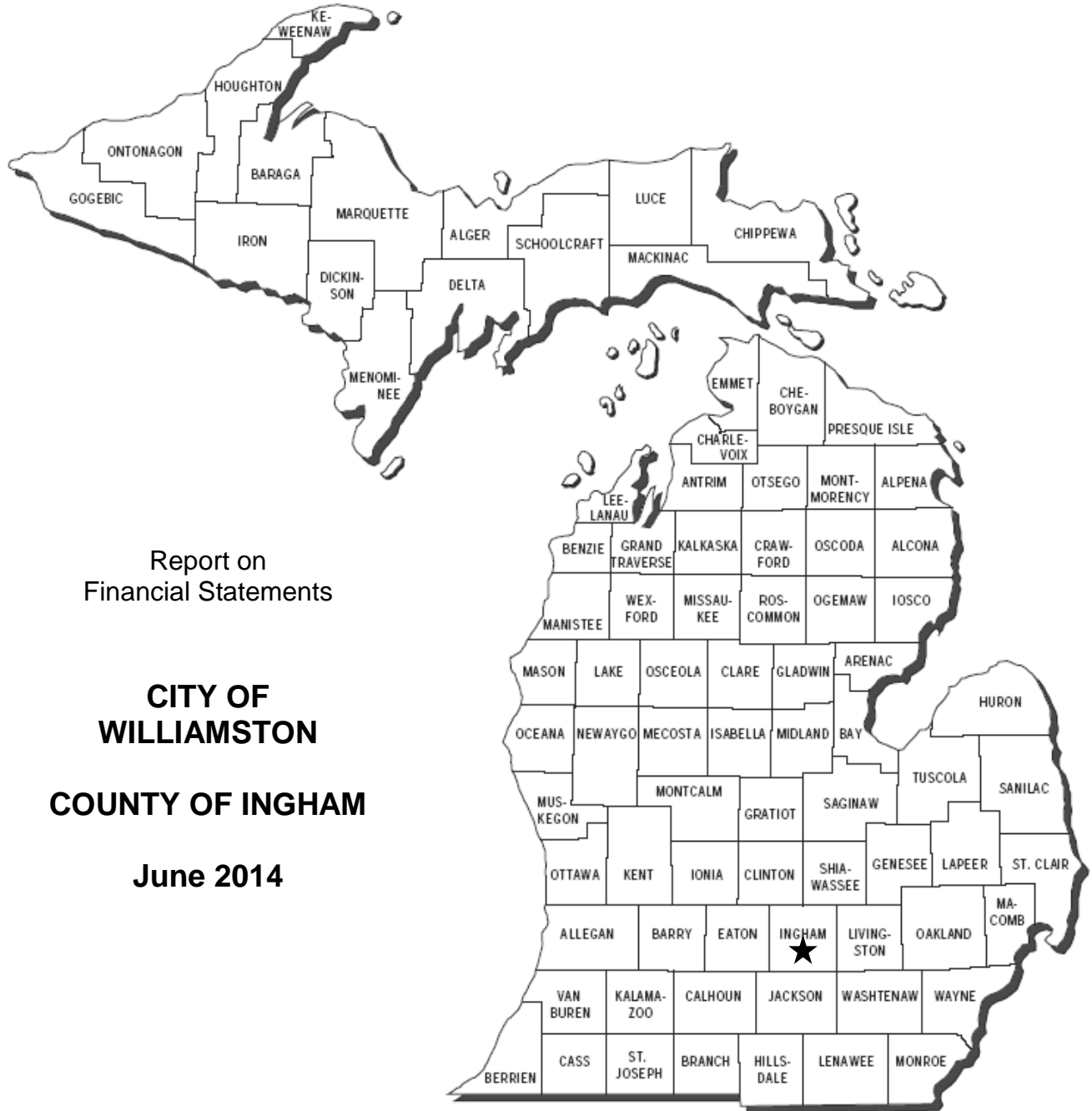


STATE OF MICHIGAN

Rick Snyder, Governor

DEPARTMENT OF TREASURY

R. Kevin Clinton, State Treasurer



Report on
Financial Statements

**CITY OF
WILLIAMSTON**

COUNTY OF INGHAM

June 2014

CITY OF WILLIAMSTON

CITY COUNCIL

James DeForest
Mayor

Noah Belanger
Mayor Pro-Tem

Michael Moody
Council Member

Sandy Whelton
Council Member

Ben Stiffler
Council Member

Kent Hall
Council Member

Scott VanAllsburg
Council Member

Alan Dolley
City Manager

Rachel Piner
Treasurer

CITY POPULATION--2010
3,854

STATE EQUALIZED VALUATION--2013
\$104,116,140



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

R. KEVIN CLINTON
STATE TREASURER

December 16, 2014

Honorable Mayor and City Council
City of Williamston
161 East Grand River Avenue
Williamston, Michigan 48895

Independent Auditor's Report

Dear Council Members:

Report on the Financial Statements

We have audited the accompanying basic 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 Williamston, Ingham County, Michigan, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Williamston's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Williamston, Ingham County, Michigan, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 9 as well as budgetary comparison information Exhibits K through M and the schedules of funding progress for pensions and other post-employment benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Williamston's basic financial statements. The accompanying supplementary and related information presented in Exhibits N through Y, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying supplementary and related information presented in Exhibits N through Y 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 accompanying supplementary and related information presented in Exhibits N through Y 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 16, 2014, on our consideration of the City of Williamston's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 Williamston's internal control over financial reporting and compliance.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

CITY OF WILLIAMSTON

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The following is a discussion and analysis of the City of Williamston's (City) financial performance and position, providing an overview of the activities for the fiscal year ended June 30, 2014. This analysis should be read in conjunction with the Independent Auditors Report, our letter of transmittal, and with the City's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

The following represent the major financial highlights for the fiscal year ending June 30, 2014:

- The economic conditions experienced over the last few years have caused the State Equalized Values and Taxable Values to continue to decline as they dropped another 1.3% during the fiscal year. The City is predicting that the Taxable Values will remain the same or have a slight decline again in the fiscal year 2014-2015.
- The Constitutional Sales Tax and Economic Vitality Incentive Program (EVIP) payments from the State of Michigan were more than initially anticipated with an increase of 2.5% over the prior fiscal year. The City continued to comply with all 3 components of EVIP, maximizing the funds it receives under this program. Significant changes have been made to the EVIP program that will be enacted in the fiscal year 2014-2015 in which the City will participate to continue to maximize the amount of revenue it receives under this program.
- The Major Street Fund was awarded a Transportation Enhancement Grant from the State of Michigan in the amount of \$379,000. These funds were utilized to resurface South Putnam Street from Grand River Avenue to the Industrial Park.

USING THIS ANNUAL REPORT

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. This report also contains supplementary information in addition to the basic financial statements. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities on Exhibits A and B provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start with Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining 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.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position — the difference between assets and liabilities—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of City's infrastructure, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities we divide the City into three kinds of activities:

- Governmental activities--Most of the City's basic services are reported here, including the police, fire, public works, and general administration. Property taxes, franchise fees, and state grants finance most of these activities.
- Business-type activities--The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer, water and garbage systems are reported here.
- Component units--The City includes four separate legal entities in its report--Economic Development Corporations (EDC), Tax Increment Financing Authority 2A (TIFA 2A), Tax Increment Financing Authority 2B (TIFA 2B), and Downtown Development Authority (DDA). Although legally separate, these "component units" are important because the City is financially accountable for them.

Report the City's Major Fund

Fund Financial Statements

Our analysis of the City's major funds begins with Exhibits C and D with additional information provided in Note A of the Notes to the Financial Statements. The special revenue funds are required to be established by State law such as the Major Street Fund and the Local Street Fund. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

- *Governmental funds*—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements of Exhibit C and Exhibit D-1.
- *Proprietary funds*—When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for taxes collected for other units of government in accordance with Michigan state statute. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Additional Required Supplementary Information (RSI)

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparison schedules and schedules of funding progress for pensions and other post-employment benefits.

Other Supplementary Information

Other supplementary information includes combining financial statements the individual funds the City's non-major governmental funds, detailed budget reports for the General Fund, and fund level and government wide statements for the discrete component units are presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The City as a Whole

The City's combined net position of the primary government increased from \$17,115,561 to \$17,142,557 or \$26,996 for the fiscal year ended June 30, 2014. This is contrary to the previous fiscal year when the net position decreased \$243,029. Our analysis focuses on the primary government net position (and does not include that of the discretely presented component units) (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

Table 1
Net Position of Governmental Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2014	2013	2014	2013	2014
Current and Other Assets	\$ 1,912,562	\$ 1,434,710	\$ 729,520	\$ 726,789	\$ 2,642,082	\$ 2,161,499
Noncurrent Assets	6,740,291	6,907,213	21,486,041	20,900,292	28,226,332	27,807,505
Total Assets	8,652,853	8,341,923	22,215,561	21,627,081	30,868,414	29,969,004
Current Liabilities	78,498	116,754	20,555	71,380	99,053	188,134
Noncurrent Liabilities	1,794,299	1,726,812	11,480,501	10,911,501	13,274,800	12,638,313
Total Liabilities	1,872,797	1,843,566	11,501,056	10,982,881	13,373,853	12,826,447
Deferred Inflows of Resources						
Unearned Revenue	379,000	-	-	-	379,000	-
Net Position						
Net Investment in						
Capital Assets	6,740,291	6,907,213	9,173,681	9,395,844	15,913,972	16,303,057
Restricted	266,610	191,441	842,360	604,448	1,108,970	795,889
Unrestricted	(605,845)	(600,297)	698,464	643,908	92,619	43,611
Total Net Position	\$ 6,401,056	\$ 6,498,357	\$ 10,714,505	\$ 10,644,200	\$ 17,115,561	\$ 17,142,557

As noted in Table 1 and Table 2, the net position of the City's governmental activities increased by 1.5%, or \$97,301 (\$6,498,357 compared to \$6,401,056). The net investment in capital assets increased this year with the completion of the Putnam Street project offset by the continued depreciation of the City's capital assets. The unrestricted net position decreased as this amount primarily relates to the City's street funds which decreased after the severity of the winter this past year.

Also, as noted in Table 1 and Table 2, the net position of the City's business-type activities decreased by .65%, or \$70,305 (\$10,644,200 compared to \$10,714,505). The net investment in capital assets increased as the City retired \$570,000 in debt this year offset by the \$347,839 decrease in the value of the City's capital assets as they continue to depreciate. The decrease in the restricted and unrestricted net position was primarily due to numerous repairs and maintenance from the harsh winter that used both reserved and unreserved net position, despite an increase in the water and sewer rates.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2014	2013	2014	2013	2014
Program Revenue						
Charges for Services	\$ 498,663	\$ 458,708	\$ 1,825,922	\$ 1,891,148	\$ 2,324,585	\$ 2,349,856
Operating Grants and Contributions	471,859	342,372	-	-	471,859	342,372
Capital Grants and Contributions	33,986	379,000	-	-	33,986	379,000
General Revenue						
Property Taxes	1,428,135	1,424,640	-	-	1,428,135	1,424,640
State-Shared Revenues	316,279	324,529	-	-	316,279	324,529
Rents	2,000	5,500	-	-	2,000	5,500
Unrestricted Investment Earnings	549	462	382	433	931	895
Loss on Sale of Assets	-	10,655	-	-	-	10,655
Total Revenues	2,751,471	2,945,866	1,826,304	1,891,581	4,577,775	4,837,447
Program Expenses						
General Government	928,386	915,986	-	-	928,386	915,986
Public Safety	643,560	669,291	-	-	643,560	669,291
Public Works	867,676	940,455	-	-	867,676	940,455
Community and Economic Development	244,404	74,052	-	-	244,404	74,052
Recreation and Cultural	123,075	117,378	-	-	123,075	117,378
Interest on Debt	57,175	53,733	-	-	57,175	53,733
Other Post-Employment Benefits	30,528	77,670	-	-	30,528	77,670
Sewer	-	-	1,105,383	1,046,781	1,105,383	1,046,781
Water	-	-	860,277	915,105	860,277	915,105
Total Expenses	2,894,804	2,848,565	1,965,660	1,961,886	4,860,464	4,810,451
Transfer In	26,250	-	13,410	-	39,660	-
Change in Net Position	\$ (117,083)	\$ 97,301	\$ (125,946)	\$ (70,305)	\$ (243,029)	\$ 26,996

Governmental Activities

Most of the City's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. The total revenues for the City's governmental activities increased by 7.1% or \$194,395 primarily due to the \$379,000 State capital grant received for the Putnam Street project offset by the Community Development Block Grant (CDBG) of \$176,000 received last year.

Most of the City's general government departments such as police, public works, recreation programs and Major and Local Street maintenance are reported under these activities. The total expenses decreased by 1.6% or \$46,239, due primarily to the decrease in community and economic development for the CDBG grant received last year. This decrease helped to offset the increase in public works expenses incurred by the street funds due to the increased winter expenses.

Business-Type Activities

Business-type activities are those that are financed primarily by charges for services or user fees. Total revenues increased by \$65,277 or 3.6% primarily due to an increase in charges for services due to an increase in rates. Total expenses decreased by \$3,774 or .2% over the prior year. The City's business-type activities consist of the Water and Sewer Funds of which these types of operations are most similar to private businesses.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on Exhibit C and Exhibit D) reported a fund balance of \$1,317,956 which is less than last year's \$1,455,064. The primary reasons for the governmental funds' increase mirror the governmental activities analysis highlighted in the prior paragraph. The City's major funds in 2014 were the General Fund, Major Street Fund, Local Street Fund, Sewer Fund, and Water Fund.

The General Fund pays for most of the City's governmental services. The most significant are for general government, public safety, and public works activities. These services are supported by the operating millage and State-shared revenues. The Major Street Fund and the Local Street Fund performs public works and account for the Michigan Transportation Funds received from the State and the maintenance performed on the City's street system. The Sewer and Water Funds are described above.

GENERAL FUND BUDGETARY HIGHLIGHT

The City's budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is occasionally amended during the course of the fiscal year to reflect changing operational demands. All budget amendments are presented before the Council for approval. In addition, for their review, the Council is provided with a budget statement from the Treasurer each month.

While the General Fund continues to benefit from a strong fund balance that has accumulated over the past several years, maintaining that favorable fund balance position while continuing the same quality of service has become a priority during these economically challenged times. The City continues to focus on maintaining an adequate fund balance to help carry them through the lean times.

CAPITAL ASSET AND DEBT ADMINISTRATIONCapital Assets

As of June 30, 2014, the City had \$27,203,057 invested in a broad range of capital assets, including land, buildings, land improvements, vehicles, equipment, street and sidewalk infrastructure, and water and sewer infrastructure. This amount represents a net decrease (including additions and deductions) of \$180,916.

This fiscal year's capital asset addition in the governmental activities includes engineering costs for construction in progress for the new police building of \$20,290, the refurbishment of a vector truck for \$25,443, new police vehicle for \$22,792, and street and sidewalk improvements for \$552,670. The business-type activities additions included \$129,798 in sewer system improvements and \$48,926 in water system improvements along with \$60,000 for Sensus Mobile equipment split between the Sewer and Water Funds.

Table 3
Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Total	
					Primary Government	
	2013	2014	2013	2014	2013	2014
Land	\$ 390,632	\$ 390,632	\$ 436,557	\$ 436,557	\$ 827,189	\$ 827,189
Land Improvements-Nondepreciating	317,395	317,395	-	-	317,395	317,395
Construction in Progress	18,022	38,312	-	-	18,022	38,312
Land Improvements-Depreciating	1,136,779	1,136,779	-	-	1,136,779	1,136,779
Buildings and Improvements	1,089,540	1,089,540	-	-	1,089,540	1,089,540
Office Equipment	68,270	68,270	-	-	68,270	68,270
Machinery and Equipment	496,205	496,205	529,399	589,099	1,025,604	1,085,304
Vehicles	852,668	900,903	-	-	852,668	900,903
Infrastructure	5,398,958	5,951,628	-	-	5,398,958	5,951,628
Sewer System	-	-	17,177,522	17,307,321	17,177,522	17,307,321
Water System	-	-	9,649,545	9,698,471	9,649,545	9,698,471
Total Capital Assets	9,768,469	10,389,664	27,793,023	28,031,448	37,561,492	38,421,112
Total Accumulated Depreciation	(3,028,178)	(3,482,451)	(7,149,341)	(7,735,604)	(10,177,519)	(11,218,055)
Total Net Capital Assets	<u>\$ 6,740,291</u>	<u>\$ 6,907,213</u>	<u>\$ 20,643,682</u>	<u>\$ 20,295,844</u>	<u>\$ 27,383,973</u>	<u>\$ 27,203,057</u>

The City of Williamston's fiscal-year 2014-2015 capital budget calls for no additional debt obligations to finance future projects. More detailed information related to the City of Williamston's capital assets is presented in Note G to the financial statements.

Debt

At fiscal year-end, the City had \$12,303,294 in bonds and special assessment agreements outstanding versus \$13,017,456 in the previous fiscal year, a decrease of \$714,162, as shown in Table 4. The decrease in long term debt is due to the continued scheduled payments on debt obligations. No new debt was issued during fiscal ending June 30, 2014.

**Table 4
Outstanding Debt at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2014	2013	2014	2013	2014
Bonds Payable	\$ 1,105,000	\$ 1,010,000	\$ 11,470,000	\$ 10,900,000	\$ 12,575,000	\$ 11,910,000
Special Assessments Payable	442,456	393,294	-	-	442,456	393,294
Total Outstanding Debt	<u>\$ 1,547,456</u>	<u>\$ 1,403,294</u>	<u>\$ 11,470,000</u>	<u>\$ 10,900,000</u>	<u>\$ 13,017,456</u>	<u>\$ 12,303,294</u>

More detailed information about the City's long term debt is presented in Note H to the financial statements. In addition to the City's debt obligations shown in Table 4, the City had \$83,472 in vested employee benefits payable presented in more detail in Note I to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Although the City is predicting a slight decline in Taxable Value for the next fiscal year, significant changes have been made to the personal property tax law at the State level. These changes will impact the amount of tax revenue collected; although the State will be implementing a reimbursement program for revenues lost it is still unknown what the actual level of reimbursement will be. These changes along with other new tax exemptions adopted at the State have made forecasting future revenue levels challenging for the City.

The City implemented the new requirements of the Affordable Care Act in this fiscal year with a slight decrease in premium costs. The City will continue to look at all options in providing affordable health care coverage to its employees.

Water and sewer rates were increased 5% and 4% respectively with the water rates scheduled to increase 9% in the next fiscal year. These rate increases are necessary to pay off the bond obligations that have been taken out over the years for improvements to the systems. Increases in operating costs have also made these rate increases a necessity. Currently there are no capital projects planned or budgeted for in the upcoming fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Treasurer's Office at (517) 655-2774 or 161 East Grand River Avenue, Williamston, Michigan 48895.

**CITY OF WILLIAMSTON
GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2014**

EXHIBIT A

	PRIMARY GOVERNMENT			Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>ASSETS</u>				
Current Assets				
Cash	\$ 716,223	\$ 566,659	\$ 1,282,882	\$ 670,489
Investments	292,716	122,300	415,016	112,510
Special Assessments Receivable	343	-	343	-
Accounts Receivable	-	309,575	309,575	-
Due From State	95,967	-	95,967	-
Due From Other Agencies	3,513	1,985	5,498	-
Due From Other Funds--Primary Government	-	-	-	4,558
Due From Other Funds--Component Units	36,970	-	36,970	-
Internal Balances	273,730	(273,730)	-	-
Prepaid Expense	15,248	-	15,248	-
Total Current Assets	<u>1,434,710</u>	<u>726,789</u>	<u>2,161,499</u>	<u>787,557</u>
Noncurrent Assets				
Restricted Cash	-	604,448	604,448	7,012
Capital Assets--Nondeprecating	746,339	436,557	1,182,896	546,177
Capital Assets--Depreciating	6,160,874	19,859,287	26,020,161	2,215,607
Total Noncurrent Assets	<u>6,907,213</u>	<u>20,900,292</u>	<u>27,807,505</u>	<u>2,768,796</u>
Total Assets	<u>8,341,923</u>	<u>21,627,081</u>	<u>29,969,004</u>	<u>3,556,353</u>
<u>LIABILITIES</u>				
Current Liabilities				
Accounts Payable	77,451	57,566	135,017	1,068
Due to Other Funds--Primary Government	-	-	-	36,970
Due to Other Funds--Component Units	79	-	79	-
Accrued Liabilities	37,620	13,814	51,434	963
Escrow Deposits Payable	1,604	-	1,604	-
Total Current Liabilities	<u>116,754</u>	<u>71,380</u>	<u>188,134</u>	<u>39,001</u>
Noncurrent Liabilities				
Customer Deposits Payable	-	11,501	11,501	-
Bonds Payable--Due Within One Year	100,000	616,000	716,000	120,000
Bonds Payable--Due in More Than One Year	910,000	10,284,000	11,194,000	1,285,000
Notes Payable--Due Within One Year	-	-	-	15,917
Special Assessments Payable--Due Within One Year	49,162	-	49,162	-
Special Assessments Payable--Due in More Than One Year	344,132	-	344,132	-
Vested Employee Benefits Payable	83,472	-	83,472	-
Other Post-Employment Benefits Payable	240,046	-	240,046	-
Total Noncurrent Liabilities	<u>1,726,812</u>	<u>10,911,501</u>	<u>12,638,313</u>	<u>1,420,917</u>
Total Liabilities	<u>1,843,566</u>	<u>10,982,881</u>	<u>12,826,447</u>	<u>1,459,918</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	6,907,213	9,395,844	16,303,057	1,340,867
Restricted for				
Major and Local Streets	191,140	-	191,140	-
Debt Service	301	-	301	-
Economic Development Programs	-	-	-	23,570
Downtown Development Activities	-	-	-	35,586
Tax Increment Finance Plans	-	-	-	696,412
Sewer and Water Improvements	-	604,448	604,448	-
Unrestricted	<u>(600,297)</u>	<u>643,908</u>	<u>43,611</u>	<u>-</u>
Total Net Position	<u>\$ 6,498,357</u>	<u>\$ 10,644,200</u>	<u>\$ 17,142,557</u>	<u>\$ 2,096,435</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

EXHIBIT B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities				
General Government	\$ 915,986	\$ 210,430	\$ 69,929	\$ -
Public Safety	669,291	39,927	-	-
Public Works	940,455	207,321	272,443	379,000
Community and Economic Development	74,052	1,030	-	-
Recreation and Culture	117,378	-	-	-
Interest on Long-Term Debt	53,733	-	-	-
Other Post-Employment Benefits	77,670	-	-	-
Total Governmental Activities	<u>2,848,565</u>	<u>458,708</u>	<u>342,372</u>	<u>379,000</u>
Business-Type Activities				
Sewer	1,046,781	1,064,413	-	-
Water	915,105	826,735	-	-
Total Business-Type Activities	<u>1,961,886</u>	<u>1,891,148</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 4,810,451</u>	<u>\$ 2,349,856</u>	<u>\$ 342,372</u>	<u>\$ 379,000</u>
Component Units				
Economic Development Corporation	\$ 37,439	\$ 67,829	\$ 20,559	\$ -
Tax Increment Finance Authority 2A	16,666	-	38	-
Tax Increment Finance Authority 2B	100,684	-	979	-
Downtown Development Authority	296,096	3,658	53	-
Total Component Units	<u>\$ 450,885</u>	<u>\$ 71,487</u>	<u>\$ 21,629</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014**

**EXHIBIT B
(CONTINUED)**

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

<u>Functions/Programs</u>	<u>PRIMARY GOVERNMENT</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Primary Government				
Governmental Activities				
General Government	\$ (635,627)	\$ -	\$ (635,627)	\$ -
Public Safety	(629,364)	-	(629,364)	-
Public Works	(81,691)	-	(81,691)	-
Community and Economic Development	(73,022)	-	(73,022)	-
Recreation and Culture	(117,378)	-	(117,378)	-
Interest on Long-Term Debt	(53,733)	-	(53,733)	-
Other Post-Employment Benefits	(77,670)	-	(77,670)	-
Total Governmental Activities	<u>(1,668,485)</u>	<u>-</u>	<u>(1,668,485)</u>	<u>-</u>
Business-Type Activities				
Sewer	-	17,632	17,632	-
Water	-	(88,370)	(88,370)	-
Total Business-Type Activities	<u>-</u>	<u>(70,738)</u>	<u>(70,738)</u>	<u>-</u>
Total Primary Government	<u>(1,668,485)</u>	<u>(70,738)</u>	<u>(1,739,223)</u>	<u>-</u>
Component Units				
Economic Development Corporation	-	-	-	50,949
Tax Increment Finance Authority 2A	-	-	-	(16,628)
Tax Increment Finance Authority 2B	-	-	-	(99,705)
Downtown Development Authority	-	-	-	(292,385)
Total Component Units	<u>-</u>	<u>-</u>	<u>-</u>	<u>(357,769)</u>
General Revenues				
Property Taxes	1,424,640	-	-	673,164
State-Shared Revenues	324,529	-	324,529	-
Unrestricted Investment Earnings	462	433	895	-
Rents	5,500	-	5,500	-
Special Item-Gain on Sale of Capital Assets	10,655	-	10,655	-
Total General Revenues--Special Items and Transfers	<u>1,765,786</u>	<u>433</u>	<u>341,579</u>	<u>673,164</u>
Change in Net Position	97,301	(70,305)	(1,397,644)	315,395
Net Position--Beginning	<u>6,401,056</u>	<u>10,714,505</u>	<u>17,115,561</u>	<u>1,781,040</u>
Net Position--Ending	<u>\$ 6,498,357</u>	<u>\$ 10,644,200</u>	<u>\$ 15,717,917</u>	<u>\$ 2,096,435</u>

The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON
BALANCE SHEET--GOVERNMENTAL FUNDS
RECONCILIATION TO THE
STATEMENT OF NET POSITION
June 30, 2014**

EXHIBIT C

	MAJOR GOVERNMENTAL FUNDS				
	General Fund	Major Street Fund	Local Street Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 378,326	\$ 170,393	\$ 67,961	\$ 99,543	\$ 716,223
Investments	181,245	835	110,636	-	292,716
Special Assessments Receivable	-	-	343	-	343
Due From State	55,405	30,864	9,698	-	95,967
Due From Other Funds--Primary Government	553,792	-	-	9	553,801
Due From Other Funds--Component Units	36,970	-	-	-	36,970
Prepaid Expenses	15,248	-	-	-	15,248
Total Assets	<u>\$ 1,220,986</u>	<u>\$ 202,092</u>	<u>\$ 188,638</u>	<u>\$ 99,552</u>	<u>\$ 1,711,268</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities					
Accounts Payable	\$ 57,546	\$ 16,456	\$ 3,449	\$ -	\$ 77,451
Due to Other Funds--Primary Government	9	11,728	165,570	99,251	276,558
Due to Other Funds--Component Units	79	-	-	-	79
Accrued Liabilities	35,233	1,358	1,029	-	37,620
Escrow Deposits Payable	1,604	-	-	-	1,604
Total Liabilities	<u>94,471</u>	<u>29,542</u>	<u>170,048</u>	<u>99,251</u>	<u>393,312</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unearned Revenue					-
Fund Balances					
Nonspendable	15,248	-	-	-	15,248
Restricted for					
Major and Local Streets	-	172,550	18,590	-	191,140
Debt Service	-	-	-	301	301
Unassigned	1,111,267	-	-	-	1,111,267
Total Fund Equity	<u>1,126,515</u>	<u>172,550</u>	<u>18,590</u>	<u>301</u>	<u>1,317,956</u>
Total Liabilities and Fund Equity	<u>\$ 1,220,986</u>	<u>\$ 202,092</u>	<u>\$ 188,638</u>	<u>\$ 99,552</u>	<u>\$ 1,711,268</u>
Fund Balances--Total Governmental Funds					\$ 1,317,956
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					6,907,213
Certain liabilities, such as bonds payable, compensated absences and other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.					(1,726,812)
Net Position of Governmental Activities					<u>\$ 6,498,357</u>

The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014**

EXHIBIT D

	MAJOR GOVERNMENTAL FUNDS				
	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes and Penalties	\$ 1,424,640	\$ -	\$ -	\$ -	\$ 1,424,640
Licenses and Permits	48,465	-	-	-	48,465
State Grants	328,072	584,885	66,229	-	979,186
Charges for Services	9,006	-	-	-	9,006
Fines and Forfeits	8,266	-	-	-	8,266
Interest and Rentals	209,890	1	60	-	209,951
Other Revenue	266,084	222	46	-	266,352
Total Revenues	2,294,423	585,108	66,335	-	2,945,866
Expenditures					
Current					
General Government	889,253	-	-	-	889,253
Public Safety	636,464	-	-	-	636,464
Public Works	430,067	117,813	100,396	-	648,276
Community and Economic Development	70,493	-	-	-	70,493
Recreation and Culture	68,560	-	-	-	68,560
Capital Outlay	68,525	552,670	-	-	621,195
Debt Service					
Principal	-	-	-	95,000	95,000
Interest and Fiscal Fees	-	-	-	53,733	53,733
Total Expenditures	2,163,362	670,483	100,396	148,733	3,082,974
Excess of Revenues Over (Under) Expenditures	131,061	(85,375)	(34,061)	(148,733)	(137,108)
Other Financing Sources (Uses)					
Interfund Transfers In--Primary Government	-	-	193,000	148,735	341,735
Interfund Transfers (Out)--Primary Government	(193,000)	-	(148,735)	-	(341,735)
Total Other Financing Sources (Uses)	(193,000)	-	44,265	148,735	-
Net Change in Fund Balances	(61,939)	(85,375)	10,204	2	(137,108)
Fund Balance--July 1, 2013	1,188,454	257,925	8,386	299	1,455,064
Fund Balance--June 30, 2014	\$ 1,126,515	\$ 172,550	\$ 18,590	\$ 301	\$ 1,317,956

The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014**

EXHIBIT D-1

NET CHANGE IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS \$ (137,108)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add--Capital Outlay	621,195
Deduct--Depreciation Expense	(454,272)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Add--Principal Payments on Long-Term Liabilities	144,162
--	---------

Long-term liabilities are not due and payable in the current period and are not reported in the funds.	994
--	-----

Other Post-Employment Benefit which is not shown in the funds	<u>(77,670)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 97,301</u>
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The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014**

EXHIBIT E

	BUSINESS-TYPE ACTIVITIES		Total Enterprise Funds
	Sewer	Water	
<u>ASSETS</u>			
Current Assets			
Cash	\$ 440,690	\$ 125,969	\$ 566,659
Investments	51,808	70,492	122,300
Customer Accounts Receivable	177,567	132,008	309,575
Due From Other Funds-Primary Government	181,226	-	181,226
Total Current Assets	<u>851,291</u>	<u>328,469</u>	<u>1,179,760</u>
Noncurrent Assets			
Restricted Cash	245,746	358,702	604,448
Capital Assets--Nondepreciating	18,692	417,865	436,557
Capital Assets--Depreciating	11,680,556	8,178,731	19,859,287
Total Noncurrent Assets	<u>11,944,994</u>	<u>8,955,298</u>	<u>20,900,292</u>
Total Assets	<u>12,796,285</u>	<u>9,283,767</u>	<u>22,080,052</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	36,612	20,954	57,566
Due to Other Funds--Primary Government	52,015	400,956	452,971
Accrued Liabilities	7,401	6,413	13,814
Total Current Liabilities	<u>96,028</u>	<u>428,323</u>	<u>524,351</u>
Noncurrent Liabilities			
Customer Deposits Payable	-	11,501	11,501
Bonds Payable--Due Within One Year	500,000	116,000	616,000
Bonds Payable--Due in More Than One Year	4,729,000	5,555,000	10,284,000
Total Noncurrent Liabilities	<u>5,229,000</u>	<u>5,682,501</u>	<u>10,911,501</u>
Total Liabilities	<u>5,325,028</u>	<u>6,110,824</u>	<u>11,435,852</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	6,470,248	2,925,596	9,395,844
Restricted for Sewer and Water Improvements	245,746	358,702	604,448
Unrestricted	755,263	(111,355)	643,908
Total Net Position	<u>\$ 7,471,257</u>	<u>\$ 3,172,943</u>	<u>\$ 10,644,200</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION--PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

EXHIBIT F

	BUSINESS-TYPE ACTIVITIES		Total Enterprise Funds
	Sewer	Water	
Operating Revenues			
Water Sales	\$ -	\$ 826,735	\$ 826,735
Sewage Disposal Services	1,051,613	-	1,051,613
Total Operating Revenues	1,051,613	826,735	1,878,348
Operating Expenses			
Salaries and Wages	153,723	122,302	276,025
Fringe Benefits	60,430	48,390	108,820
Administrative Expenses	40,000	40,000	80,000
Contractual Services	63,369	74,237	137,606
Equipment Repair and Maintenance	40,111	3,978	44,089
Equipment Rental	12,291	40,791	53,082
Utilities	88,044	67,018	155,062
Insurance	6,936	3,679	10,615
Other Supplies and Expenses	56,494	109,203	165,697
Depreciation	373,096	213,467	586,563
Total Operating Expenses	894,494	723,065	1,617,559
Operating Income (Loss)	157,119	103,670	260,789
Nonoperating Revenues (Expenses)			
Contribution from Component Unit	12,800	-	12,800
Interest and Investment Revenue	329	104	433
Interest Expense	(152,287)	(192,040)	(344,327)
Total Nonoperating Revenues (Expenses)	(139,158)	(191,936)	(331,094)
Income (Loss) Before Contributions and Transfers	17,961	(88,266)	(70,305)
Interfund Transfers			
Transfers In	130,460	-	130,460
Transfers (Out)	-	(130,460)	(130,460)
Change in Net Position	148,421	(218,726)	(70,305)
Total Net Position--July 1, 2013	7,322,836	3,391,669	10,714,505
Total Net Position--June 30, 2014	\$ 7,471,257	\$ 3,172,943	\$ 10,644,200

CITY OF WILLIAMSTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

EXHIBIT G

	BUSINESS-TYPE ACTIVITIES		Total Enterprise Funds
	Sewer	Water	
Cash Flows From Operating Activities			
Charges for Services	\$ 1,039,073	\$ 818,168	\$ 1,857,241
Goods and Services Purchased	(272,834)	(324,236)	(597,070)
Salaries and Fringes	(214,720)	(168,381)	(383,101)
Net Cash Provided by Operating Activities	<u>551,519</u>	<u>325,551</u>	<u>877,070</u>
Cash Flows From Noncapital Financing Activities			
Customer Deposits	-	1,000	1,000
Operating Transfers In From Other Funds	130,460	-	130,460
Operating Transfers In From Component Units	12,800	-	12,800
Operating Transfers (Out) to Other Funds	-	(130,460)	(130,460)
Due to Other Funds	44,416	128,307	172,723
Net Cash Flows From Noncapital Financing Activities	<u>187,676</u>	<u>(1,153)</u>	<u>186,523</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition of Capital Assets	(159,798)	(78,926)	(238,724)
Proceeds From Issuance of Bonds	-	-	-
Principal Paid on Debt	(461,000)	(109,000)	(570,000)
Interest Paid on Debt	(152,287)	(192,040)	(344,327)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(773,085)</u>	<u>(379,966)</u>	<u>(1,153,051)</u>
Cash Flows From Investing Activities			
Interest on Cash	329	104	433
Sale (Purchase) of Investments	(41)	(71)	(112)
Net Cash Provided by Investing Activities	<u>288</u>	<u>33</u>	<u>321</u>
Net Increase in Cash and Cash Equivalents	(33,602)	(55,535)	(89,137)
Cash at Beginning of the Year	<u>899,281</u>	<u>540,206</u>	<u>1,439,487</u>
Cash at End of the Year	<u>\$ 865,679</u>	<u>\$ 484,671</u>	<u>\$ 1,350,350</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 157,119	\$ 103,670	\$ 260,789
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	373,096	213,467	586,563
Changes in Assets and Liabilities			
Decrease (Increase) in Accounts Receivable	(12,540)	(8,567)	(21,107)
Increase (Decrease) in Accounts Payable	34,411	14,670	49,081
Increase (Decrease) in Accrued Liabilities	(567)	2,311	1,744
Net Cash Provided by Operating Activities	<u>\$ 551,519</u>	<u>\$ 325,551</u>	<u>\$ 877,070</u>

The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2014**

EXHIBIT H

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	<u>\$ 75,010</u>
Total Assets	<u><u>\$ 75,010</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
Liabilities	
Due to Other Funds--Primary Government	\$ 5,497
Due to Other Funds--Component Unit	4,479
Due to Other Governmental Units	<u>65,034</u>
Total Liabilities	<u><u>\$ 75,010</u></u>

**CITY OF WILLIAMSTON
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
June 30, 2014**

EXHIBIT I

	Economic Development Corporation	Tax Increment Finance Authority 2A	Tax Increment Finance Authority 2B	Downtown Development Authority	Total
<u>ASSETS</u>					
Current Assets					
Cash	\$ 20,254	\$ 36,538	\$ 601,166	\$ 12,531	\$ 670,489
Investments	10,063	-	57,625	44,822	112,510
Due From Other Funds--Primary Government	-	79	2,177	2,302	4,558
Total Current Assets	<u>30,317</u>	<u>36,617</u>	<u>660,968</u>	<u>59,655</u>	<u>787,557</u>
Noncurrent Assets					
Restricted Cash	-	-	-	7,012	7,012
Capital Assets--Nondepreciating	-	62,871	185,358	297,948	546,177
Capital Assets--Depreciating	568,613	37,252	564,144	1,045,598	2,215,607
Total Noncurrent Assets	<u>568,613</u>	<u>100,123</u>	<u>749,502</u>	<u>1,350,558</u>	<u>2,768,796</u>
Total Assets	<u>598,930</u>	<u>136,740</u>	<u>1,410,470</u>	<u>1,410,213</u>	<u>3,556,353</u>
<u>LIABILITIES</u>					
Current Liabilities					
Accounts Payable	250	125	379	314	1,068
Due to Other Funds--Primary Government	6,497	-	669	29,804	36,970
Accrued Liabilities	-	-	-	963	963
Total Current Liabilities	<u>6,747</u>	<u>125</u>	<u>1,048</u>	<u>31,081</u>	<u>39,001</u>
Noncurrent Liabilities					
Bonds Payable--Due Within One Year	-	-	-	120,000	120,000
Bonds Payable--Due in More Than One Year	-	-	-	1,285,000	1,285,000
Notes Payable--Due Within One Year	15,917	-	-	-	15,917
Total Noncurrent Liabilities	<u>15,917</u>	<u>-</u>	<u>-</u>	<u>1,405,000</u>	<u>1,420,917</u>
Total Liabilities	<u>22,664</u>	<u>125</u>	<u>1,048</u>	<u>1,436,081</u>	<u>1,459,918</u>
<u>NET POSITION</u>					
Net Investment in Capital Assets	552,696	100,123	749,502	(61,454)	1,340,867
Restricted for					
Economic Development Programs	23,570	-	-	-	23,570
Downtown Development Plan	-	-	-	35,586	35,586
Tax Increment Finance Plans	-	36,492	659,920	-	696,412
Total Net Position	<u>\$ 576,266</u>	<u>\$ 136,615</u>	<u>\$ 1,409,422</u>	<u>\$ (25,868)</u>	<u>\$ 2,096,435</u>

The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2014**

EXHIBIT J

Functions/Programs	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION				Total
	Expenses	Charge for Services	Operating Grants and Contributions	Economic Development Corporation	Tax Increment Finance Authority 2A	Tax Increment Finance Authority 2B	Downtown Development Authority	
Economic Development Corporation								
Community and Economic Development	\$ 34,478	\$ 67,829	\$ 20,559	\$ 53,910	\$ -	\$ -	\$ -	\$ 53,910
Interest on Related Debt	2,961	-	-	(2,961)	-	-	-	(2,961)
Total Economic Development Corporation	37,439	67,829	20,559	50,949	-	-	-	50,949
Tax Increment Finance Authority 2A								
Community and Economic Development	16,666	-	38	-	(16,628)	-	-	(16,628)
Total Tax Increment Finance Authority 2A	16,666	-	38	-	(16,628)	-	-	(16,628)
Tax Increment Finance Authority 2B								
Community and Economic Development	100,684	-	979	-	-	(99,705)	-	(99,705)
Total Tax Increment Finance Authority 2B	100,684	-	979	-	-	(99,705)	-	(99,705)
Downtown Development Authority								
Community and Economic Development	251,324	3,658	53	-	-	-	(247,613)	(247,613)
Interest and Other Expenses on Related Debt	44,772	-	-	-	-	-	(44,772)	(44,772)
Total Downtown Development Authority	\$ 296,096	\$ 3,658	\$ 53	-	-	-	(292,385)	(292,385)
General Revenues								
Property Taxes				-	25,233	258,193	389,738	673,164
Total General Revenues								
Property Taxes and Transfers				-	25,233	258,193	389,738	673,164
Change in Net Position				50,949	8,605	158,488	97,353	315,395
Net Position--Beginning of Year				525,317	128,010	1,250,934	(123,221)	1,781,040
Net Position--End of Year				\$ 576,266	\$ 136,615	\$ 1,409,422	\$ (25,868)	\$ 2,096,435

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Williamston (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 used by the City:

Reporting Entity

The City encompasses an area of approximately 2.6 square miles and is located approximately 20 miles east of Lansing and 65 miles west of Detroit.

The City was incorporated in 1963 as a home rule city under the council/manager form of government. The City council consists of seven council members who are elected at large. Every two years four council members are elected. The mayor, who is recognized as the chief executive officer of the City, and the mayor pro-tem are elected by the council from among its members. The City manager is the administrative agent of the council and is appointed by the council to serve at its pleasure. All other City administrative officers are appointed by the City manager.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria established by Government Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the data was not included. The component units total is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description of each component unit).

DISCRETELY PRESENTED COMPONENT UNITS

Downtown Development Authority

The Downtown Development Authority was created under the provisions of Public Act 197 of 1975, as amended, to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The authority's governing body, which consists of nine individuals, is selected by the City council. In addition, the authority's budget is subject to approval by the City council.

Economic Development Corporation

The Economic Development Corporation was created under the provisions of Public Act 338 of 1974, as amended, 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 to provide needed services and facilities to the residents of the City. The corporation's governing body, which consists of nine individuals, is selected by the City council.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Increment Finance Authorities (2A and 2B)

The Tax Increment Finance Authorities (2A and 2B) were created under the provisions of Public Act 450 of 1980, as amended, to prevent urban deterioration, to encourage development and activity, and to encourage neighborhood revitalization and historic preservation. The authorities' governing body is the same as the Economic Development Corporation that is selected by the City council and consists of nine individuals.

Complete financial statements of the individual component units can be obtained from their respective administrative offices located in City Hall:

Administrative Offices

City of Williamston
161 East Grand River Avenue
Williamston, MI 48895

JOINTLY GOVERNED ORGANIZATIONS

The City is a member of the Northeast Ingham Emergency Service Authority (NIESA) which provides emergency services to the residents of northeast Ingham County. The participating communities provided funding for its operations until December 1998, at which time a millage was levied to provide annual funding. 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 authority can be obtained from the Community Fire Board offices at 1296 West Grand River, Williamston, Michigan 48895.

BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for revenues and expenditures for the construction and maintenance of the major street system.

The Local Street Fund accounts for revenues and expenditures for the construction and maintenance of the local street system.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the revenues and expenses for the operation of the sewer system.

The Water Fund accounts for the revenues and expenses for the operation of the water system.

Additionally, the City reports the following fund type:

Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments

Cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as "internal balances."

Prepaid Items

Payments for supplies are recorded as expenditures at the time of purchase. 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.

Capital Assets

Capital assets for the primary government, component units and enterprise funds, which include property, plant and equipment, 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 government as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of two years. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant, equipment and infrastructure are depreciated using the straight-line method over the following useful lives:

Land Improvements	10 to 30 Years
Buildings	10 to 50 Years
Office Equipment	4 to 10 Years
Machinery and Equipment	7 to 10 Years
Vehicles	4 to 7 Years
Infrastructure--Roads	8 to 30 Years
Infrastructure--Bridges	12 to 50 Years
Sewer and Water System	30 to 50 Years

Compensated Absences (Vacation and Sick Leave)

It is the City's policy to permit employees to accumulate earned sick and vacation pay benefits for all of the employees. The liability for unpaid accumulated sick leave is 50% of the time available according to the City's union contracts and personnel policy. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported only in governmental funds for employee terminations as of year-end.

Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the 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. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Other Financing Sources (Uses)

Transfers of cash between the various City funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications

In the fund financial statements, governmental funds report the following components of fund balance which comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

- Non-spendable - includes fund balance amounts in governmental funds to designate amounts which are not available for spending, or are legally or contractually required to be maintained.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority.
- Assigned - includes fund balance amounts that are intended to be used for a specific purpose.
- Unassigned - includes fund balance spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the City Council.

Non-spendable Fund Balances

The non-spendable amount reported in the General Fund of \$15,248 is related to prepaid expenditures.

Restricted Fund Balances

The City of Williamston reports the following restricted fund balances.

Special Revenue Funds

- Major Street Fund - This fund is used to account for revenues from Federal and Michigan Transportation Fund monies distributed which are earmarked by law to control expenditures for the construction and maintenance of the major street system.
- Local Street Fund - This fund is used to account for revenues primarily from Michigan Transportation Fund monies distributed which are earmarked by law to control expenditures for the construction and maintenance of the local street system.

Debt Service Funds

- 2003 Act 175 Bond Debt - This fund is used to account for the principal and interest payments on the 2003 Act 175 Michigan Transportation Fund Bonds and is funded by appropriations from the Local Street Fund.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 2003 Act 342 Bond Debt - This fund is used to account for the principal and interest payments on the 2003 Act 342 General Obligation Bonds and is funded by appropriations from the Local Street Fund.

The purpose of the component unit's restricted fund balances and revenue sources are listed below:

- Economic Development Fund - This fund is used to account for revenues received to administer the activities authorized under the Economic Development Corporation Act.
- Tax Increment Finance Authority (TIFA) 2A - This fund is used to account for the taxes captured by TIFA 2A to administer the activities authorized under the Tax Increment Finance Authority Act.
- Tax Increment Finance Authority (TIFA) 2B - This fund is used to account for the taxes captured by TIFA 2B to administer the activities authorized under the Tax Increment Finance Authority Act.
- Downtown Development Authority (DDA) - This fund is used to account for the taxes captured by the DDA to administer the activities authorized under the Downtown Development Authority Act.

The City of Williamston does not have a formal minimum fund balance policy. The City Council has not established a policy for its use of unrestricted fund balance amounts. However, if the City had committed and/or assigned fund balances, the committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Pursuant to statute, prior to the commencement of the fiscal year, the budget is legally enacted through adoption by the City Council. Budgets are adopted for the General Fund and Special Revenue Funds as required by statute. Budgets are adopted on a basis consistent with the accounting principles followed in recording transactions. The City's annual budget is adopted on a departmental basis at the activity level. The City Council monitors and amends the budgets as necessary.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriation in Budgeted Funds

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year, the City incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<u>Fund, Function and Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
General Fund			
General Government			
Building and Grounds	\$ 311,250	\$ 321,614	\$ (10,364)
Public Works			
Equipment Maintenance	118,000	121,392	(3,392)
Local Street Fund			
Winter Maintenance	44,250	45,341	(1,091)

Also, the budgets for the Major Street Fund and Local Street Fund were adopted with a deficit fund balance which is in violation of Pubic Act 2 of 1968, as amended.

The City will continue to monitor the budget and estimate the potential for delayed billings at year end. The Manager and Treasurer will work with Department Heads to more closely review and track potential year end budget deficits.

NOTE C--DEPOSITS AND INVESTMENTS

Public Act 20 of 1943, Section 2, as amended, authorizes the City to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States Banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

Deposits are carried at cost. The City Council has designated four banks for the deposit of City funds. The investment policy adopted by the council in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The City's deposits and investment policy are in accordance with statutory authority.

The risk disclosures for the City's deposits at June 30, 2014, as required by the Governmental Accounting Standards Board (GASB) Statement No. 40, are as follows:

	PRIMARY GOVERNMENT			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Fund</u>	<u>Total Primary Government</u>
Cash	\$ 716,223	\$ 566,659	\$ 75,010	\$ 1,357,892
Restricted Cash	-	604,448	-	604,448
Investments	<u>292,716</u>	<u>122,300</u>	<u>-</u>	<u>415,016</u>
Total	<u>\$ 1,008,939</u>	<u>\$ 1,293,407</u>	<u>\$ 75,010</u>	<u>\$ 2,377,356</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 1,961,710	\$ 677,501
Investments in Securities, Mutual Funds and Similar Vehicles	415,016	112,510
Petty Cash and Cash on Hand	<u>630</u>	<u>-</u>
Total	<u>\$ 2,377,356</u>	<u>\$ 790,011</u>

Non-negotiable certificates of deposits that are placed by the depositors directly with financial institutions and that are subject to a penalty if redeemed before maturity are treated as bank deposits. Because nonnegotiable certificates of deposits are deposits, no interest rate risk or credit risk disclosures are required, which are limited to investments.

Restricted Cash

The revenue bonds issued by the City include covenants to set aside amounts in bond reserve funds. These bonds' reserves are reported as "Restricted Cash" in the Statement of Net Position for the respective funds. At June 30, 2014, the following amounts were set aside for the following reasons.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

<u>PRIMARY GOVERNMENT</u>	<u>AMOUNT</u>
Sewer Fund	
1991 Sewer Refunding Bonds	\$ 3,412
1994 Sewer Improvement Bonds	13,530
1996 Water and Sewer Improvement Bonds	79,067
2010 Sewer Bonds-Repair, Replacement, and Improvements	40,698
2010 Sewer Bonds-Bond and Interest Redemption	49,039
2010 Sewer Bonds-Bond Reserve	<u>60,000</u>
Subtotal--Sewer Fund	<u>245,746</u>
Water Fund	
2004 Water Improvement Bonds	46,010
2005 Water Improvement Bonds	44,971
2010 Water Bonds-Repair, Replacement, and Improvements	51,187
2010 Water Bonds-Bond and Interest Redemption	135,534
2010 Water Bonds-Bond Reserve	<u>81,000</u>
Subtotal--Water Fund	<u>358,702</u>
Total--Business Type Activities	<u>\$ 604,448</u>
<u>COMPONENT UNITS</u>	<u>AMOUNT</u>
2004 DDA Refunding Bonds	<u>\$ 7,012</u>
Total--Component Units	<u>\$ 7,012</u>

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City's deposits may not be recovered. The City does not have a deposit policy for custodial credit risk. The bank balance of the primary government's deposits is \$1,936,306, of which \$500,000 is covered by Federal depository insurance. The bank balance of the component units' deposits is \$677,500, of which none is covered by Federal depository insurance and \$2,113,806 was uncollateralized with securities held by the City's agent in the City's name.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

Investments Authorized by the City's Investment Policy

The City's investment policy only authorizes investment in all those that are authorized by law. The City has limited their investments to money markets. The City's investment policy contains provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk. The board has a GASB Statement No. 40 compliant investment policy.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by participating in two money markets which hold diverse investments that local units of government are authorized by law for direct investment.

As of June 30, 2014, the City had the following investments:

	<u>REPORTED AMOUNT (FAIR VALUE)</u>	
	<u>Primary Government</u>	<u>Component Units</u>
Investments		
Money Market (MM)	\$ 162,583	\$ 76
Government Operating MM	<u>252,433</u>	<u>112,434</u>
Total Primary Government	<u>\$ 415,016</u>	<u>\$ 112,510</u>

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Money Market and Government Operating Money Market issued through Chase Bank totaling \$162,659 have received an Aaa rating from Moody's Investors Service and the Government Operating Money Market issued through MBIA totaling \$364,867 have received a AAA rating from Fitch Ratings.

The City's investment policy requires assets to be diversified to eliminate the risk of loss resulting from over concentration in a specific maturity, individual financial institution(s), or a specific class of securities.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law does not contain requirements that limit the exposure to custodial credit risk for deposits. However, the asset diversification requirements included in the City's investment policy limits, to some extent, exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker/dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law does not contain legal requirements that limit the exposure to custodial credit risk for investments. However, the City's investment policy does contain a safekeeping and custody section that limits the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

NOTE D--PROPERTY TAXES

Property taxes are levied on each July 1 on the taxable valuation of property located in the City as of the preceding December 31. The City's property taxes were levied and collectible on July 1, 2013. It is the policy of the City to recognize revenue from the current tax levy in the fiscal year when proceeds of this levy are budgeted and made available for the financing of operations.

The 2013 State Taxable Valuation was \$101,903,266, on which ad valorem taxes levied consisted of 15.1342 mills and raised \$1,349,849 for City operations (net of captured taxes). This is recorded as revenue in the General Fund, which also includes mobile home specific taxes, penalties, interest and administrative fees for a total of \$1,424,640 (net of tax tribunal refunds, TIFA 2A captured taxes of \$25,233, TIFA 2B captured taxes of \$258,193, and DDA captured taxes of \$389,738).

NOTE E--RECEIVABLES

Accounts Receivable--Business-Type Activities

The accounts receivable for the City are recorded in the Sewer and Water Funds. The receivables are based on the sewer and water services provided by the City. The receivables do not have an allowance for doubtful accounts because any receivables not collected are placed on the customer's tax bill. The receivables for the Sewer and Water Funds are \$177,567 and \$132,008, respectively.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE E--RECEIVABLES (Continued)

Special Assessments Receivable--Governmental Activities

The City collects special assessments in the Local Street Fund to collect for expenses incurred by the City to improve sidewalks. As of June 30, 2014, the Local Street Fund has special assessments receivable of \$343.

NOTE F--INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The amounts of the interfund receivables and payables between funds of the primary government and component units are as follows:

Interfund Payable	Interfund Receivables						Total
	Primary Government			Component Units			
	General	Nonmajor Gov't	Sewer	TIFA 2A	TIFA 2B	DDA	
<u>Primary Government</u>							
General	\$ -	\$ 9	\$ -	\$ 79	\$ -	\$ -	\$ 88
Major Street	11,728	-	-	-	-	-	11,728
Local Street	165,570	-	-	-	-	-	165,570
Nonmajor Gov't	99,251	-	-	-	-	-	99,251
Sewer Fund	52,015	-	-	-	-	-	52,015
Water Fund	221,715	-	179,241	-	-	-	400,956
Agency Funds	3,512	-	1,985	-	2,177	2,302	9,976
<u>Component Units</u>							
EDC	6,497	-	-	-	-	-	6,497
TIFA 2B	669	-	-	-	-	-	669
DDA	29,804	-	-	-	-	-	29,804
Total Government	<u>\$ 590,761</u>	<u>\$ 9</u>	<u>\$ 181,226</u>	<u>\$ 79</u>	<u>\$ 2,177</u>	<u>\$ 2,302</u>	<u>\$ 776,554</u>

The outstanding balances between funds results mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The interfund receivable balances due to the General Fund consist of expenses paid by the General Fund for other funds that are to be reimbursed. The amount due from the Agency Fund is delinquent taxes collected that have not been distributed.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE F--INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

The 2014 operating transfers from Exhibits D and F can be summarized as follows:

Transfers Out	Trasnfers In			Total
	Local Street	Nonmajor Gov't	Sewer	
General	\$ 193,000	\$ -	\$ -	\$ 193,000
Local Street	-	148,735	-	148,735
Water Fund	-	-	130,460	130,460
Total Government	<u>\$ 193,000</u>	<u>\$ 148,735</u>	<u>\$ 130,460</u>	<u>\$ 472,195</u>

Interfund transfers are used to 1) transfer revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; 2) transfer receipts restricted to debt service from the funds collecting the receipts to the debt service funds as debt service payments become due; and 3) transfer unrestricted revenues collected in the General Fund to other funds to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE G--CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 390,632	\$ -	\$ -	\$ 390,632
Land Improvements	317,395	-	-	317,395
Construction in Progress	18,022	20,290	-	38,312
Subtotal	<u>726,049</u>	<u>20,290</u>	<u>-</u>	<u>746,339</u>
Capital Assets Being Depreciated				
Land Improvements	1,136,779	-	-	1,136,779
Buildings	1,089,540	-	-	1,089,540
Office Equipment	68,270	-	-	68,270
Machinery and Equipment	496,205	-	-	496,205
Vehicles	852,668	48,235	-	900,903
Infrastructure	5,398,958	552,670	-	5,951,628
Subtotal	<u>9,042,420</u>	<u>600,905</u>	<u>-</u>	<u>9,643,325</u>
Less Accumulated Depreciation for				
Land Improvements	331,591	50,688	-	382,279
Buildings	349,162	38,342	-	387,504
Office Equipment	68,270	-	-	68,270
Machinery and Equipment	382,404	51,943	-	434,347
Vehicles	682,164	76,800	-	758,964
Infrastructure	1,214,587	236,500	-	1,451,087
Subtotal	<u>3,028,178</u>	<u>454,273</u>	<u>-</u>	<u>3,482,451</u>
Net Capital Assets Being Depreciated	<u>6,014,242</u>	<u>146,632</u>	<u>-</u>	<u>6,160,874</u>
Total Capital Assets--Net of Depreciation	<u>\$ 6,740,291</u>	<u>\$ 166,922</u>	<u>\$ -</u>	<u>\$ 6,907,213</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE G--CAPITAL ASSETS (Continued)

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

	<u>Amount</u>
Governmental Activities	
General Government	\$ 31,342
Public Safety	30,709
Public Works	339,845
Community and Economic Development	3,559
Recreation and Culture	<u>48,818</u>
Total Depreciation--Governmental Activities	<u>\$ 454,273</u>

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land--Sewer	\$ 18,692	\$ -	\$ -	\$ 18,692
Land--Water	<u>417,865</u>	<u>-</u>	<u>-</u>	<u>417,865</u>
Subtotal	<u>436,557</u>	<u>-</u>	<u>-</u>	<u>436,557</u>
Capital Assets Being Depreciated				
Sewer System	17,177,522	129,799	-	17,307,321
Water System	9,649,545	48,926	-	9,698,471
Sewer Equipment	253,822	30,000	-	283,822
Water Equipment	<u>275,577</u>	<u>30,000</u>	<u>-</u>	<u>305,577</u>
Subtotal	<u>27,356,466</u>	<u>238,725</u>	<u>-</u>	<u>27,595,191</u>
Less: Accumulated Depreciation for				
Sewer System	5,366,838	352,760	-	5,719,598
Water System	1,471,912	200,760	-	1,672,672
Sewer Equipment	170,653	20,336	-	190,989
Water Equipment	<u>139,938</u>	<u>12,707</u>	<u>-</u>	<u>152,645</u>
Subtotal	<u>7,149,341</u>	<u>586,563</u>	<u>-</u>	<u>7,735,904</u>
Net Capital Assets Being Depreciated	<u>20,207,125</u>	<u>(347,838)</u>	<u>-</u>	<u>19,859,287</u>
Total Capital Assets--Net of Depreciation	<u>\$ 20,643,682</u>	<u>\$ (347,838)</u>	<u>\$ -</u>	<u>\$ 20,295,844</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE G--CAPITAL ASSETS (Continued)

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

Business-Type Funds	
Sewer	\$ 373,096
Water	<u>213,467</u>
Total Business-Type Funds	<u>\$ 586,563</u>

Component Units

Capital asset activity of the Economic Development Corporation (EDC) for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Land Improvements	\$ 15,510	\$ -	\$ -	\$ 15,510
Buildings	<u>1,014,165</u>	<u>-</u>	<u>-</u>	<u>1,014,165</u>
Subtotal	<u>1,029,675</u>	<u>-</u>	<u>-</u>	<u>1,029,675</u>
Less Accumulated Depreciation for				
Land Improvements	10,209	722	-	10,931
Buildings	<u>420,578</u>	<u>29,553</u>	<u>-</u>	<u>450,131</u>
Subtotal	<u>430,787</u>	<u>30,275</u>	<u>-</u>	<u>461,062</u>
Net Capital Assets Being Depreciated	<u>598,888</u>	<u>(30,275)</u>	<u>-</u>	<u>568,613</u>
Total Capital Assets--Net of Depreciation	<u>\$ 598,888</u>	<u>\$ (30,275)</u>	<u>\$ -</u>	<u>\$ 568,613</u>

Depreciation expense for the year was \$30,275.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE G--CAPITAL ASSETS (Continued)

Capital asset activity of the TIFA 2A for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 62,871	\$ -	\$ -	\$ 62,871
Subtotal	<u>62,871</u>	<u>-</u>	<u>-</u>	<u>62,871</u>
Capital Assets Being Depreciated				
Land Improvements	55,879	-	-	55,879
Subtotal	<u>55,879</u>	<u>-</u>	<u>-</u>	<u>55,879</u>
Less Accumulated Depreciation for				
Land Improvements	16,764	1,863	-	18,627
Subtotal	<u>16,764</u>	<u>1,863</u>	<u>-</u>	<u>18,627</u>
Net Capital Assets Being Depreciated	<u>39,115</u>	<u>1,863</u>	<u>-</u>	<u>37,252</u>
Total Capital Assets--Net of Depreciation	<u>\$ 101,986</u>	<u>\$ (1,863)</u>	<u>\$ -</u>	<u>\$ 100,123</u>

Depreciation expense for the year was \$1,863.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE G--CAPITAL ASSETS (Continued)

Capital asset activity of the TIFA 2B for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 185,358	\$ -	\$ -	\$ 185,358
Subtotal	<u>185,358</u>	<u>-</u>	<u>-</u>	<u>185,358</u>
Capital Assets Being Depreciated				
Land Improvements	4,491	-	-	4,491
Buildings	747,614	-	-	747,614
Machinery and Equipment	<u>19,379</u>	<u>-</u>	<u>-</u>	<u>19,379</u>
Subtotal	<u>771,484</u>	<u>-</u>	<u>-</u>	<u>771,484</u>
Less Accumulated Depreciation for				
Land Improvements	4,491	-	-	4,491
Buildings	155,779	37,380	-	193,159
Machinery and Equipment	<u>4,845</u>	<u>4,845</u>	<u>-</u>	<u>9,690</u>
Subtotal	<u>165,115</u>	<u>42,225</u>	<u>-</u>	<u>207,340</u>
Net Capital Assets Being Depreciated	<u>606,369</u>	<u>(42,225)</u>	<u>-</u>	<u>564,144</u>
Total Capital Assets--Net of Depreciation	<u>\$ 791,727</u>	<u>\$ (42,225)</u>	<u>\$ -</u>	<u>\$ 749,502</u>

Depreciation expense for the year was \$42,225.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE G--CAPITAL ASSETS (Continued)

Capital asset activity of the Downtown Development Authority (DDA) for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 144,093	\$ -	\$ -	\$ 144,093
Land Improvements	<u>153,855</u>	<u>-</u>	<u>-</u>	<u>153,855</u>
Subtotal	<u>297,948</u>	<u>-</u>	<u>-</u>	<u>297,948</u>
Capital Assets Being Depreciated				
Land Improvements	1,492,977	-	-	1,492,977
Buildings	<u>155,708</u>	<u>-</u>	<u>-</u>	<u>155,708</u>
Subtotal	<u>1,648,685</u>	<u>-</u>	<u>-</u>	<u>1,648,685</u>
Less Accumulated Depreciation for				
Land Improvements	459,444	41,321	-	500,765
Buildings	<u>97,874</u>	<u>4,448</u>	<u>-</u>	<u>102,322</u>
Subtotal	<u>557,318</u>	<u>45,769</u>	<u>-</u>	<u>603,087</u>
Net Capital Assets Being Depreciated	<u>1,091,367</u>	<u>(45,769)</u>	<u>-</u>	<u>1,045,598</u>
Total Capital Assets--Net of Depreciation	<u>\$ 1,389,315</u>	<u>\$ (45,769)</u>	<u>\$ -</u>	<u>\$ 1,343,546</u>

Depreciation expense for the year was \$45,769.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE H--LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the City. City contractual agreements and installment purchase agreements are also general obligations of the City. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties that benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

<u>Governmental Activities</u>	<u>Balance 07/01/13</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance 06/30/14</u>	<u>Due Within One Year</u>
\$1,395,000, 2002 Series, General Obligation Limited Tax Bonds. Due in 19 annual installments at interest ranging between 4.50% through 5.10% for Tobias/Linn Drain Sewer System at large.	\$ 970,000	\$ -	\$ (75,000)	\$ 895,000	\$ 80,000
\$250,000, 2003 Series, Michigan Transportation Fund Bonds. Due in 14 annual installments at interest ranging between 3.00% through 4.35% for major street improvements.	135,000	-	(20,000)	115,000	20,000
\$983,236 2002 Special Assessment for Tobias/Linn Road project payable to Ingham County Drain Commission. Due in 20 annual decreasing installments at interest rate of 5.00%.	442,456	-	(49,162)	393,294	49,162
Vested Employee Benefits Payable	84,467	-	(995)	83,472	-
Total Governmental Activities	\$ 1,631,923	\$ -	\$ (145,157)	\$ 1,486,766	\$ 149,162

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE H--LONG-TERM DEBT (Continued)

<u>Business-Type Activities</u>	<u>Balance 07/01/13</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance 06/30/14</u>	<u>Due Within One Year</u>
\$850,000, 1996 Series, Revenue Bonds (Water and Sewer Improvements), due in annual installments at interest rates between 4% through 5.7%.	\$ 195,000	\$ -	\$ (60,000)	\$ 135,000	\$ 65,000
\$2,415,000, 2011 Series, General Obligation Unlimited Tax Refunding Bonds. Issued 2011 General Obligation Refunding Bonds leaving a balance of \$2,415,000 in 2011. Due in 13 biannual installments at an interest rate of 2.05%.	2,094,000	-	(354,000)	1,740,000	386,000
\$3,540,000, 2010 Series, Revenue Bonds (Sewage Disposal Improvements), payable in 40 years at an interest rate of 3%.	3,401,000	-	(47,000)	3,354,000	49,000
\$550,000, 2004 Series, Revenue Bonds (Water Supply System Improvements and Extensions), payable in 20 years at interest rates between 3.20% and 5.00%.	455,000	-	(15,000)	440,000	20,000
\$900,000, 2005 Series, Revenue Bonds (Water Supply System Improvements and Extensions), payable in 25 years at interest rates between 3.00% and 5.00%.	715,000	-	(30,000)	685,000	30,000
\$4,800,000, 2010 Series, Revenue Bonds (Water System Improvements), payable in 40 years at an interest rate of 3%.	4,610,000	-	(64,000)	4,546,000	66,000
Total Business-Type Activities	\$ 11,470,000	\$ -	\$ (570,000)	\$ 10,900,000	\$ 616,000

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE H--LONG-TERM DEBT (Continued)

<u>Component Unit Activities</u>	<u>Balance 07/01/13</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance 06/30/14</u>	<u>Due Within One Year</u>
<u>Downtown Development Authority (DDA)</u>					
\$1,375,000, 2011 Series, Limited Tax General Obligation Downtown Development Refunding Bonds. Due in 24 biannual installments at an interest rate of 2.74%.	\$ 1,280,000	\$ -	\$ (100,000)	\$ 1,180,000	\$ 100,000
\$425,000, 1994 Series, Limited Tax General Obligation Downtown Development Bonds. Issued 2004 DDA Refunding Bonds leaving a balance due of \$405,000 in 2004. Due in 20 annual installments at interest rates between 2.0% through 5.0%.	250,000	-	(25,000)	225,000	20,000
Total Downtown Development Authority	<u>\$ 1,530,000</u>	<u>\$ -</u>	<u>\$ (125,000)</u>	<u>\$ 1,405,000</u>	<u>\$ 120,000</u>
<u>Economic Development Coporation (EDC)</u>					
Mortgage payable \$490,000. To purchase a parcel of land and certain improvements to house some city offices, payable in monthly installments over a period of 15 years at an interest rate of 5.75%.	\$ 78,297	\$ -	\$ (62,380)	\$ 15,917	\$ 15,917
Total Economic Development Corporation	<u>\$ 78,297</u>	<u>\$ -</u>	<u>\$ (62,380)</u>	<u>\$ 15,917</u>	<u>\$ 15,917</u>
Total Component Unit Activities	<u>\$ 1,608,297</u>	<u>\$ -</u>	<u>\$ (187,380)</u>	<u>\$ 1,420,917</u>	<u>\$ 135,917</u>
Total Reporting Entity Activities	<u>\$ 14,710,220</u>	<u>\$ -</u>	<u>\$ (902,537)</u>	<u>\$ 13,807,683</u>	<u>\$ 901,079</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE H--LONG-TERM DEBT (Continued)

Annual Principal and Interest Requirements

The annual requirements to pay the principal and interest on the City's long-term debt obligations excluding vested employee benefits outstanding at June 30, 2014, are as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 149,162	\$ 68,551	\$ 217,713	\$ 616,000	\$ 330,642	\$ 946,642
2016	159,162	61,483	220,645	655,000	313,241	968,241
2017	174,162	53,724	227,886	630,000	294,708	924,708
2018	184,162	45,309	229,471	667,000	279,080	946,080
2019	194,162	33,332	227,494	185,000	267,920	452,920
2020-2024	542,484	45,302	587,786	1,054,000	1,236,525	2,290,525
2025-2029	-	-	-	1,099,000	1,047,738	2,146,738
2030-2034	-	-	-	1,261,000	817,245	2,078,245
2035-2039	-	-	-	1,162,000	642,690	1,804,690
2040-2044	-	-	-	1,364,000	453,450	1,817,450
2045-2049	-	-	-	1,600,000	231,690	1,831,690
2050-2051	-	-	-	607,000	22,020	629,020
Total	<u>\$ 1,403,294</u>	<u>\$ 307,701</u>	<u>\$ 1,710,995</u>	<u>\$ 10,900,000</u>	<u>\$ 5,936,949</u>	<u>\$ 16,836,949</u>

Fiscal Year	Component Unit Activities		
	Principal	Interest	Total
2015	\$ 135,917	\$ 41,243	\$ 177,160
2016	125,000	37,494	162,494
2017	130,000	33,688	163,688
2018	135,000	29,725	164,725
2019	135,000	25,675	160,675
2020-2024	760,000	61,219	821,219
Total	<u>\$ 1,420,917</u>	<u>\$ 229,044</u>	<u>\$ 1,649,961</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE H--LONG-TERM DEBT (Continued)

The debt service requirements to maturity for the City's debt obligations outstanding at June 30, 2014, are as follows:

Annual Debt Service Requirements--Governmental Activities

General Obligation Limited Tax Bonds, Series 2002

Date of Issue: March 1, 2002

Amount: \$1,395,000

Fiscal Year	Principal 1-May	Interest		Annual Total
		1-May	1-Nov	
2015	\$ 80,000	\$ 22,233	\$ 22,233	\$ 124,466
2016	90,000	20,333	20,333	130,666
2017	100,000	18,150	18,150	136,300
2018	110,000	15,700	15,700	141,400
2019	120,000	12,978	9,978	142,956
2020-2022	395,000	20,401	10,153	425,554
Total	\$ 895,000	\$ 109,795	\$ 96,547	\$ 1,101,342

2003 Act 175 Michigan Transportation Fund Bonds

Date of Issue: February 1, 2003

Amount: \$250,000

Fiscal Year	Principal 1-Aug	Interest		Annual Total
		1-Aug	1-Feb	
2015	\$ 20,000	\$ 2,410	\$ 2,010	\$ 24,420
2016	20,000	2,010	1,600	23,610
2017	25,000	1,600	1,075	27,675
2018	25,000	1,075	544	26,619
2019	25,000	544	-	25,544
Total	\$ 115,000	\$ 7,639	\$ 5,229	\$ 127,868

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE H--LONG-TERM DEBT (Continued)

2002 Tobias/Linn Road Special Assessment

Date of Issue: November 1, 2002

Amount: \$983,236

<u>Fiscal Year</u>	<u>Principal Nov</u>	<u>Interest Nov</u>	<u>Annual Total</u>
2015	\$ 49,162	\$ 19,665	\$ 68,827
2016	49,162	17,207	66,369
2017	49,162	14,749	63,911
2018	49,162	12,290	61,452
2019	49,162	9,832	58,994
2020-2022	<u>147,484</u>	<u>14,748</u>	<u>162,232</u>
Total	<u>\$ 393,294</u>	<u>\$ 88,491</u>	<u>\$ 481,785</u>

Annual Principal and Interest Requirements--Business-Type Funds

The enterprise funds' annual requirements to pay the principal and interest on the City's direct long-term debt obligations outstanding at June 30, 2014, are as follows:

Revenue Bonds Water/Sewer Improvements, Series 1996 (Sewer Fund)

Date of Issue: February 26, 1996

Amount: \$850,000

<u>Fiscal Year</u>	<u>Principal 1-Mar</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>1-Mar</u>	<u>1-Sep</u>	
2015	\$ 65,000	\$ 3,847	\$ 3,848	\$ 72,695
2016	<u>70,000</u>	<u>1,995</u>	<u>1,995</u>	<u>73,990</u>
Total	<u>\$ 135,000</u>	<u>\$ 5,842</u>	<u>\$ 5,843</u>	<u>\$ 146,685</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE H--LONG-TERM DEBT (Continued)

General Obligation Unlimited Tax Refunding Bonds, Series 2011

On September 28, 2011, the City issued \$2,415,000 in General Obligation Bonds with an interest rate of 2.05 percent to advance refund \$2,415,000 of outstanding 2001 Series bonds with interest rates ranging from 3 to 4.7%. The City refunded the 2001 Series bonds to reduce its total debt service payments over the next six years by \$188,463.

Date of Issue: September 28, 2011

Amount: \$2,415,000

Fiscal Year	Principal 1-Nov	Interest		Annual Total
		1-Nov	1-May	
2015	\$ 386,000	\$ 17,835	\$ 13,879	\$ 417,714
2016	417,000	13,879	9,604	440,483
2017	452,000	9,604	4,971	466,575
2018	485,000	4,971	-	489,971
Total	<u>\$ 1,740,000</u>	<u>\$ 46,289</u>	<u>\$ 28,454</u>	<u>\$ 1,814,743</u>

2004 Water Supply and Sewage Disposal System Revenue Bonds

Date of Issue: December 27, 2004

Amount: \$550,000

Fiscal Year	Principal 1-Mar	Interest		Annual Total
		1-Mar	1-Sep	
2015	\$ 20,000	\$ 10,409	\$ 10,409	\$ 40,818
2016	20,000	10,009	10,009	40,018
2017	20,000	9,599	9,599	39,198
2018	20,000	9,179	9,179	38,358
2019	20,000	8,748	8,748	37,496
2020-2024	130,000	35,787	35,787	201,574
2025-2029	-	26,250	26,250	52,500
2029-2030	210,000	5,250	5,250	220,500
Total	<u>\$ 440,000</u>	<u>\$ 115,231</u>	<u>\$ 115,231</u>	<u>\$ 670,462</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE H--LONG-TERM DEBT (Continued)

2005 Water Supply and Sewage Disposal System Revenue Bonds

Date of Issue: June 1, 2005

Amount: \$900,000

Fiscal Year	Principal 1-Mar	Interest		Annual Total
		1-Mar	1-Sep	
2015	\$ 30,000	\$ 15,815	\$ 15,815	\$ 61,630
2016	30,000	15,230	15,230	60,460
2017	35,000	14,630	14,630	64,260
2018	35,000	13,913	13,913	62,826
2019	35,000	13,177	13,177	61,354
2020-2024	205,000	53,463	53,463	311,926
2025-2029	255,000	27,069	27,069	309,138
2030	60,000	1,500	1,500	63,000
Total	<u>\$ 685,000</u>	<u>\$ 154,797</u>	<u>\$ 154,797</u>	<u>\$ 994,594</u>

2010 Sewage System Improvements Revenue Bonds

Date of Issue: June 1, 2011

Amount: \$3,540,000

Fiscal Year	Principal 1-Dec	Interest		Annual Total
		1-Dec	1-June	
2014	\$ 49,000	\$ 51,045	\$ 50,310	\$ 150,355
2015	50,000	50,310	49,560	149,870
2016	52,000	49,560	48,780	150,340
2017	54,000	48,780	47,970	150,750
2018	55,000	47,970	47,145	150,115
2019-2023	305,000	226,875	222,300	754,175
2024-2028	358,000	202,455	197,085	757,540
2029-2033	421,000	173,790	167,475	762,265
2034-2038	493,000	140,130	132,735	765,865
2039-2043	579,000	100,605	91,920	771,525
2044-2047	679,000	54,330	44,145	777,475
2048-2051	259,000	7,005	2,385	268,390
Total	<u>\$ 3,354,000</u>	<u>\$ 1,152,855</u>	<u>\$ 1,101,810</u>	<u>\$ 5,608,665</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE H--LONG-TERM DEBT (Continued)

2010 Water System Improvements Revenue Bonds

Date of Issue: June 1, 2011

Amount: \$4,800,000

Fiscal Year	Principal 1-Dec	Interest		Annual Total
		1-Dec	1-June	
2015	\$ 66,000	\$ 69,210	\$ 68,220	\$ 203,430
2016	68,000	68,220	67,200	203,420
2017	71,000	67,200	66,135	204,335
2018	73,000	66,135	65,040	204,175
2019	75,000	65,040	63,915	203,955
2020-2024	414,000	307,530	301,320	1,022,850
2025-2029	486,000	274,425	267,135	1,027,560
2030-2034	570,000	235,515	226,965	1,032,480
2035-2039	669,000	189,930	179,895	1,038,825
2040-2044	785,000	136,350	124,575	1,045,925
2045-2049	921,000	73,515	59,700	1,054,215
2050-2051	348,000	9,435	3,195	360,630
Total	<u>\$ 4,546,000</u>	<u>\$ 1,562,505</u>	<u>\$ 1,493,295</u>	<u>\$ 7,601,800</u>

Annual Debt Service Requirements--Component Units

The annual requirements to pay the principal and interest on the component units direct long-term debt obligations outstanding at June 30, 2014, are as follows:

2011 Downtown Development Refunding Bonds

On September 28, 2011, the City issued \$1,375,000 in General Obligation Bonds with an interest rate of 2.74 percent to advance refund \$1,375,000 of outstanding 1999 Series bonds with interest rates ranging from 3.4 to 4.95%. The City refunded the 1999 Series bonds to reduce its total debt service payments over the next 13 years by \$155,036.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE H--LONG-TERM DEBT (Continued)

Date of Issue: September 28, 2011

Amount: \$1,375,000

Fiscal Year	Principal 1-Nov	Interest		Annual Total
		1-May	1-Nov	
2015	\$ 100,000	\$ 14,796	\$ 16,166	\$ 130,962
2016	105,000	13,358	14,796	133,154
2017	110,000	11,850	13,358	135,208
2018	115,000	10,275	11,850	137,125
2019	115,000	8,700	10,275	133,975
2020-2024	<u>635,000</u>	<u>17,947</u>	<u>26,647</u>	<u>679,594</u>
Total	<u>\$ 1,180,000</u>	<u>\$ 76,926</u>	<u>\$ 93,092</u>	<u>\$ 1,350,018</u>

2004 Downtown Development Refunding Bonds

Date of Issue: February 18, 2004

Amount: \$405,000

Fiscal Year	Principal 1-Nov	Interest		Annual Total
		1-May	1-Nov	
2015	\$ 20,000	\$ 4,885	\$ 5,285	\$ 30,170
2016	20,000	4,455	4,885	29,340
2017	20,000	4,025	4,455	28,480
2018	20,000	3,575	4,025	27,600
2019	20,000	3,125	3,575	26,700
2020-2024	<u>125,000</u>	<u>6,750</u>	<u>9,875</u>	<u>141,625</u>
Total	<u>\$ 225,000</u>	<u>\$ 26,815</u>	<u>\$ 32,100</u>	<u>\$ 283,915</u>

On February 8, 2004, the City issued \$405,000 in Downtown Development Refunding Bonds, Series 2004, with an average interest rate of 3.755% to refund \$365,000 of outstanding 1994 Downtown Development Bonds, Series 1994, with an average interest rate of 6.772%. The net proceeds of \$384,429 (after the payment of \$20,751 in underwriting fees and related bond issuance costs), were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Series bonds. As a result, the 1994 bonds are considered to be defeased and the liability for those bonds has been removed from the component unit column of the Statement of Net Position. The City refunded the 1994 Series bonds to reduce its total debt service payments over the next 20 years by \$77,914 and resulted in an economic gain of \$51,649.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE H--LONG-TERM DEBT (Continued)

Economic Development Corporation (EDC)

Note Payable--Real Estate

Date of Issue: September 29, 2004

Amount: \$490,000

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Annual Total</u>
2015	\$ 15,917	\$ 111	\$ 16,028
Total	<u>\$ 15,917</u>	<u>\$ 111</u>	<u>\$ 16,028</u>

Effective for the fiscal year ended June 30, 2002, the Economic Development Corporation assumed a mortgage from the General Fund. On September 29, 2004, the City refinanced the old mortgage, which had a balance of \$487,791, on June 30, 2004. The new loan balance of \$490,000 is payable in 120 monthly installments beginning on October 29, 2004. The interest rate on this loan is 5.95% for the first five years. Thereafter, the fixed rate is the greater of: (a) 5.95%; or (b) two percentage points over the rate on five year U.S. Treasury obligation existing on the fifth anniversary of the date of the note.

NOTE I--COMPENSATED ABSENCES

Vested Employee Benefits Payable

The City has an accrued liability for accumulated vested vacation and sick leave benefits payable for its employees. As of June 30, 2014, the accumulated vested vacation and sick leave benefits of the City's employees were as follows:

	<u>Sick/Personnel Leave</u>	<u>Vacation Leave</u>	<u>Total</u>
General Government	\$ 3,898	\$ 23,186	\$ 27,084
Public Safety	6,850	17,877	24,727
Public Works--General Fund	<u>12,529</u>	<u>19,132</u>	<u>31,661</u>
Total	<u>\$ 23,277</u>	<u>\$ 60,195</u>	<u>\$ 83,472</u>

These amounts are reported in the Statement of Net Position as a noncurrent liability in the governmental activities (General Government, Public Safety, and Public Works).

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE I--COMPENSATED ABSENCES (Continued)

City employees are entitled to certain vacation and sick pay benefits that accrue and vest under the terms of the City's labor agreements and personnel policy.

Vacation leave is earned in varying amounts ranging from 1 to 5 five weeks depending on the number of years of service provided by the employee and is available on the employee's anniversary date. With supervisory approval, employees may carry over a maximum of one week to the subsequent period.

Sick leave is earned by all City employees at the rate of 12 days annually with each day being made available as of the last day of the month. A maximum of 24 days may be accrued. Upon retirement, employees are paid one-half of their accumulated unused sick leave.

NOTE J--EMPLOYEES' RETIREMENT SYSTEM

PRIMARY GOVERNMENT

Description of Plan and Plan Assets

The City is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement for general employees is computed using credited service at the time of termination of membership multiplied by the sum of 2% times the final average compensation (FAC). The service requirement for nonunion employees is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% of (FAC), with a maximum benefit of 80% of FAC. The service requirement for police and non-union classified employees is computed using credited service at the time of termination of membership multiplied by the sum of 2.5% of (FAC), with a maximum benefit of 80% of FAC. The most recent period for which actuarial data was available was for the calendar year ended December 31, 2013.

MERS was established in 1946 under Public Act 135 of 1945, and granted independence from the State of Michigan pursuant to Public Act 220 of 1996, effective August 15, 1996. MERS is administered under the provisions of Public Act 427 of 1984, as amended. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE J--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Funding Policy

General employees contribute 4.75%, police contribute 8.00%, nonunion employees contribute 7.00% and nonunion classified employees contribute 9.90% of their annual compensation, respectively. The City's pension contributions of covered payroll for the period ending December 31, 2013, were 8.59% for general employees, 6.06% for nonunion employees, \$25,812 for the closed general employees division, \$49,044 for police, \$32,388 for the closed nonunion employees, and \$18,348 annually for nonunion classified employees, respectively.

If a member leaves the employment of the municipality or dies, without a retirement allowance or other benefit payable on his/her account, the member's accumulated contributions plus interest (at a rate determined by MERS, currently 1.5%) are refunded with spousal consent, to the member, if living, or to the member's surviving spouse, if any, or to a named beneficiary.

Annual Pension Cost

During the calendar year ended December 31, 2013, the City's contributions totaled \$121,382 and the employee contributions totaled \$45,084; these contributions were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2011, and personnel agreement. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his/her projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information

<u>Year Ended 12/31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 124,313	100%	\$0
2012	100,193	100%	\$0
2013	121,382	100%	\$0

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE J--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Unfunded) AAL (UAAL) (1)-(2)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/2013	\$ 3,156,761	\$ 4,342,040	\$ (1,185,279)	73%	\$ 804,404	147%

The schedule of funding progress immediately following the notes to the financial statements presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

MERS Hybrid Plan

For nonunion employees hired after June 30, 2013, and union employees under the AFSCME/AFL-CIO agreement hired after November 1, 2012, employees are eligible to participate in the MERS Pension System under the MERS Plan Document and will be covered by the MERS Hybrid Defined Benefit Plan (Plan). The Plan will consist of a Defined Benefit component with a 1.5% multiplier and a Defined Contribution component. The City and Employee will contribute to the Defined Contribution component of the Plan, with the Employee contributing a minimum 4.75% contribution to the Defined Contribution component of the Plan, and will be allowed to make additional contributions as allowed under the Plan, MERS regulations, and any applicable laws. The City will match the Employee's contribution in an amount up to seven percent (7%) of the employee's payroll less the cost to the City of the Defined Benefit component of the Plan, with the City's maximum combined Defined Contribution and Defined Benefit contribution being a total of seven percent (7%). Employees will be 100% vested for Employer contributions to the Defined Contribution component of the Plan after five (5) years of service. Full-time employees hired before adoption of the Plan may convert to the Hybrid Plan at their option in accordance with the terms of the Plan and MERS Uniform Hybrid Program Resolution as adopted by the City Council. The Employer shall be responsible to pay 100% of the cost of the Defined Benefit Plan regardless of the amount of cost.

Defined Contribution Pension Plan

Employees hired after June 30, 2005 under the Fraternal Order of the Police receive a defined contribution retirement plan administered by MERS with the City contributing 8% of the employee's annual wages and the employee contributing at least 8% of the employee's annual wages. Vesting shall be 25% after 4 years, 50% after 6 years, 75% after 8 years, and 100% after 10 years.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE J--EMPLOYEES' RETIREMENT SYSTEM (Continued)

The Chief of Police and City Engineer/Director of Public Works also participate in a defined contribution retirement plan. The City contributes \$22,000 and \$10,000, respectively, annually with an immediate vesting schedule. In the event that either employee participates in the City's health, dental, or vision plans, the amount shall be decreased to reflect an offset dollar for dollar amount of the employer's cost for the health, dental, or vision plans. During the fiscal year, the City contributed \$36,116 and employees contributed \$7,837 to the plan.

NOTE K--OTHER POST-EMPLOYMENT BENEFITS

Plan Description

In addition to the pension benefits described in Note J, the City administers a single-employer defined benefit healthcare plan. The City provides post-employment healthcare insurance benefits to certain retired union and administrative employees through the City group health insurance plan which covers both active and retired members. Benefit provisions are established through negotiations between the City and the union in accordance with the labor contract and personnel policy which is negotiated every three-year bargaining period.

Funding Policy

The City provides post-employment health benefits, in accordance with the collective bargaining agreement with the Fraternal Order of Police. According to the agreement, employees hired before July 1, 2005, who retire during the period of this agreement and who are immediately eligible for retirement benefits shall be provided single subscriber health and hospitalization coverage as provided to active employees under this agreement. Single subscriber health and hospitalization coverage for employees hired before July 1, 2005, will continue until the retiree is eligible of Medicaid/Medicare coverage. Spousal coverage will be available under the same plan provided to the retiree with the retiree paying any cost to the employer. For employees hired after June 30, 2005, the employer will contribute \$750 per year into a Health Reimbursement Account which the employee will have full access to upon retirement from the City.

For the administrative employees and those covered by the AFL-CIO collective bargaining agreement, employees who retire under the auspices of the Municipal Employees' Retirement System (MERS) and are immediately eligible for retirement benefits, will be carried under the full group health plan. The coverage is limited to the employee only. However, the employee at their expense may continue to carry their spouse under the group health insurance policy offered City employees, provided they pay the difference in premium costs. Upon a retiree becoming eligible for Medicare coverage, said retiree shall apply for and be covered under Medicare. The City will make available to the retiree a Blue Cross/Blue Shield supplement policy to Medicare. The retiree shall bear the full cost of said Blue Cross/Blue Shield policy.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE K--OTHER POST-EMPLOYMENT BENEFITS (Continued)

Currently, three (3) retirees met those eligibility requirements. Expenditures for post-employment health care benefits are recognized when insurance premiums are paid. Premiums paid by the City in 2014 totaled \$6,321.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC 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.

Funding Status and Funding Progress

For the year ended June 30, 2014, the City has estimated the cost of providing retiree healthcare benefits using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The alternative measurement method computes an annual required contribution. The computed required contribution and actual funding are summarized as follows:

Annual Required Contribution	\$ 75,060
Interest on Beginning of Year Net OPEB Obligation (5.5%)	<u>8,931</u>
Annual OPEB Cost	83,991
Amounts Contributed	
Payments of Current Premiums	<u>(6,321)</u>
Increase in Net OPEB Obligation	77,670
Net OPEB Obligation--Beginning of Year	<u>162,376</u>
Net OPEB Obligation--End of Year	<u><u>\$ 240,046</u></u>

The above schedule of employer contributions presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 43.

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014 were as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Annual OPEB Costs	\$ 39,485	\$ 38,816	\$ 83,991
Percentage Contributed	51%	40%	8%
Net OPEB Obligation	\$ 131,848	\$ 162,376	\$ 240,046

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE K--OTHER POST-EMPLOYMENT BENEFITS (Continued)

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 trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Unfunded) AAL (UAAL) (1)-(2)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a Percent of Covered Payroll
2014	\$ -	\$ 2,251,814	\$ (2,251,814)	0%	\$ 729,063	309%

The schedule of funding progress immediately following the notes to the financial statements presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. This is the first year of implementation for GASB Statement No. 45, so only one year is presented because only one alternative measurement method actuarial valuation is available. The City expects to prepare an alternative measurement method actuarial valuation every year.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of the 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.

The following actuarial assumptions were used in the development of the City's retiree health cost projections.

1. Actuarial Cost Method: Alternate Method as provided under GASB Statement No. 45 for plans with fewer than 100 employees
2. Interest Discount Rate: 5.50% compounded annually
3. Mortality Prior to Retirement: None
4. Turnover Prior to Retirement: Based on GASB Statement No. 43 Table 2 - Expected Future Working Lifetimes of Employees, by Age - Default Values
5. Post-Retirement Interest Rate: 5.5%
6. Post-Retirement Mortality: Based on life expectancy of age 77 for males and 81 for females

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE L--RISK MANAGEMENT/SELF-INSURANCE PROGRAMS

PRIMARY GOVERNMENT

The City and its component units are exposed to various risks of loss related to theft of, damage to, and distribution of assets, error and omissions, and injuries to employees. The City participates in the Michigan Municipal Liability and Property Pool (Pool) for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, building and contents) and workers' compensation. Settlement amounts have not exceeded insurance coverage for the current or three prior years.

Local units in the State of Michigan established and created a trust fund, known as the Michigan Municipal Liability and Property Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to member financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to local units and related local unit activities within the State.

The Michigan Municipal Liability and Property Pool program operates as a common risk-sharing management program for local units in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE M--CONSTRUCTION CODE FEES

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since March 1, 2007, is as follows:

(Deficit) at July 1, 2013	\$ (31,804)
Current year construction permit revenue	23,592
Related expenses - Direct costs	(54,279)
Related expenses - Indirect costs	<u>(5,428)</u>
Current year shortfall	<u>(36,115)</u>
Cumulative (deficit) at June 30, 2014	<u><u>\$ (67,919)</u></u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE N--UPCOMING REPORTING CHANGE

In June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued by the Governmental Accounting Standards Board. This new standard, which replaces the requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, establishes standards for financial reporting that outline the basic framework for separately-issued pension plan financial reports and specifies the required approach to measuring the liability of employer(s) and certain non-employer contributing entities, about which information is required to be disclosed. GASB Statement No. 67 is required to be adopted for years beginning after June 15, 2013. For the City, this standard will be adopted for the 2014-2015 fiscal year.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplementary 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 financial statements for the 2015-2016 fiscal year.

CITY OF WILLIAMSTON

REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2014

EMPLOYEES' RETIREMENT SYSTEM

Required Supplementary Information—Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/2011	\$ 2,941,052	\$ 4,133,070	\$ 1,192,018	71%	\$ 750,515	159%
12/31/2012	3,082,079	4,533,842	1,451,763	68%	757,014	192%
12/31/2013	3,156,761	4,342,040	1,185,279	73%	804,404	147%

OTHER POST-EMPLOYMENT BENEFITS

Required Supplementary Information—Schedule of Funding Progress

The funded status of the plan as of the most recent alternative measurement method date June 30, 2014 is presented in the Schedule of Funding Progress as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percent of Covered Payroll</u>
06/30/12	\$ -	\$ 985,764	\$ 985,764	0%	\$ 697,359	141%
06/30/13	-	1,164,485	1,164,485	0%	682,397	171%
06/30/14	-	2,251,814	2,251,814	0%	729,063	309%

**CITY OF WILLIAMSTON
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2014**

EXHIBIT K

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Revenues				
Property Taxes	\$ 1,419,900	\$ 1,419,900	\$ 1,424,640	\$ 4,740
Licenses and Permits	50,000	50,000	48,465	(1,535)
Federal Grants	99,000	99,000	-	(99,000)
State Grants	327,000	327,000	328,072	1,072
Charges for Services	11,000	11,000	9,006	(1,994)
Fines and Forfeitures	5,500	5,500	8,266	2,766
Interest and Rentals	166,000	166,000	209,890	43,890
Other Revenue	240,500	240,500	266,084	25,584
Total Revenues	2,318,900	2,318,900	2,294,423	(24,477)
Expenditures				
Current				
General Government	914,825	895,825	889,253	6,572
Public Safety	668,625	653,625	636,464	17,161
Public Works	402,900	437,900	430,067	7,833
Community and Economic Development	83,625	83,625	70,493	13,132
Recreation and Culture	104,500	104,500	68,560	35,940
Capital Outlay	146,355	146,355	68,525	77,830
Total Expenditures	2,320,830	2,321,830	2,163,362	158,468
Excess of Revenues Over (Under) Expenditures	(1,930)	(2,930)	131,061	133,991
Other Financing Sources (Uses)				
Interfund Transfers (Out)	(193,000)	(193,000)	(193,000)	-
Total Other Financing Sources (Uses)	(193,000)	(193,000)	(193,000)	-
Net Change in Fund Balance	(194,930)	(195,930)	(61,939)	133,991
Fund Balance--July 1, 2013	1,188,454	1,188,454	1,188,454	-
Fund Balance--June 30, 2014	\$ 993,524	\$ 992,524	\$ 1,126,515	\$ 133,991

The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET--MAJOR SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2014**

EXHIBIT L

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Revenues				
State Grants				
MTF Distributions	\$ 166,875	\$ 166,875	\$ 187,568	\$ 20,693
Metro Act	10,000	10,000	10,991	991
Economic Development "A" Grant	-	-	379,000	379,000
Other State Grants	-	-	7,326	7,326
Interest and Rentals	-	-	1	1
Other Revenue	1,500	1,500	222	(1,278)
Total Revenues	178,375	178,375	585,108	406,733
Expenditures				
Public Works				
Preservation/Structural Improvements	567,300	567,300	552,670	14,630
Nonmotorized Transportation	15,000	7,500	3,374	4,126
Surface Maintenance	60,200	60,200	46,364	13,836
Sweeping/Flushing	8,500	8,500	6,113	2,387
Bridge Maintenance	6,000	5,000	3,111	1,889
Traffic Control	10,250	8,750	4,051	4,699
Winter Maintenance	45,750	55,750	46,868	8,882
Administration	8,200	8,200	7,932	268
Total Expenditures	721,200	721,200	670,483	50,717
Excess of Revenues Over (Under) Expenditures	(542,825)	(542,825)	(85,375)	457,450
Fund Balance--July 1, 2013	257,925	257,925	257,925	-
Fund Balance--June 30, 2014	<u>\$ (284,900)</u>	<u>\$ (284,900)</u>	<u>\$ 172,550</u>	<u>\$ 457,450</u>

The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET--MAJOR SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2014**

EXHIBIT M

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Revenues				
State Grants				
MTF Distributions	\$ 59,930	\$ 59,930	\$ 58,903	\$ (1,027)
Other State Grants	-	-	7,326	7,326
Interest and Rentals	-	-	60	60
Other Revenues	250	250	46	(204)
Total Revenues	60,180	60,180	66,335	6,155
Expenditures				
Public Works				
Nonmotorized Transportation	8,500	5,000	1,847	3,153
Surface Maintenance	50,500	50,500	41,092	9,408
Sweeping/Flushing	3,600	3,600	2,024	1,576
Bridge Maintenance	3,625	3,625	1,887	1,738
Traffic Control	2,950	2,950	1,002	1,948
Winter Maintenance	28,250	44,250	45,341	(1,091)
Administration	7,350	7,350	7,203	147
Total Expenditures	104,775	117,275	100,396	16,879
Excess of Revenues Over (Under) Expenditures	(44,595)	(57,095)	(34,061)	23,034
Other Financing Sources (Uses)				
Interfund Transfers In	193,000	193,000	193,000	-
Interfund Transfers (Out)	(148,735)	(148,735)	(148,735)	-
Total Other Financing Sources (Uses)	44,265	44,265	44,265	-
Net Change in Fund Balance	(330)	(12,830)	10,204	23,034
Fund Balance--July 1, 2013	8,386	8,386	8,386	-
Fund Balance--June 30, 2014	<u>\$ 8,056</u>	<u>\$ (4,444)</u>	<u>\$ 18,590</u>	<u>\$ 23,034</u>

The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2014**

EXHIBIT N

	DEBT SERVICE FUNDS		
	2003 Act 175 Bond Debt	2003 Act 342 Bond Debt	Total
<u>ASSETS</u>			
Cash	\$ -	\$ 99,543	\$ 99,543
Due From Other Funds--Primary Government	9	-	9
Total Assets	<u>\$ 9</u>	<u>\$ 99,543</u>	<u>\$ 99,552</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Due to Other Funds--Primary Government	\$ -	\$ 99,251	\$ 99,251
Total Liabilities	<u>\$ -</u>	<u>\$ 99,251</u>	<u>\$ 99,251</u>
Fund Balances			
Restricted for Debt Service	9	292	301
Total Fund Balances	<u>9</u>	<u>292</u>	<u>301</u>
Total Liabilities and Fund Balances	<u>\$ 9</u>	<u>\$ 99,543</u>	<u>\$ 99,552</u>

**CITY OF WILLIAMSTON
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2014**

EXHIBIT O

	DEBT SERVICE FUNDS		
	2003 Act 175 Bond Debt	2003 Act 342 Bond Debt	Total
Total Revenues	\$ -	\$ -	\$ -
Expenditures			
Current			
Principal	20,000	75,000	95,000
Interest and Fees	5,505	48,228	53,733
Total Expenditures	25,505	123,228	148,733
Excess of Revenue Over (Under)			
Expenditures	(25,505)	(123,228)	(148,733)
Other Financing Sources (Uses)			
Interfund Transfers In (Primary Government)	25,505	123,230	148,735
Total Other Financing Sources (Uses)	25,505	123,230	148,735
Net Change in Fund Balances	-	2	2
Fund Balance--July 1, 2013	9	290	299
Fund Balance--June 30, 2014	<u>\$ 9</u>	<u>\$ 292</u>	<u>\$ 301</u>

**CITY OF WILLIAMSTON
SCHEDULE OF REVENUES
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended June 30, 2014**

EXHIBIT P

	BUDGETED AMOUNTS			Variance With Amended Budget Positive (Negative)
	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	
Property Taxes				
Current Property Taxes	\$ 1,348,900	\$ 1,348,900	\$ 1,349,849	\$ 949
Mobile Home Tax	500	500	896	396
Penalties and Interest on Taxes	11,000	11,000	10,771	(229)
Property Tax Administration Fees	59,500	59,500	63,124	3,624
Total Property Taxes	1,419,900	1,419,900	1,424,640	4,740
Licenses and Permits				
Cable Franchise Fee	23,000	23,000	22,829	(171)
Building Permits	25,000	25,000	23,592	(1,408)
Zoning Permits	1,000	1,000	1,030	30
Other Licenses and Permits	1,000	1,000	1,014	14
Total Licenses and Permits	50,000	50,000	48,465	(1,535)
Federal Grants				
Congestion Mitigation and Air Quality	99,000	99,000	-	(99,000)
Total Federal Grants	99,000	99,000	-	(99,000)
State Grants				
Liquor Licenses	3,500	3,500	3,543	43
Act 302 Officer Training	1,000	1,000	-	(1,000)
State Shared Revenue	322,500	322,500	324,529	2,029
Total State Grants	327,000	327,000	328,072	1,072
Charges for Services				
General Sales	500	500	836	336
Garbage Bag Sales	4,000	4,000	3,393	(607)
Police Reports and Service Fees	6,500	6,500	4,526	(1,974)
Miscellaneous	-	-	251	251
Total Charges for Services	11,000	11,000	9,006	(1,994)
Fines and Forfeitures				
Parking Fines and Civil Infractions	5,500	5,500	8,266	2,766
Total Fines and Forfeitures	5,500	5,500	8,266	2,766
Interest and Rentals				
Interest Earned	-	-	462	462
Building Rental	6,000	6,000	5,500	(500)
Equipment Rental	160,000	160,000	203,928	43,928
Total Interest and Rentals	166,000	166,000	209,890	43,890
Other Revenue				
Sale of Capital Assets	10,000	10,000	10,655	655
Donations	9,000	9,000	15,013	6,013
Administrative Reimbursements	197,000	197,000	185,500	(11,500)
Refunds and Reimbursements	24,500	24,500	54,916	30,416
Total Other Revenue	240,500	240,500	266,084	25,584
Total Revenues	\$ 2,318,900	\$ 2,318,900	\$ 2,294,423	\$ (24,477)

**CITY OF WILLIAMSTON
SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended June 30, 2014**

EXHIBIT Q

	BUDGETED AMOUNTS			Variance With Amended Budget Positive (Negative)
	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	
General Government				
City Council	\$ 28,175	\$ 28,175	\$ 27,152	\$ 1,023
City Manager	133,650	136,650	134,027	2,623
Clerk	91,350	93,850	92,216	1,634
Treasurer	202,250	177,250	171,433	5,817
Assessor	58,450	51,450	50,502	948
Elections	6,700	6,700	5,500	1,200
Buildings and Grounds	303,750	311,250	321,614	(10,364)
Attorney	58,500	58,500	55,594	2,906
Cemetery Board	15,000	15,000	15,000	-
Wheatfield Township 425 Revenue Sharing	17,000	17,000	16,215	785
Total General Government	914,825	895,825	889,253	6,572
Public Safety				
Police	609,625	594,625	582,185	12,440
Building Department	58,500	58,500	54,279	4,221
Ingham County Hazmat Team	500	500	-	500
Total Public Safety	668,625	653,625	636,464	17,161
Public Works				
Department of Public Works	75,700	100,700	97,964	2,736
Equipment Maintenance	118,000	118,000	121,392	(3,392)
Street Lighting	71,500	71,500	68,997	2,503
City Tree Service	60,700	70,700	65,344	5,356
Tobias Drain Assessment	77,000	77,000	76,370	630
Total Public Works	402,900	437,900	430,067	7,833
Community and Economic Development				
Planning Commission	47,575	47,575	40,553	7,022
Community and Economic Development Administration	36,050	36,050	29,940	6,110
Total Community and Economic Development	83,625	83,625	70,493	13,132
Recreation and Culture				
Parks and Recreation	104,500	104,500	68,560	35,940
Total Recreation and Culture	104,500	104,500	68,560	35,940
Capital Outlay				
New Equipment	146,355	146,355	68,525	77,830
Total Capital Outlay	146,355	146,355	68,525	77,830
Other Financing Uses				
Local Street Fund	193,000	193,000	193,000	-
Total Other Financing Uses	193,000	193,000	193,000	-
Total Expenditures and Other Financing Uses	\$ 2,513,830	\$ 2,514,830	\$ 2,356,362	\$ 158,468

**CITY OF WILLIAMSTON
GOVERNMENTAL FUND BALANCE SHEET
STATEMENT OF NET POSITION
ECONOMIC DEVELOPMENT CORPORATION
June 30, 2014**

EXHIBIT R

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Position
<u>ASSETS</u>			
Current Assets			
Cash	\$ 20,254	\$ -	\$ 20,254
Investments	10,063	-	10,063
Total Current Assets	<u>30,317</u>	<u>-</u>	<u>30,317</u>
Noncurrent Assets			
Capital Assets--Depreciating	-	568,613	568,613
Total Noncurrent Assets	<u>-</u>	<u>568,613</u>	<u>568,613</u>
Total Assets	<u>\$ 30,317</u>	<u>568,613</u>	<u>598,930</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 250	-	250
Due to Other Funds--Primary Government	6,497	-	6,497
Non-Current Liabilities			
Notes Payable			
Due Within One Year	-	15,917	15,917
Total Liabilities	<u>6,747</u>	<u>15,917</u>	<u>22,664</u>
<u>FUND BALANCE/NET POSITION</u>			
Fund Balance--Restricted	<u>23,570</u>	<u>(23,570)</u>	<u>-</u>
Total Fund Equities	<u>23,570</u>	<u>(23,570)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 30,317</u>		
Net Position			
Net Investment in Capital Assets		552,696	552,696
Restricted for Economic Development Programs		23,570	23,570
Total Net Position		<u>\$ 576,266</u>	<u>\$ 576,266</u>

**CITY OF WILLIAMSTON
STATEMENT OF GOVERNMENTAL FUND REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
STATEMENT OF ACTIVITIES
ECONOMIC DEVELOPMENT CORPORATION
For the Fiscal Year Ended June 30, 2014**

EXHIBIT S

	<u>Modified Accrual Basis</u>	<u>Full Accrual Adjustments</u>	<u>Statement of Net Activities</u>
Revenue			
Interest and Rents	\$ 67,888	\$ -	\$ 67,888
Other Revenue	<u>20,500</u>	<u>-</u>	<u>20,500</u>
Total Revenue	<u>88,388</u>	<u>-</u>	<u>88,388</u>
Expenditures			
Community and Economic Development	4,203	30,275	34,478
Debt Service			
Principal	62,380	(62,380)	-
Interest	<u>2,961</u>	<u>-</u>	<u>2,961</u>
Total Expenditures	<u>69,544</u>	<u>(32,105)</u>	<u>37,439</u>
Excess of Revenue Over (Under) Expenditures/Change in Net Position	<u>18,844</u>	<u>32,105</u>	<u>50,949</u>
Fund Balance/Net Position--Beginning of Year	<u>4,726</u>	<u>520,591</u>	<u>525,317</u>
Fund Balance/Net Position--End of Year	<u>\$ 23,570</u>	<u>\$ 552,696</u>	<u>\$ 576,266</u>

**CITY OF WILLIAMSTON
GOVERNMENTAL FUND BALANCE SHEET
STATEMENT OF NET POSITION
TAX INCREMENT FINANCE AUTHORITY 2A
June 30, 2014**

EXHIBIT T

	<u>Modified Accrual Basis</u>	<u>Full Accrual Adjustments</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Current Assets			
Cash	\$ 36,538	\$ -	\$ 36,538
Due From Other Funds--Primary Government	79	-	79
Total Current Assets	<u>36,617</u>	<u>-</u>	<u>36,617</u>
Noncurrent Assets			
Capital Assets--Nondepreciating	-	62,871	62,871
Capital Assets--Depreciating	-	37,252	37,252
Total Noncurrent Assets	<u>-</u>	<u>100,123</u>	<u>100,123</u>
Total Assets	<u>\$ 36,617</u>	<u>100,123</u>	<u>136,740</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 125	-	125
Total Liabilities	<u>125</u>	<u>-</u>	<u>125</u>
<u>FUND BALANCE/NET POSITION</u>			
Fund Balance--Restricted	<u>36,492</u>	<u>(36,492)</u>	<u>-</u>
Total Fund Equities	<u>36,492</u>	<u>(36,492)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 36,617</u>		
Net Position			
Net Investment in Capital Assets		100,123	100,123
Restricted for Tax Increment Finance Plans		<u>36,492</u>	<u>36,492</u>
Total Net Position		<u>\$ 136,615</u>	<u>\$ 136,615</u>

**CITY OF WILLIAMSTON
STATEMENT OF GOVERNMENTAL FUND REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
STATEMENT OF ACTIVITIES
TAX INCREMENT FINANCE AUTHORITY 2A
For the Fiscal Year Ended June 30, 2014**

EXHIBIT U

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Activities
Revenue			
Property Taxes	\$ 25,233	\$ -	\$ 25,233
Interest and Rents	38	-	38
Total Revenue	<u>25,271</u>	<u>-</u>	<u>25,271</u>
Expenditures			
Community and Economic Development	14,803	1,863	16,666
Total Expenditures	<u>14,803</u>	<u>1,863</u>	<u>16,666</u>
Excess of Revenue Over (Under) Expenditures/Change in Net Position	<u>10,468</u>	<u>(1,863)</u>	<u>8,605</u>
Fund Balance/Net Position--Beginning of Year	<u>26,024</u>	<u>101,986</u>	<u>128,010</u>
Fund Balance/Net Position--End of Year	<u>\$ 36,492</u>	<u>\$ 100,123</u>	<u>\$ 136,615</u>

**CITY OF WILLIAMSTON
GOVERNMENTAL FUND BALANCE SHEET
STATEMENT OF NET POSITION
TAX INCREMENT FINANCE AUTHORITY 2B
June 30, 2014**

EXHIBIT V

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Position
<u>ASSETS</u>			
Current Assets			
Cash	\$ 601,166	\$ -	\$ 601,166
Investments	57,625	-	57,625
Due From Other Funds--Primary Government	2,177	-	2,177
Total Current Assets	<u>660,968</u>	<u>-</u>	<u>660,968</u>
Noncurrent Assets			
Capital Assets--Nondepreciating		185,358	185,358
Capital Assets--Depreciating	-	564,144	564,144
Total Noncurrent Assets	<u>-</u>	<u>749,502</u>	<u>749,502</u>
Total Assets	<u>\$ 660,968</u>	<u>749,502</u>	<u>1,410,470</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 379	-	379
Due to Other Funds--Primary Government	669	-	669
Total Liabilities	<u>1,048</u>	<u>-</u>	<u>1,048</u>
<u>FUND BALANCE/NET POSITION</u>			
Fund Balances--Restricted	<u>659,920</u>	<u>(659,920)</u>	<u>-</u>
Total Fund Equities	<u>659,920</u>	<u>(659,920)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 660,968</u>		
Net Position			
Net Investment in Capital Assets		749,502	749,502
Restricted for Tax Increment Finance Plans		659,920	659,920
Total Net Position		<u>\$ 1,409,422</u>	<u>\$ 1,409,422</u>

**CITY OF WILLIAMSTON
STATEMENT OF GOVERNMENTAL FUND REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
STATEMENT OF ACTIVITIES
TAX INCREMENT FINANCE AUTHORITY 2B
For the Fiscal Year Ended June 30, 2014**

EXHIBIT W

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Activities
Revenue			
Property Taxes	\$ 258,193	\$ -	\$ 258,193
Interest and Rents	979	-	979
	<hr/>	<hr/>	<hr/>
Total Revenue	259,172	-	259,172
	<hr/>	<hr/>	<hr/>
Expenditures			
Community and Economic Development	58,459	42,225	100,684
	<hr/>	<hr/>	<hr/>
Total Expenditures	58,459	42,225	100,684
	<hr/>	<hr/>	<hr/>
Excess of Revenue Over (Under) Expenditures/Change in Net Position	200,713	(42,225)	158,488
	<hr/>	<hr/>	<hr/>
Fund Balance/Net Position--Beginning of Year	459,207	791,727	1,250,934
	<hr/>	<hr/>	<hr/>
Fund Balance/Net Position--End of Year	<u>\$ 659,920</u>	<u>\$ 749,502</u>	<u>\$ 1,409,422</u>

**CITY OF WILLIAMSTON
GOVERNMENTAL FUND BALANCE SHEET
STATEMENT OF NET POSITION
DOWNTOWN DEVELOPMENT AUTHORITY
June 30, 2014**

EXHIBIT X

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Position
<u>ASSETS</u>			
Current Assets			
Cash	\$ 12,531	\$ -	\$ 12,531
Investments	44,822	-	44,822
Due From Other Funds--Primary Government	2,302	-	2,302
Total Current Assets	<u>59,655</u>	<u>-</u>	<u>59,655</u>
Noncurrent Assets			
Restricted Cash	7,012	-	7,012
Capital Assets--Nondepreciating	-	297,948	297,948
Capital Assets--Depreciating	-	1,045,598	1,045,598
Total Noncurrent Assets	<u>7,012</u>	<u>1,343,546</u>	<u>1,350,558</u>
Total Assets	<u>\$ 66,667</u>	<u>1,343,546</u>	<u>1,410,213</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	\$ 314	-	314
Due to Other Funds--Primary Government	29,804	-	29,804
Accrued Liabilities	963	-	963
Total Current Liabilities	<u>31,081</u>	<u>-</u>	<u>31,081</u>
Non-Current Liabilities			
Bonds Payable--Due Within One Year	-	120,000	120,000
Bonds Payable--Due in More Than One Year	-	1,285,000	1,285,000
Total Noncurrent Liabilities	<u>-</u>	<u>1,405,000</u>	<u>1,405,000</u>
Total Liabilities	<u>31,081</u>	<u>1,405,000</u>	<u>1,436,081</u>
<u>FUND BALANCE/NET POSITION</u>			
Fund Balance--Restricted	<u>35,586</u>	<u>(35,586)</u>	<u>-</u>
Total Fund Equities	<u>35,586</u>	<u>(35,586)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 66,667</u>		
Net Position			
Net Investment in Capital Assets		(61,454)	(61,454)
Restricted for Downtown Development Activities		<u>35,586</u>	<u>35,586</u>
Total Net Position		<u>\$ (25,868)</u>	<u>\$ (25,868)</u>

CITY OF WILLIAMSTON
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
DOWNTOWN DEVELOPMENT AUTHORITY
For the Fiscal Year Ended June 30, 2014

EXHIBIT Y

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Activities
Revenue			
Property Taxes	\$ 389,738	\$ -	\$ 389,738
Charges for Services	3,658	-	3,658
Interest and Rents	53	-	53
Total Revenue	<u>393,449</u>	<u>-</u>	<u>393,449</u>
Expenditures			
Community and Economic Development	205,555	45,769	251,324
Debt Service			
Principal	125,000	(125,000)	-
Interest	44,772	-	44,772
Total Expenditures	<u>375,327</u>	<u>(79,231)</u>	<u>296,096</u>
Excess of Revenue Over (Under) Expenditures/Change in Net Position	<u>18,122</u>	<u>79,231</u>	<u>97,353</u>
Fund Balance/Net Position--Beginning of Year	<u>17,464</u>	<u>(140,685)</u>	<u>(123,221)</u>
Fund Balance/Net Position--End of Year	<u><u>\$ 35,586</u></u>	<u><u>\$ (61,454)</u></u>	<u><u>\$ (25,868)</u></u>



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

R. KEVIN CLINTON
STATE TREASURER

December 16, 2014

Honorable Mayor and City Council
City of Williamston
161 East Grand River Avenue
Williamston, Michigan 48895

Independent Auditor's Report

RE: Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards

Dear Council Members:

We have audited, in accordance with the 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 Williamston, Ingham County, Michigan, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Williamston's basic financial statements, and have issued our report thereon dated December 16, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Williamston'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 of Williamston's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Williamston's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Williamston's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as Findings 2011-1.

City of Williamston's Responses to Findings

The City of Williamston's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City'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 of Williamston'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 of Williamston's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

R. KEVIN CLINTON
STATE TREASURER

December 16, 2014

Honorable Mayor and City Council
City of Williamston
161 East Grand River Avenue
Williamston, Michigan 48895

RE: Report to Those Charged With Governance

Dear Council Members:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Williamston, Ingham County, Michigan, for the fiscal year ended June 30, 2014, and have issued our report thereon dated December 16, 2014. Professional standards require that we provide you with information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in the engagement letter dated January 23, 2014, 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 accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the City of Williamston. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of Williamston's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Other information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described in professional standards, is to evaluate the presentation of supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods

of preparing the information to determine that the information complies with the accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters September 29, 2014, with management.

Significant Results of the Audit

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Williamston are described in Note A to the financial statements. We noted no transactions entered into by the City of Williamston 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 estimate affecting the governmental activities in the government-wide statements was depreciation.

Management's estimate of the depreciation is based on the straight-line method for all other capital assets. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements, taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing 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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 16, 2014.

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 of Williamston's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

This information is intended solely for the use of the City of Williamston Council and management of the City of Williamston and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

CITY OF WILLIAMSTON

SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2014

NONCOMPLIANCE WITH STATE STATUTES

Our review and study for compliance with State statutes and regulations revealed the following noncompliance procedures:

Expenditures in Excess of Appropriations

Finding 2011-1

Condition: The City’s budgeted deficits for the original and final amended budget in the Major Street Fund and the final amended budget for the Local Street Fund. The City’s 2013/2014 General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level by the City. As detailed below, actual 2013/2014 expenditures exceeded the City Council’s approved budget allocations for the following General Fund activities.

During the fiscal year ended June 30, 2014, expenditures were incurred in excess of amounts appropriated in the amended budgets for the General Fund and Local Street Fund as follows:

<u>Fund, Function and Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Expenditures</u>
General Fund			
General Government			
Building and Grounds	\$ 311,250	\$ 321,614	\$ (10,364)
Public Works			
Equipment Maintenance	118,000	121,392	(3,392)
Local Street Fund			
Winter Maintenance	44,250	45,341	(1,091)

Criteria: MCL 141.436 states, “The legislative body shall not adopt a General Appropriations Act or an amendment which causes estimated expenditures, including an accrued deficit, to exceed estimated revenue, including accrued surplus.” The expenditure of funds in excess of appropriations is contrary to the provisions of Section 17 of Public Act 2 of 1968.

Cause: The accounts exceeded the budgeted amounts after accounts payable balances were recorded and higher than projected.

Effect: The City is in noncompliance with State statute. Unavailable funds continued to be spent despite the lack of budgeted funds to support the expenses.

Directive: We direct that the City develop budgetary control procedures which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof.

Management's Response: The City of Williamston continues to monitor the budget and estimate the potential for delayed billings at year end. The Manager and Treasurer will continue to work with Department Heads to more closely review and track potential year end budget deficits.