------|
|                                   | 1% Decrease   | Discount Rate | 1% Increase   |
|                                   | (6.5%)        | (7.5%)        | (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 reported by the Plan. The Plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

### Note 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 |               | Net OPEB Obligation |
|-------------------|--------------------------|-------------------|-----------------------------------|---------------|---------------------|
|                   |                          |                   | OPEB Costs Contributed            |               |                     |
| 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 | UAAL as a Percentage of Covered Payroll |                               |
|--------------------------|---------------------------|-----------------------------------|---------------------|--------------|---|-------------------------------|
|                          |                           |                                   |                     |              | Annual Covered Payroll                  | 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                       |

# **City of Westland, Michigan**

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## **Notes to Financial Statements** **June 30, 2016**

### **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.

# **City of Westland, Michigan**

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## **Notes to Financial Statements** **June 30, 2016**

### **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<br>June 30, 2016 | Fair Value Measurement Using   |   |  |
|---|-----------------------------|--|---|--|
|   |                             | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Investments by Fair Value Level</b>              |                             |  |   |  |
| 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<br>tax                 | 7,758,555                   | 7,758,555  | -   | -  |
| Collateralized mortgage<br>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<br>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<br>lending agreements | 8,284,164                   | -  | 8,284,164   | -  |
| Total investments by fair<br>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.

# City of Westland, Michigan

## Notes to Financial Statements June 30, 2016

### 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                      | <u>7,261,821</u>     | <u>-</u>             | 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**

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# City of Westland, Michigan

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

|                                     | Original Budget | Amended Budget | Actual        | Variance with<br>Amended Budget |
|-------------------------------------|-----------------|----------------|---------------|---------------------------------|
| <b>Revenue</b>                      |                 |                |               |                                 |
| 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)                       |
| <b>Expenditures</b>                 |                 |                |               |                                 |
| 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<br>Amended Budget |
|---|----------------------------|----------------------------|----------------------------|---------------------------------|
| <b>Other Financing Sources (Uses)</b>   |                            |                            |                            |                                 |
| 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           | <u>4,282,194</u>           | <u>4,303,156</u>           | <u>4,093,786</u>           | <u>(209,370)</u>                |
| <b>Net Change in Fund Balance</b>       | 1,530,711                  | 843,894                    | 959,050                    | 115,156                         |
| <b>Fund Balance - Beginning of year</b> | <u>6,911,098</u>           | <u>6,911,098</u>           | <u>6,911,098</u>           | <u>-</u>                        |
| <b>Fund Balance - End of year</b>       | <u><b>\$ 8,441,809</b></u> | <u><b>\$ 7,754,992</b></u> | <u><b>\$ 7,870,148</b></u> | <u><b>\$ 115,156</b></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 |
|---|----------------------|----------------------|-------------------------|
| <b>General Fund:</b>                                |                      |                      |                         |
| 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 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    |
|----------------------|------------|------------|-------------|
| <b>General Fund:</b> |            |            |             |
| 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                         |
|---|------------------------------|------------------------------|
| <b>Total Pension Liability</b>  |                              |                              |
| 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>           |
| <b>Net Change in Total Pension Liability</b>                                    | <b>8,925,756</b>             | <b>2,991,816</b>             |
| <b>Total Pension Liability - Beginning of year</b>                              | <b>121,195,287</b>           | <b>118,203,471</b>           |
| <b>Total Pension Liability - End of year</b>                                    | <b><u>\$ 130,121,043</u></b> | <b><u>\$ 121,195,287</u></b> |
| <b>Plan Fiduciary Net Position</b>  |                              |                              |
| 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>           |
| <b>Net Change in Plan Fiduciary Net Position</b>                                | <b>(3,707,495)</b>           | <b>1,265,904</b>             |
| <b>Plan Fiduciary Net Position - Beginning of year</b>                          | <b>54,891,027</b>            | <b>53,625,123</b>            |
| <b>Plan Fiduciary Net Position - End of year</b>                                | <b><u>\$ 51,183,532</u></b>  | <b><u>\$ 54,891,027</u></b>  |
| <b>City's Net Pension Liability - Ending</b>                                    | <b><u>\$ 78,937,511</u></b>  | <b><u>\$ 66,304,260</u></b>  |
| <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>   | <b>39.34 %</b>               | <b>45.29 %</b>               |
| <b>Covered Employee Payroll</b>   | <b>\$ 7,451,135</b>          | <b>\$ 7,555,355</b>          |
| <b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b> | <b>1,059.4 %</b>             | <b>877.6 %</b>               |

# 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                  |
|---|-----------------------|-----------------------|-----------------------|
| <b>Total Pension Liability</b>  |                       |                       |                       |
| 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   | (14,982,738)          | (15,123,670)          | (13,461,635)          |
| <b>Net Change in Total Pension Liability</b>                                    | <b>9,410,408</b>      | <b>10,893,336</b>     | <b>3,818,946</b>      |
| <b>Total Pension Liability - Beginning of year</b>                              | <b>207,268,894</b>    | <b>196,375,558</b>    | <b>192,556,612</b>    |
| <b>Total Pension Liability - End of year</b>                                    | <b>\$ 216,679,302</b> | <b>\$ 207,268,894</b> | <b>\$ 196,375,558</b> |
| <b>Plan Fiduciary Net Position</b>  |                       |                       |                       |
| 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   | (9,938)               | -                     | -                     |
| <b>Net Change in Plan Fiduciary Net Position</b>                                | <b>(10,383,898)</b>   | <b>(4,785,128)</b>    | <b>18,535,592</b>     |
| <b>Plan Fiduciary Net Position - Beginning of year</b>                          | <b>156,095,994</b>    | <b>160,881,122</b>    | <b>141,409,908</b>    |
| <b>Plan Fiduciary Net Position - End of year</b>                                | <b>\$ 145,712,096</b> | <b>\$ 156,095,994</b> | <b>\$ 159,945,500</b> |
| <b>City's Net Pension Liability - Ending</b>                                    | <b>\$ 70,967,206</b>  | <b>\$ 51,172,900</b>  | <b>\$ 36,430,058</b>  |
| <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>   | 67.25 %               | 75.31 %               | 81.45 %               |
| <b>Covered Employee Payroll</b>   | \$ 11,103,002         | \$ 9,126,696          | \$ 10,198,898         |
| <b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b> | 639.2 %               | 560.7 %               | 357.2 %               |



## **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            |
| <b>Contribution (Excess) Deficiency</b>                              | <b>\$ (170,570)</b> | <b>\$ (1,220,132)</b> | <b>\$ -</b>          | <b>\$ -</b>          | <b>\$ -</b>          |
| <b>Covered Employee Payroll</b>                                      | <b>\$ 7,399,002</b> | <b>\$ 6,939,596</b>   | <b>\$ 7,555,355</b> | <b>\$ 7,076,423</b> | <b>\$ 7,377,631</b> | <b>\$ 7,969,308</b> | <b>\$ 9,960,227</b> | <b>\$ 10,257,650</b> | <b>\$ 10,622,098</b> | <b>\$ 10,177,100</b> |
| <b>Contributions as a Percentage of Covered Employee Payroll</b>     | <b>69.3 %</b>       | <b>87.3 %</b>         | <b>57.8 %</b>       | <b>58.3 %</b>       | <b>42.2 %</b>       | <b>44.6 %</b>       | <b>35.4 %</b>       | <b>36.5 %</b>        | <b>35.2 %</b>        | <b>35.1 %</b>        |

## **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 percenta

### Remaining amortization

20-23 years

### Asset valuation method

## 10-year smc

## Inflation

2.5%

### Salary in

3.75%

### Investment rate

7.75%

## Retinomast 220

## Expansion

## Method

BR 2014 M 10/11 T 11

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# **City of Westland, Michigan**

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## **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<br>(a) | Actuarial Accrued Liability (AAL)<br>(b) | Unfunded AAL (UAAL)<br>(b-a) | Funded Ratio (Percent)<br>(a/b) | Covered Payroll<br>(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**

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# City of Westland, Michigan

| Special Revenue Funds  |                     |                     |                                   |                   |                  |                     |
|--|---------------------|---------------------|-----------------------------------|-------------------|------------------|---------------------|
|  | Major Roads Fund    | Local Roads Fund    | Community Development Block Grant | Street Lighting   | Drug Forfeiture  | Library             |
| <b>Assets</b>  |                     |                     |                                   |                   |                  |                     |
| 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                         | -                 | -                | -                   |
| <b>Total assets</b>  | <b>\$ 2,735,202</b> | <b>\$ 2,991,234</b> | <b>\$ 1,763,763</b>               | <b>\$ 808,699</b> | <b>\$ 74,142</b> | <b>\$ 2,640,177</b> |
| <b>Liabilities</b>   |                     |                     |                                   |                   |                  |                     |
| 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              |
| <b>Total liabilities</b>   | <b>831,051</b>      | <b>901,722</b>      | <b>416,825</b>                    | <b>234,213</b>    | <b>65,475</b>    | <b>87,344</b>       |
| <b>Deferred Inflows of Resources -</b>                                     |                     |                     |                                   |                   |                  |                     |
| Unavailable revenue  | -                   | 29,117              | -                                 | -                 | -                | 89,572              |
| <b>Fund Balances</b>   |                     |                     |                                   |                   |                  |                     |
| 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   | -                   | -                   | -                                 | -                 | -                | -                   |
| <b>Total fund balances</b>   | <b>1,904,151</b>    | <b>2,060,395</b>    | <b>1,346,938</b>                  | <b>574,486</b>    | <b>8,667</b>     | <b>2,463,261</b>    |
| <b>Total liabilities, deferred inflows of resources, and fund balances</b> | <b>\$ 2,735,202</b> | <b>\$ 2,991,234</b> | <b>\$ 1,763,763</b>               | <b>\$ 808,699</b> | <b>\$ 74,142</b> | <b>\$ 2,640,177</b> |

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

| Debt Service Funds                                |   |               |                         |  |           |
|---|---|---------------|-------------------------|--|-----------|
| Motor<br>Vehicle<br>Highway<br>Debt -<br>Newburgh | Building<br>Authority<br>Debt - 2005<br>Refunding | HUD Loan      | Capital<br>Project Fund | Total<br>Nonmajor<br>Governmental<br>Funds |           |
| \$ -  | \$ -  | \$ 478        | \$ 2,156,318            | \$ 9,664,224                               |           |
| -   | -   | -             | -                       | -  | 1,202,026 |
| -   | -   | -             | 2,130,628               | 2,719,598                                  |           |
| -   | -   | -             | -                       | -  | 500,000   |
| -   | -   | -             | -                       | -  | 1,214,793 |
| <b>\$ -</b>                                       | <b>\$ -</b>                                       | <b>\$ 478</b> | <b>\$ 4,286,946</b>     | <b>\$ 15,300,641</b>                       |           |
| \$ -  | \$ -  | \$ -          | \$ 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                                  |           |
| <b>\$ -</b>                                       | <b>\$ -</b>                                       | <b>478</b>    | <b>\$ 4,286,946</b>     | <b>\$ 15,300,641</b>                       |           |
| <b>\$ -</b>                                       | <b>\$ -</b>                                       | <b>478</b>    | <b>4,013,042</b>        | <b>12,371,418</b>                          |           |
| <b>\$ -</b>                                       | <b>\$ -</b>                                       | <b>\$ 478</b> | <b>\$ 4,286,946</b>     | <b>\$ 15,300,641</b>                       |           |

# City of Westland, Michigan

| Special Revenue Funds                                  |                     |                     |   |                    |                    |                     |
|--|---------------------|---------------------|---|--------------------|--------------------|---------------------|
|  | Major Roads<br>Fund | Local Roads<br>Fund | Community<br>Development<br>Block Grant | Street<br>Lighting | Drug<br>Forfeiture | Library             |
| <b>Revenue</b>   |                     |                     |   |                    |                    |                     |
| 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           |
| <b>Expenditures</b>                                    |                     |                     |   |                    |                    |                     |
| 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<br>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           |
| <b>Excess of Revenue Over (Under)<br/>Expenditures</b> | 2,415,993           | (1,149,257)         | 95,263                                  | 273,017            | 2,535              | 41,455              |
| <b>Other Financing Sources (Uses)</b>                  |                     |                     |   |                    |                    |                     |
| Face value of debt issue                               | - -                 | - -                 | - -                                     | - -                | - -                | - -                 |
| Transfers in   | - -                 | 928,962             | - -                                     | - -                | - -                | - -                 |
| Transfers out  | (1,268,487)         | - -                 | - -                                     | (15,000)           | - -                | - -                 |
| Total other financing<br>(uses) sources                | (1,268,487)         | 928,962             | - -                                     | (15,000)           | - -                | - -                 |
| <b>Net Change in Fund Balances</b>                     | 1,147,506           | (220,295)           | 95,263                                  | 258,017            | 2,535              | 41,455              |
| <b>Fund Balances - Beginning of year</b>               | 756,645             | 2,280,690           | 1,251,675                               | 316,469            | 6,132              | 2,421,806           |
| <b>Fund Balances - End of year</b>                     | <b>\$ 1,904,151</b> | <b>\$ 2,060,395</b> | <b>\$ 1,346,938</b>                     | <b>\$ 574,486</b>  | <b>\$ 8,667</b>    | <b>\$ 2,463,261</b> |

**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         |              |
|                         | Authority | Debt - 2005 | Capital      | Nonmajor      | Governmental |
| Highway Debt - Newburgh | Refunding | HUD Loan    | Project Fund |               | 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       |              |
| <hr/>                   | <hr/>     | <hr/>       | <hr/>        | <hr/>         | <hr/>        |
| -                       | -         | 616         | 335,464      | 13,274,612    |              |
| <hr/>                   | <hr/>     | <hr/>       | <hr/>        | <hr/>         | <hr/>        |
| -                       | -         | -           | 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   | <hr/>       | <hr/>        | <hr/>         | <hr/>        |
| <hr/>                   | <hr/>     | <hr/>       | <hr/>        | <hr/>         | <hr/>        |
| 339,525                 | 460,120   | 575,138     | 2,869,281    | 15,503,590    |              |
| <hr/>                   | <hr/>     | <hr/>       | <hr/>        | <hr/>         | <hr/>        |
| (339,525)               | (460,120) | (574,522)   | (2,533,817)  | (2,228,978)   |              |
| <hr/>                   | <hr/>     | <hr/>       | <hr/>        | <hr/>         | <hr/>        |
| -                       | -         | 575,000     | -            | 575,000       |              |
| 339,525                 | 460,120   | <hr/>       | 209,370      | 1,937,977     |              |
| <hr/>                   | <hr/>     | <hr/>       | <hr/>        | <hr/>         | <hr/>        |
| 339,525                 | 460,120   | 575,000     | 209,370      | 1,229,490     |              |
| <hr/>                   | <hr/>     | <hr/>       | <hr/>        | <hr/>         | <hr/>        |
| -                       | -         | 478         | (2,324,447)  | (999,488)     |              |
| <hr/>                   | <hr/>     | <hr/>       | <hr/>        | <hr/>         | <hr/>        |
| -                       | -         | -           | 6,337,489    | 13,370,906    |              |
| <hr/>                   | <hr/>     | <hr/>       | <hr/>        | <hr/>         | <hr/>        |
| \$ -                    | \$ -      | \$ 478      | \$ 4,013,042 | \$ 12,371,418 |              |

# **City of Westland, Michigan**

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

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

# **City of Westland, Michigan**

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**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**



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<br>Budget | FY 2016<br>Forecasted<br>Actual | Final 2017<br>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**

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**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.

A handwritten signature in black ink that reads "Plante & Moran, PLLC". The signature is fluid and cursive, with "Plante & Moran" on the top line and "PLLC" on the bottom line.

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 |
|---|-------------|--|----------------------------------|----------------------|
| <b>U.S. Department of Housing and Urban Development:</b>  |             |  |                                  |                      |
| 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            |
| <b>U.S. Department of Transportation - Office of Highway Safety Cluster Programs -</b>  |             |  |                                  |                      |
| Seatbelt and OWI Enforcement  | 20.601      | AL-10-04 & AL-11-30                      | -                                | 25,274               |
| <b>U.S. Department of Justice:</b>  |             |  |                                  |                      |
| 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              |
| <b>U.S. Department of Health and Human Services - Block Grants for Prevention and Treatment of Substance Abuse - Passed through the Southeast Michigan Community Alliance</b> |             |  |                                  |                      |
|   | 93.959      |  | -                                | 75,532               |
| <b>U.S. Department of Homeland Security - Staffing for Adequate Fire &amp; Emergency Response Program</b>   |             |  |                                  |                      |
|   | 97.083      | EMW-2014-FH-00372                        | -                                | 594,239              |
| <b>U.S. Department of Agriculture - Food Distribution</b>   |             |  |                                  |                      |
|   | 10.550      | ERP-337.20                               | -                                | 31,957               |
| Total federal awards  |             |  | \$ 22,313                        | \$ 3,046,120         |

# **City of Westland, Michigan**

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## **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 minimis* 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<br>Number | Finding |
|---------------------|---------|
|---------------------|---------|

#### 2016-001 **Finding Type** - Significant deficiency

**Criteria** - The City should review invoices received after fiscal year end to ensure expenditures are recorded in the proper year.

**Condition** - The City recorded expenditures in the wrong fiscal year.

**Context** - Entries were required to be made to correct accounts payable balances in the Downtown Development Authority and Water and Sewer Fund general ledgers.

**Cause** - Lack of monitoring procedures related to proper cut-off of expenditures

**Effect** - Expenditures in the amount of approximately \$161,000 were recorded in an incorrect fiscal year.

**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.

**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.

| Reference<br>Number | Finding |
|---------------------|---------|
|---------------------|---------|

#### 2016-002 **Finding Type** - Material weakness

**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

**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.

**Context** - Journal entries were required to be made to the City's funds after the audit commenced in September 2016.

**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.

# **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<br>(Cont.) | <p><b>Effect</b> - 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><b>Recommendation</b> - The City should attempt to reconcile all year-end entries against schedules prepared by the finance staff.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - 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>   |
| 2016-003            | <p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - Investment balances in the Police and Fire Employees' Retirement System should be reconciled to the general ledger on a regular basis.</p> <p><b>Condition</b> - 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><b>Context</b> - Material journal entries were required during the audit to record the activity of the retirement system trust fund.</p> <p><b>Cause</b> - Controls have not been put into place to reconcile the investments on a monthly or quarterly basis.</p> <p><b>Effect</b> - 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><b>Recommendation</b> - We recommend the City post retirement system activity on a quarterly basis at a minimum.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - 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<br>Number | Finding  |
|---------------------|--|
| 2016-004            | <p><b>Finding Type</b> - Significant deficiency</p> <p><b>Criteria</b> - The City should reconcile all cash balances, regardless of size, to third-party statements.</p> <p><b>Condition</b> - 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><b>Context</b> - 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><b>Cause</b> - Cash accounts with insignificant balances were not reconciled against bank statements during monthly cash reconciliation procedures.</p> <p><b>Effect</b> - 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><b>Recommendation</b> - 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><b>Views of Responsible Officials and Planned Corrective Actions</b> - The City will ensure statements are received for all accounts and that they are reviewed and reconciled on a monthly basis.</p> |

| Reference<br>Number | Finding  |
|---------------------|--|
| 2016-005            | <p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - The City is expected to track its capital assets and adjust financial information for any additions and disposals.</p> <p><b>Condition</b> - 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<br>(Cont.) | <p><b>Context</b> - 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><b>Cause</b> - 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><b>Effect</b> - Material adjustments were required in order to present capital assets in accordance with generally accepted accounting principles.</p> <p><b>Recommendation</b> - We recommend a review process of all capital asset activity be performed to ensure all amounts are properly recorded.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - 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><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - 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><b>Condition</b> - The schedule of expenditures of federal awards (SEFA) required revision to agree to the general ledger accounts.</p> <p><b>Context</b> - 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><b>Cause</b> - There is a lack of segregation of individual grant activities in the general ledger.</p> |

# **City of Westland, Michigan**

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## **Schedule of Findings and Questioned Costs (Continued)**

### **Year Ended June 30, 2016**

#### **Section II - Financial Statement Audit Findings (Continued)**

| Reference<br>Number | Finding  |
|---------------------|--|
| 2016-006<br>(Cont.) | <p><b>Effect</b> - 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><b>Recommendation</b> - 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><b>Views of Responsible Officials and Planned Corrective Actions</b> - 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<br>Number | Finding   |
|---------------------|---|
| 2016-007            | <p><b>CFDA Number, Federal Agency, and Program Name</b> - Federal Agency - Housing and Urban Development, Section 108 Loans, CFDA 14.248</p> <p><b>Federal Award Identification Number and Year</b> - B-13-MC-26-0017</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Material weakness</p> <p><b>Repeat finding</b> - No</p> <p><b>Criteria</b> - 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><b>Condition</b> - 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><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs were Computed</b> - N/A</p> <p><b>Context</b> - 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><b>Cause and Effect</b> - 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><b>Recommendation</b> - 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><b>Views of Responsible Officials and Planned Corrective Actions</b> - 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<br>and<br>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 |