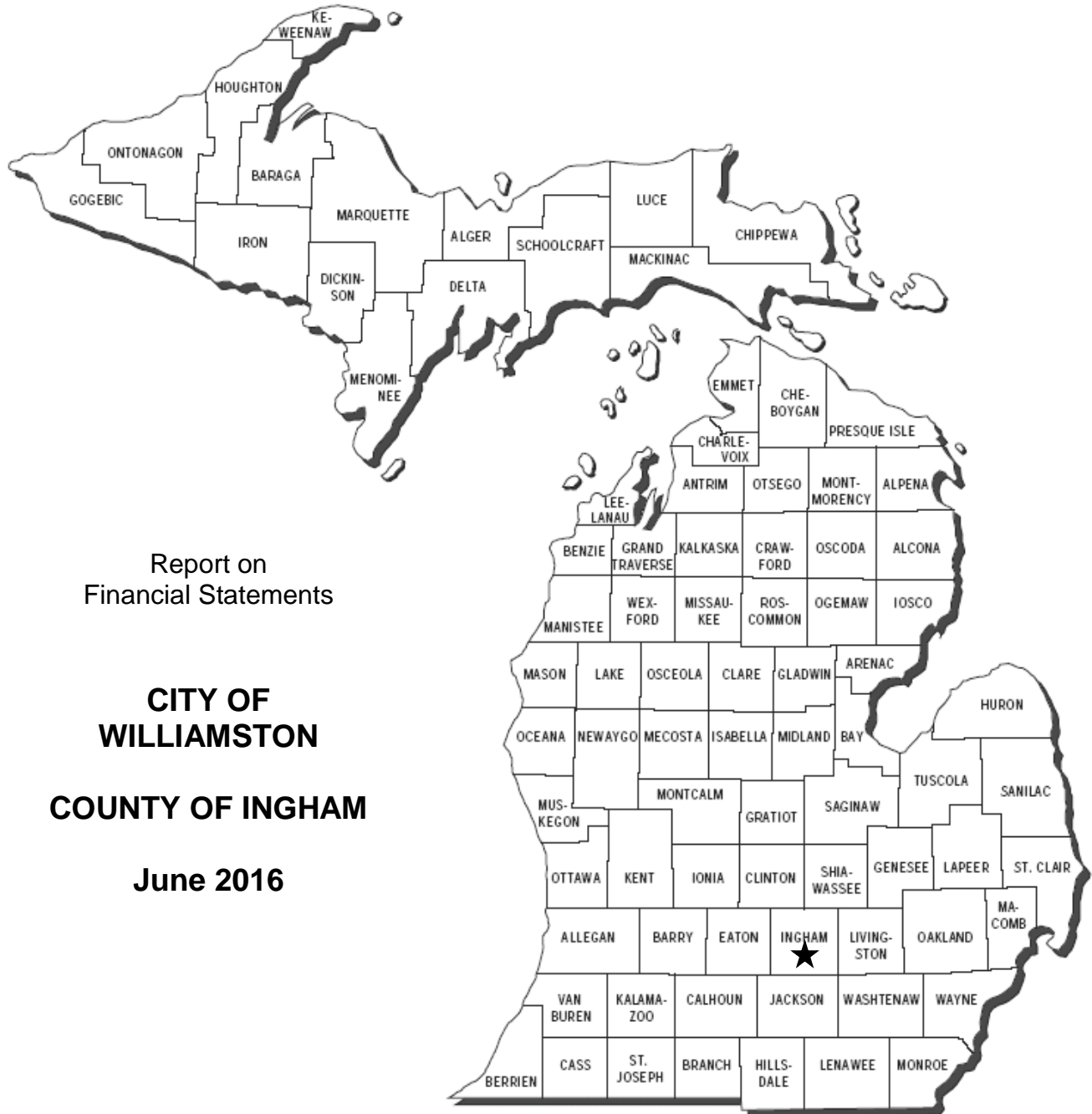


# STATE OF MICHIGAN

Rick Snyder, Governor

## DEPARTMENT OF TREASURY

Nick A. Khouri, State Treasurer



Report on  
Financial Statements

**CITY OF  
WILLIAMSTON**

**COUNTY OF INGHAM**

**June 2016**

CITY OF WILLIAMSTON

CITY COUNCIL

(December 20, 2016)

Noah Belanger  
Mayor

James DeForest  
Mayor Pro-Tem

Sean Bertolino  
Council Member

Sandy Whelton  
Council Member

Tammy Gilroy  
Council Member

Kent Hall  
Council Member

Chad Munce  
Council Member

Alan Dolley  
City Manager

Rachel Piner  
Treasurer

CITY POPULATION--2010  
3,854

STATE EQUALIZED VALUATION--2015  
\$113,338,470



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

NICK A. KHOURI  
STATE TREASURER

December 20, 2016

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 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 ending June 30, 2016, 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, 2016, 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 8 as well as budgetary comparison information Exhibits K through M and pension trend data and the schedule of funding progress for 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 20, 2016, 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.

Sincerely,



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Government Financial Services 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 ending June 30, 2016. 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, 2016:

- The taxable value and state equalized values for the City increased three and eight percent respectively this fiscal year. While state equalized values are predicted to increase for the 2016 tax year taxable values will increase less than one percent.
- The City sold the Community Center building to a private developer. The Community Center housed the Capital Area District Library (CADL), Senior Center and Food Bank. The City also rented the gymnasium and a few of the classrooms to organizations for different uses. The building is very old and in disrepair making the maintenance costs a huge burden on the City budget. An agreement was made with the purchaser of the building to continue to house CADL, the Senior Center and Food Bank. The rest of the building will be developed into different commercial uses.
- A water and sewer improvement bond was paid off this year. A portion of this bond was paid for by the Tax Increment Financing Authority 2A (TIFA 2A). There are currently no projects in the TIFA 2A plan; therefore there will not be any captured revenue in this district until another project is added to the plan.

## 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 the 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 to the fund financial statements on Exhibit C-1 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, pension trend data, and schedule of funding progress for 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 decreased from \$15,741,577 to \$15,525,268 or \$216,309 for the fiscal year ending June 30, 2016. This is similar to the previous fiscal year when the net position decreased \$1,400,980. 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 and Business-Type Activities**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2016	2015	2016	2015	2016
Current and Other Assets	\$ 1,601,878	\$ 1,553,577	\$ 378,327	\$ 251,980	\$ 1,980,205	\$ 1,805,557
Noncurrent Assets	6,801,063	6,410,097	20,518,534	20,051,967	27,319,597	26,462,064
<b>Total Assets</b>	<b>8,402,941</b>	<b>7,963,674</b>	<b>20,896,861</b>	<b>20,303,947</b>	<b>29,299,802</b>	<b>28,267,621</b>
Deferred Outflows of Resources						
Related to Pensions	106,023	497,098	-	-	106,023	497,098
Current Liabilities	330,619	168,292	43,024	38,914	373,643	207,206
Noncurrent Liabilities	2,996,104	3,338,228	10,294,501	9,640,750	13,290,605	12,978,978
<b>Total Liabilities</b>	<b>3,432,746</b>	<b>3,506,520</b>	<b>10,337,525</b>	<b>9,679,664</b>	<b>13,770,271</b>	<b>13,186,184</b>
Deferred Inflows of Resources						
Related to Pensions	-	53,267	-	-	-	53,267
<b>Net Position</b>						
Net Investment in						
Capital Assets*	6,801,063	6,410,097	9,425,281	9,642,828	16,226,344	16,052,925
Restricted	307,863	228,136	809,253	780,139	1,117,116	1,008,275
Unrestricted**	(1,926,685)	(1,737,248)	324,802	201,316	(1,601,883)	(1,535,932)
<b>Total Net Position</b>	<b>\$ 5,182,241</b>	<b>\$ 4,900,985</b>	<b>\$ 10,559,336</b>	<b>\$ 10,624,283</b>	<b>\$ 15,741,577</b>	<b>\$ 15,525,268</b>

As noted in Table 1 and Table 2, the net position of the City's governmental activities decreased by 5.4%, or \$281,256 (\$4,900,985 compared to \$5,182,241). The net investment in capital assets decreased this year with the continued depreciation of the City's capital assets. This is despite street infrastructure improvements for \$153,156. The restricted net position decreased as this amount primarily relates to the City's street funds which decreased due to the infrastructure project. The unrestricted net position's primary increase is due the City's efforts to keep expenses at a minimum.

Also, as noted in Table 1 and Table 2, the net position of the City's business-type activities increased by .6%, or by \$64,947 (\$10,624,283 compared to \$10,559,336). The net investment in capital assets increased as the City retired \$655,000 in debt this year offset by the \$437,453 decrease in the value of the City's capital assets as they continue to depreciate. The decrease in the restricted and decrease in unrestricted net position was primarily due to funds being transferred from the unrestricted to the restricted for debt payments and future repair and improvements.

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2016	2015	2016	2015	2016
<b>Program Revenue</b>						
Charges for Services	\$ 495,961	\$ 497,266	\$ 1,907,816	\$ 2,026,268	\$ 2,403,777	\$ 2,523,534
Operating Grants and Contributions	376,157	394,591	225,321	292,115	601,478	686,706
<b>General Revenue</b>						
Property Taxes	1,432,920	1,503,946	-	-	1,432,920	1,503,946
State-Shared Revenues	330,153	329,870	-	-	330,153	329,870
Rents	6,000	6,000	-	-	6,000	6,000
Unrestricted Investment Earnings	408	3,046	1,145	2,046	1,553	5,092
Other	396,448	-	-	-	396,448	-
Loss on Sale of Assets	-	(184,051)	-	-	-	(184,051)
<b>Total Revenues</b>	<b>3,038,047</b>	<b>2,550,668</b>	<b>2,134,282</b>	<b>2,320,429</b>	<b>5,172,329</b>	<b>4,871,097</b>
<b>Program Expenses</b>						
General Government	967,457	892,214	-	-	967,457	892,214
Public Safety	707,637	691,669	-	-	707,637	691,669
Public Works	939,701	924,066	-	-	939,701	924,066
Community and Economic Development	62,418	100,228	-	-	62,418	100,228
Recreation and Cultural	106,222	177,222	-	-	106,222	177,222
Interest on Debt	49,235	46,525	-	-	49,235	46,525
Sewer	-	-	1,370,594	1,423,257	1,370,594	1,423,257
Water	-	-	848,552	832,225	848,552	832,225
<b>Total Expenses</b>	<b>2,832,670</b>	<b>2,831,924</b>	<b>2,219,146</b>	<b>2,255,482</b>	<b>5,051,816</b>	<b>5,087,406</b>
<b>Change in Net Position</b>	<b>\$ 205,377</b>	<b>\$ (281,256)</b>	<b>\$ (84,864)</b>	<b>\$ 64,947</b>	<b>\$ 120,513</b>	<b>\$ (216,309)</b>

*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 decreased by 16% or by \$487,379 primarily due to the \$396,448 received from the EDC from the sale of a building last year and the loss experienced in the current year when it was tore down, as well as the loss on the sale of capital assets.

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 \$746.

*Business-Type Activities*

Business-type activities are those that are financed primarily by charges for services or user fees. Total revenues increased by \$186,147 or by 8.7%. The charges for services increased due to an increase in charges for services due to an increase in rates. The operating grants increased as the City received a Sewer and Wastewater (SAW) Grant which began during the fiscal year. Total expenses increased by \$36,336 or by 1.6% over the prior year due to the expenses related to the SAW Grant. 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 and statement of revenues, expenditures and changes in fund balances on Exhibit C and Exhibit D respectively) reported a fund balance of \$1,253,405 which is \$9,787 more than last year's \$1,243,618. The primary reasons for the governmental funds' increase mirror the governmental activities analysis highlighted in the prior paragraph. The City's major funds in 2016 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.

The fund balance in the General Fund grew by just under ten percent. The General Fund represents 49 % of its expenditures at the end of the fiscal year. The City continues to focus on maintaining or exceeding the recommended level of fund balance by regularly evaluating expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016, the City had \$26,268,187 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 \$242,156.

This fiscal year's capital asset addition in the governmental activities includes McCormick Park improvements of \$18,923, office equipment \$2,842, police vehicle of \$32,832, equipment purchases of \$17,425, and West Church Street improvements of \$153,156. The business-type activities additions consisted of GIS software of \$19,189 and West Church Street sewer and water improvements of \$5,818 and \$124,103; respectively.

**Table 3**  
**Capital Assets at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2016	2015	2016	2015	2016
Land	\$ 390,632	\$ 390,632	\$ 436,557	\$ 436,557	\$ 827,189	\$ 827,189
Land Improvements-Nondepreciating	-	-	-	-	-	-
Construction in Progress	-	-	-	-	-	-
Land Improvements-Depreciating	916,250	935,173	-	-	916,250	935,173
Buildings and Improvements	1,672,356	1,455,826	-	-	1,672,356	1,455,826
Office Equipment	27,219	30,061	-	-	27,219	30,061
Machinery and Equipment	414,816	432,241	589,399	608,288	1,004,215	1,040,529
Vehicles	906,816	909,607	-	-	906,816	909,607
Infrastructure	5,971,862	6,125,018	-	-	5,971,862	6,125,018
Sewer System	-	-	17,307,321	17,313,139	17,307,321	17,313,139
Water System	-	-	9,698,471	9,822,574	9,698,471	9,822,574
<b>Total Capital Assets</b>	<b>10,299,951</b>	<b>10,278,558</b>	<b>28,031,748</b>	<b>28,180,558</b>	<b>38,331,699</b>	<b>38,459,116</b>
<b>Total Accumulated Depreciation</b>	<b>(3,498,888)</b>	<b>(3,868,461)</b>	<b>(8,322,468)</b>	<b>(8,322,468)</b>	<b>(11,821,356)</b>	<b>(12,190,929)</b>
<b>Total Net Capital Assets</b>	<b>\$ 6,801,063</b>	<b>\$ 6,410,097</b>	<b>\$ 19,709,280</b>	<b>\$ 19,858,090</b>	<b>\$ 26,510,343</b>	<b>\$ 26,268,187</b>

The City of Williamston's fiscal-year 2015-2016 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 \$10,723,971 in bonds and special assessment agreements outstanding versus \$11,538,133 in the previous fiscal year, a decrease of \$814,162, 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 year ending June 30, 2016.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2016	2015	2016	2015	2016
Bonds Payable	\$ 910,000	\$ 800,000	\$ 10,284,000	\$ 9,629,000	\$ 11,194,000	\$ 10,429,000
Special Assessments Payable	344,133	294,971	-	-	344,133	294,971
Total Outstanding Debt	<u>\$ 1,254,133</u>	<u>\$ 1,094,971</u>	<u>\$ 10,284,000</u>	<u>\$ 9,629,000</u>	<u>\$ 11,538,133</u>	<u>\$ 10,723,971</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 \$76,631 in vested employee benefits payable presented in more detail in Note I to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Road funding is a problem throughout the State of Michigan. The City continues to seek grant funds as they become available for its road system. Alternative sources of revenue are being sought by City officials to repair and maintain its roadways as well as the infrastructure within the road right-of-way.

Water and sewer rates continued to be increased this fiscal year and are anticipated to increase in the upcoming year. Because the Water and Sewer Funds have bonds obligations of nearly \$500,000, the water and sewer rates continue to increase. Annual increases are predicated through fiscal year end 2018 until the majority of the bond obligations are retired. 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, 2016**

**EXHIBIT A**

<b><u>ASSETS</u></b>	<b><u>PRIMARY GOVERNMENT</u></b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Current Assets</b>				
Cash	\$ 721,221	\$ 137,085	\$ 858,306	\$ 309,911
Investments	403,923	-	403,923	852,400
Special Assessments Receivable	343	-	343	-
Accounts Receivable	-	351,252	351,252	-
Due From State	123,778	43,551	167,329	-
Due From County	1,491	-	1,491	-
Due From Other Funds--Primary Government	-	-	-	25,678
Due From Other Funds--Component Units	4,113	-	4,113	-
Internal Balances	279,908	(279,908)	-	-
Prepaid Expense	18,800	-	18,800	-
<b>Total Current Assets</b>	<b>1,553,577</b>	<b>251,980</b>	<b>1,805,557</b>	<b>1,187,989</b>
<b>Noncurrent Assets</b>				
Restricted Cash	-	780,139	780,139	7,071
Capital Assets--Nondepreciating	390,632	436,557	827,189	719,484
Capital Assets--Depreciating	6,019,465	18,835,271	24,854,736	1,422,979
<b>Total Noncurrent Assets</b>	<b>6,410,097</b>	<b>20,051,967</b>	<b>26,462,064</b>	<b>2,149,534</b>
<b>Total Assets</b>	<b>7,963,674</b>	<b>20,303,947</b>	<b>28,267,621</b>	<b>3,337,523</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred Outflow Investments	268,081	-	268,081	-
Deferred Outflow-Change in Assumptions	161,810	-	161,810	-
Deferred Outflow Employer Contributions	67,207	-	67,207	-
<b>Total Deferred Outflow of Resources</b>	<b>497,098</b>	<b>-</b>	<b>497,098</b>	<b>-</b>

**CITY OF WILLIAMSTON**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**June 30, 2016**

**EXHIBIT A**  
**(CONTINUED)**

<u><b>LIABILITIES</b></u>	<u><b>PRIMARY GOVERNMENT</b></u>			Component Units
	Governmental Activities	Business-Type Activities	Total	
Current Liabilities				
Accounts Payable	138,675	33,175	171,850	396
Due to Other Funds--Primary Government	-	-	-	4,189
Due to Other Funds--Component Units	25,678	-	25,678	-
Accrued Liabilities	3,559	5,739	9,298	156
Escrow Deposits Payable	380	-	380	-
Total Current Liabilities	<u>168,292</u>	<u>38,914</u>	<u>207,206</u>	<u>4,741</u>
Noncurrent Liabilities				
Customer Deposits Payable	-	11,750	11,750	-
Bonds Payable--Due Within One Year	125,000	630,000	755,000	130,000
Bonds Payable--Due in More Than One Year	675,000	8,999,000	9,674,000	1,030,000
Special Assessments Payable--Due Within One Year	49,162	-	49,162	-
Special Assessments Payable-- Due in More Than One Year	245,809	-	245,809	-
Vested Employee Benefits Payable-- Due Within One Year	15,326	-	15,326	-
Vested Employee Benefits Payable-- Due in More Than One Year	61,305	-	61,305	-
Net Pension Liability	1,806,782	-	1,806,782	-
Other Post-Employment Benefits Payable	359,844	-	359,844	-
Total Noncurrent Liabilities	<u>3,338,228</u>	<u>9,640,750</u>	<u>12,978,978</u>	<u>1,160,000</u>
Total Liabilities	<u>3,506,520</u>	<u>9,679,664</u>	<u>13,186,184</u>	<u>1,164,741</u>
<u><b>DEFERRED INFLOWS OF RESOURCES</b></u>				
Deferred Inflow--Change in Experience	53,267	-	53,267	-
Total Deferred Outflow of Resources	<u>53,267</u>	<u>-</u>	<u>53,267</u>	<u>-</u>
<u><b>NET POSITION</b></u>				
Net Investment in Capital Assets	6,410,097	9,642,828	16,052,925	982,463
Restricted for				
Major and Local Streets	227,857	-	227,857	-
Debt Service	279	-	279	-
Economic Development Programs	-	-	-	73,058
Downtown Development Activities	-	-	-	166,677
Tax Increment Finance Plans	-	-	-	950,584
Sewer and Water Improvements	-	780,139	780,139	-
Unrestricted	<u>(1,737,248)</u>	<u>201,316</u>	<u>(1,535,932)</u>	<u>-</u>
Total Net Position	<u>\$ 4,900,985</u>	<u>\$ 10,624,283</u>	<u>\$ 15,525,268</u>	<u>\$ 2,172,782</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, 2016**

**EXHIBIT B**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary Government			
Governmental Activities			
General Government	\$ 892,214	\$ 209,557	\$ 73,276
Public Safety	691,669	53,207	1,222
Public Works	924,066	228,938	320,093
Community and Economic Development	100,228	5,564	-
Recreation and Culture	177,222	-	-
Interest on Long-Term Debt	46,525	-	-
Total Governmental Activities	<u>2,831,924</u>	<u>497,266</u>	<u>394,591</u>
Business-Type Activities			
Sewer	1,423,257	1,099,044	292,115
Water	832,225	927,224	-
Total Business-Type Activities	<u>2,255,482</u>	<u>2,026,268</u>	<u>292,115</u>
Total Primary Government	<u>\$ 5,087,406</u>	<u>\$ 2,523,534</u>	<u>\$ 686,706</u>
Component Units			
Economic Development Corporation	\$ 3,770	\$ -	\$ 154
Tax Increment Finance Authority 2A	16,852	-	31
Tax Increment Finance Authority 2B	98,382	-	2,489
Downtown Development Authority	222,719	3,342	355
Total Component Units	<u>\$ 341,723</u>	<u>\$ 3,342</u>	<u>\$ 3,029</u>

**CITY OF WILLIAMSTON**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2016**

**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	\$ (609,381)	\$ -	\$ (609,381)	\$ -
Public Safety	(637,240)	-	(637,240)	-
Public Works	(375,035)	-	(375,035)	-
Community and Economic Development	(94,664)	-	(94,664)	-
Recreation and Culture	(177,222)	-	(177,222)	-
Interest on Long-Term Debt	(46,525)	-	(46,525)	-
Total Governmental Activities	(1,940,067)	-	(1,940,067)	-
Business-Type Activities				
Sewer	-	(32,098)	(32,098)	-
Water	-	94,999	94,999	-
Total Business-Type Activities	-	62,901	62,901	-
Total Primary Government	<u>(1,940,067)</u>	<u>62,901</u>	<u>(1,877,166)</u>	<u>-</u>
Component Units				
Economic Development Corporation	-	-	-	(3,616)
Tax Increment Finance Authority 2A	-	-	-	(16,821)
Tax Increment Finance Authority 2B	-	-	-	(95,893)
Downtown Development Authority	-	-	-	(219,022)
Total Component Units	<u>-</u>	<u>-</u>	<u>-</u>	<u>(335,352)</u>
General Revenues				
Property Taxes	1,503,946	-	1,503,946	629,308
State-Shared Revenues	329,870	-	329,870	-
Unrestricted Investment Earnings	3,046	2,046	5,092	-
Rents	6,000	-	6,000	-
Special Item-Gain (Loss) on Sale of Capital Assets	<u>(184,051)</u>	<u>-</u>	<u>(184,051)</u>	<u>-</u>
Total General Revenues--Special Items and Transfers	<u>1,658,811</u>	<u>2,046</u>	<u>1,660,857</u>	<u>629,308</u>
Change in Net Position	(281,256)	64,947	(216,309)	293,956
Net Position--Beginning	<u>5,182,241</u>	<u>10,559,336</u>	<u>15,741,577</u>	<u>1,878,826</u>
Net Position--Ending	<u>\$ 4,900,985</u>	<u>\$ 10,624,283</u>	<u>\$ 15,525,268</u>	<u>\$ 2,172,782</u>

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

**CITY OF WILLIAMSTON**  
**BALANCE SHEET--GOVERNMENTAL FUNDS**  
**June 30, 2016**

**EXHIBIT C**

	<b>MAJOR GOVERNMENTAL FUNDS</b>				
	General Fund	Major Street Fund	Local Street Fund	Non-Major Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>					
Cash	\$ 465,264	\$ 78,343	\$ 37,931	\$ -	\$ 581,538
Investments	353,742	50,181	-	-	403,923
Special Assessments Receivable	-	-	343	-	343
Due From State	57,032	56,320	10,426	-	123,778
Due From County	1,491	-	-	-	1,491
Due From Other Funds--Primary Government	154,356	-	-	110,612	264,968
Due From Other Funds--Component Units	4,113	-	-	-	4,113
Prepaid Expenses	18,800	-	-	-	18,800
Long-Term Advance	125,552	-	-	-	125,552
Total Assets	<u>\$ 1,180,350</u>	<u>\$ 184,844</u>	<u>\$ 48,700</u>	<u>\$ 110,612</u>	<u>\$ 1,524,506</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>					
Liabilities					
Accounts Payable	\$ 16,776	\$ 2,500	\$ 1,600	\$ 110,333	\$ 131,209
Due to Other Funds--Primary Government	109,324	1,288	-	-	110,612
Due to Other Funds--Component Units	25,678	-	-	-	25,678
Accrued Liabilities	2,923	164	135	-	3,222
Escrow Deposits Payable	380	-	-	-	380
Total Liabilities	<u>155,081</u>	<u>3,952</u>	<u>1,735</u>	<u>110,333</u>	<u>271,101</u>
Fund Balances					
Nonspendable	144,352	-	-	-	144,352
Restricted for					
Major and Local Streets	-	180,892	46,965	-	227,857
Debt Service	-	-	-	279	279
Unassigned	880,917	-	-	-	880,917
Total Fund Balances	<u>1,025,269</u>	<u>180,892</u>	<u>46,965</u>	<u>279</u>	<u>1,253,405</u>
Total Liabilities and Fund Balances	<u>\$ 1,180,350</u>	<u>\$ 184,844</u>	<u>\$ 48,700</u>	<u>\$ 110,612</u>	<u>\$ 1,524,506</u>

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

**CITY OF WILLIAMSTON  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2016**

**EXHIBIT C-1**

FUND BALANCE REPORTED IN GOVERNMENTAL FUNDS \$ 1,253,405

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 6,410,097

Internal service funds are used by management to charge the costs of certain activities such as insurance and telephone service to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. 131,880

Bonds payable and special assessment obligations are not due and payable in the current period and are not reported in the funds. (1,094,971)

Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as financial resources; therefore, they are not reported as fund liabilities. (76,631)

Net pension liability is not due and payable in the current period and is not reported in the funds. (1,806,782)

Certain pension contributions and changes in pension plan net position are reported as deferred inflows/outflows of resources in the statement of net position, but are reported as expenses in the governmental funds. 443,831

Other postemployment benefit obligations do not present a claim on current financial resources and are not reported as fund liabilities. (359,844)

NET POSTION OF GOVERNMENTAL ACTIVITIES \$ 4,900,985

**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, 2016**

**EXHIBIT D**

	<b>MAJOR GOVERNMENTAL FUNDS</b>				
	General Fund	Major Street Fund	Local Street Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes and Penalties	\$ 1,503,946	\$ -	\$ -	\$ -	\$ 1,503,946
Licenses and Permits	64,232	-	-	-	64,232
State Grants	335,326	254,653	63,395	-	653,374
Charges for Services	12,039	-	-	-	12,039
Fines and Forfeits	7,629	-	-	-	7,629
Interest and Rentals	9,046	158	190	-	9,394
Other Revenue	255,776	-	1,697	-	257,473
<b>Total Revenues</b>	<b>2,187,994</b>	<b>254,811</b>	<b>65,282</b>	<b>-</b>	<b>2,508,087</b>
<b>Expenditures</b>					
<b>Current</b>					
General Government	794,725	-	-	-	794,725
Public Safety	612,738	-	-	-	612,738
Public Works	281,347	118,598	101,541	-	501,486
Community and Economic Development	96,669	-	-	-	96,669
Recreation and Culture	128,404	-	-	-	128,404
Capital Outlay	54,597	153,156	-	-	207,753
<b>Debt Service</b>					
Principal	-	-	-	110,000	110,000
Interest and Fiscal Fees	-	-	-	46,525	46,525
<b>Total Expenditures</b>	<b>1,968,480</b>	<b>271,754</b>	<b>101,541</b>	<b>156,525</b>	<b>2,498,300</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>219,514</b>	<b>(16,943)</b>	<b>(36,259)</b>	<b>(156,525)</b>	<b>9,787</b>
<b>Other Financing Sources (Uses)</b>					
Interfund Transfers In--Primary Government	-	68,712	60,000	155,988	284,700
Interfund Transfers (Out)--Primary Government	(130,000)	(154,700)	-	-	(284,700)
<b>Total Other Financing Sources (Uses)</b>	<b>(130,000)</b>	<b>(85,988)</b>	<b>60,000</b>	<b>155,988</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>89,514</b>	<b>(102,931)</b>	<b>23,741</b>	<b>(537)</b>	<b>9,787</b>
<b>Fund Balance--July 1, 2015</b>	<b>935,755</b>	<b>283,823</b>	<b>23,224</b>	<b>816</b>	<b>1,243,618</b>
<b>Fund Balance--June 30, 2016</b>	<b>\$ 1,025,269</b>	<b>\$ 180,892</b>	<b>\$ 46,965</b>	<b>\$ 279</b>	<b>\$ 1,253,405</b>

**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, 2016**

**EXHIBIT D-1**

NET CHANGE IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS \$ 9,787

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	207,753
Deduct--Depreciation Expense	(365,127)
Deduct--Loss on Sale of Capital Assets	(184,051)

Internal service funds are used by management to charge the costs of certain activities such as insurance and telephone service to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Add--Net Operating Income (Loss) From Governmental Activities in Internal Service Funds	54,697
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Repayment of bond and special assessment 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	159,162
--	---------

(Increase)/Decrease in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund financial statements until they come due for payment. (5,117)

Increase in pension liability reported in the statement of activities does not require the use of resources, and therefore, is not reported in the fund statements until it comes due for payment. (113,802)

Other postemployment benefit obligation expense is recognized in the Statement of Activities, but not in the governmental funds. (44,558)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (281,256)

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



**CITY OF WILLIAMSTON  
STATEMENT OF NET POSITION--  
PROPRIETARY FUNDS  
June 30, 2016**

**EXHIBIT E**

	<b>BUSINESS-TYPE ACTIVITIES</b>			<b>GOVERNMENTAL ACTIVITIES</b>
	<b>ENTERPRISE FUNDS</b>			<b>INTERNAL SERVICE FUND</b>
	<u>Sewer</u>	<u>Water</u>	Total Enterprise Funds	Equipment Fund
<b><u>ASSETS</u></b>				
Current Assets				
Cash	\$ 124,575	\$ 12,510	\$ 137,085	\$ 139,683
Customer Accounts Receivable	184,202	167,050	351,252	-
Due From State	43,551	-	43,551	-
Total Current Assets	<u>352,328</u>	<u>179,560</u>	<u>531,888</u>	<u>139,683</u>
Noncurrent Assets				
Restricted Cash	533,519	246,620	780,139	-
Capital Assets--Nondepreciating	18,692	417,865	436,557	-
Capital Assets--Depreciating	10,959,372	7,875,899	18,835,271	145,578
Total Noncurrent Assets	<u>11,511,583</u>	<u>8,540,384</u>	<u>20,051,967</u>	<u>145,578</u>
Total Assets	<u>11,863,911</u>	<u>8,719,944</u>	<u>20,583,855</u>	<u>285,261</u>
<b><u>LIABILITIES</u></b>				
Current Liabilities				
Accounts Payable	29,136	4,039	33,175	7,466
Due to Other Funds--Primary Government	-	154,356	154,356	-
Accrued Liabilities	3,854	1,885	5,739	337
Total Current Liabilities	<u>32,990</u>	<u>160,280</u>	<u>193,270</u>	<u>7,803</u>
Noncurrent Liabilities				
Customer Deposits Payable	-	11,750	11,750	-
Long-Term Advance--Primary Government	-	125,552	125,552	-
Bonds Payable--Due Within One Year	504,000	126,000	630,000	-
Bonds Payable--Due in More Than One Year	3,688,000	5,311,000	8,999,000	-
Total Noncurrent Liabilities	<u>4,192,000</u>	<u>5,574,302</u>	<u>9,766,302</u>	<u>-</u>
Total Liabilities	<u>4,224,990</u>	<u>5,734,582</u>	<u>9,959,572</u>	<u>7,803</u>
<b><u>NET POSITION</u></b>				
Net Investment in Capital Assets	6,786,064	2,856,764	9,642,828	145,578
Restricted for Sewer and Water Improvements	533,519	246,620	780,139	-
Unrestricted	319,338	(118,022)	201,316	131,880
Total Net Position	<u>\$ 7,638,921</u>	<u>\$ 2,985,362</u>	<u>\$ 10,624,283</u>	<u>\$ 277,458</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, 2016**

**EXHIBIT F**

	<b><u>BUSINESS-TYPE ACTIVITIES</u></b>		<b><u>GOVERNMENTAL ACTIVITIES</u></b>	
	<b><u>ENTERPRISE FUNDS</u></b>		Total Enterprise Funds	<b><u>INTERNAL SERVICE FUND</u></b>
	Sewer	Water		Equipment Fund
Operating Revenues				
Charges for Services	\$ 1,085,724	\$ 927,224	\$ 2,012,948	\$ 226,632
Total Operating Revenues	1,085,724	927,224	2,012,948	226,632
Operating Expenses				
Salaries and Wages	220,790	127,815	348,605	24,081
Fringe Benefits	71,391	41,800	113,191	7,718
Administrative Expenses	40,000	40,000	80,000	1,500
Contractual Services	330,797	25,340	356,137	-
Equipment Repair and Maintenance	37,221	8,336	45,557	34,792
Equipment Rental	49,314	48,856	98,170	3,702
Utilities	85,644	59,756	145,400	-
Insurance	8,469	5,864	14,333	8,587
Other Supplies and Expenses	80,287	75,793	156,080	24,589
Depreciation	373,096	213,467	586,563	66,966
Total Operating Expenses	1,297,009	647,027	1,944,036	171,935
Operating Income (Loss)	(211,285)	280,197	68,912	54,697
Nonoperating Revenues (Expenses)				
State Grant	292,115	-	292,115	-
Capital Asset Contribution from General Fund	-	-	-	-
Contribution from Component Unit	13,320	-	13,320	-
Interest and Investment Revenue	1,488	558	2,046	-
Interest Expense	(126,248)	(185,198)	(311,446)	-
Total Nonoperating Revenues (Expenses)	180,675	(184,640)	(3,965)	-
Income (Loss) Before Contributions and Transfers	(30,610)	95,557	64,947	54,697
Interfund Transfers				
Transfers In	145,430	-	145,430	-
Transfers (Out)	-	(145,430)	(145,430)	-
Change in Net Position	114,820	(49,873)	64,947	54,697
Total Net Position--July 1, 2015	7,524,101	3,035,235	10,559,336	222,761
Total Net Position--June 30, 2016	\$ 7,638,921	\$ 2,985,362	\$ 10,624,283	\$ 277,458

**CITY OF WILLIAMSTON  
STATEMENT OF CASH FLOWS--  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2016**

**EXHIBIT G**

	<b>BUSINESS-TYPE ACTIVITIES</b>			<b>GOVERNMENTAL ACTIVITIES</b>
	<b>ENTERPRISE FUNDS</b>		Total Enterprise Funds	<b>INTERNAL SERVICE FUND</b>
	Sewer	Water		Equipment Fund
Cash Flows From Operating Activities				
Charges for Services	\$ 1,074,918	\$ 897,664	\$ 1,972,582	\$ 226,632
Goods and Services Purchased	(619,271)	(268,614)	(887,885)	(67,552)
Salaries and Fringes	(298,529)	(175,169)	(473,698)	(32,693)
Net Cash Provided by Operating Activities	157,118	453,881	610,999	126,387
Cash Flows From Noncapital Financing Activities				
State Grants	261,972	-	261,972	-
Customer Deposits	-	1,250	1,250	-
Due From Other Funds	138,215	-	138,215	80,881
Due to Other Funds	(172,173)	(143,458)	(315,631)	(50,160)
Long-Term Advances	-	125,552	125,552	-
Operating Transfers In From Other Funds	145,430	-	145,430	-
Operating Transfers (Out) to Other Funds	-	(145,430)	(145,430)	-
Contributions From Component Units	13,320	-	13,320	-
Net Cash Flows From Noncapital Financing Activities	386,764	(162,086)	224,678	30,721
Cash Flows From Capital and Related Financing Activities				
Acquisition of Capital Assets	(25,009)	(124,103)	(149,112)	(17,425)
Principal Paid on Debt	(537,000)	(118,000)	(655,000)	-
Interest Paid on Debt	(126,248)	(185,198)	(311,446)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(688,257)	(427,301)	(1,115,558)	(17,425)
Cash Flows From Investing Activities				
Interest on Cash	1,488	558	2,046	-
Net Cash Provided by Investing Activities	1,488	558	2,046	-
Net Increase in Cash and Cash Equivalents	(142,887)	(134,948)	(277,835)	139,683
Cash at Beginning of the Year	800,981	394,078	1,195,059	-
Cash at End of the Year	\$ 658,094	\$ 259,130	\$ 917,224	\$ 139,683
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ (211,285)	\$ 280,197	\$ 68,912	\$ 54,697
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	373,096	213,467	586,563	66,966
Changes in Assets and Liabilities				
Decrease (Increase) in Accounts Receivable	(10,806)	(29,560)	(40,366)	-
Increase (Decrease) in Accounts Payable	12,461	(4,669)	7,792	5,618
Increase (Decrease) in Accrued Liabilities	(6,348)	(5,554)	(11,902)	(894)
Net Cash Provided by Operating Activities	\$ 157,118	\$ 453,881	\$ 610,999	\$ 126,387

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

**CITY OF WILLIAMSTON  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
June 30, 2016**

**EXHIBIT H**

	<u>Agency Fund</u>
<b><u>ASSETS</u></b>	
Cash	\$ 1,144
Due From Component Unit	<u>76</u>
Total Assets	<u>\$ 1,220</u>
<b><u>LIABILITIES</u></b>	
Liabilities	
Due to Other Governmental Units	<u>1,220</u>
Total Liabilities	<u>1,220</u>
<b>NET POSITION</b>	<u>\$ -</u>

**CITY OF WILLIAMSTON  
COMBINING STATEMENT OF NET POSITION  
COMPONENT UNITS  
June 30, 2016**

**EXHIBIT I**

	Economic Development Corporation	Tax Increment Finance Authority 2A	Tax Increment Finance Authority 2B	Downtown Development Authority	Total
<b><u>ASSETS</u></b>					
Current Assets					
Cash	\$ 27,923	\$ 6,536	\$ 241,515	\$ 33,937	\$ 309,911
Investments	45,135	-	706,850	100,415	852,400
Due From Other Funds--Primary Government	-	170	-	25,508	25,678
Total Current Assets	<u>73,058</u>	<u>6,706</u>	<u>948,365</u>	<u>159,860</u>	<u>1,187,989</u>
Noncurrent Assets					
Restricted Cash	-	-	-	7,071	7,071
Capital Assets--Nondepreciating	-	-	265,828	453,656	719,484
Capital Assets--Depreciating	-	33,526	479,695	909,758	1,422,979
Total Noncurrent Assets	<u>-</u>	<u>33,526</u>	<u>745,523</u>	<u>1,370,485</u>	<u>2,149,534</u>
Total Assets	<u>73,058</u>	<u>40,232</u>	<u>1,693,888</u>	<u>1,530,345</u>	<u>3,337,523</u>
<b><u>LIABILITIES</u></b>					
Current Liabilities					
Accounts Payable	-	-	298	98	396
Due to Other Funds--Primary Government	-	-	4,189	-	4,189
Accrued Liabilities	-	-	-	156	156
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>4,487</u>	<u>254</u>	<u>4,741</u>
Noncurrent Liabilities					
Bonds Payable--Due Within One Year	-	-	-	130,000	130,000
Bonds Payable--Due in More Than One Year	-	-	-	1,030,000	1,030,000
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,160,000</u>	<u>1,160,000</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>4,487</u>	<u>1,160,254</u>	<u>1,164,741</u>
<b><u>NET POSITION</u></b>					
Net Investment in Capital Assets	-	33,526	745,523	203,414	982,463
Restricted for					
Economic Development Programs	73,058	-	-	-	73,058
Downtown Development Plan	-	-	-	166,677	166,677
Tax Increment Finance Plans	-	6,706	943,878	-	950,584
Total Net Position	<u>\$ 73,058</u>	<u>\$ 40,232</u>	<u>\$ 1,689,401</u>	<u>\$ 370,091</u>	<u>\$ 2,172,782</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, 2016**

**EXHIBIT J**

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>				
	<u>Expenses</u>	<u>Charge for Services</u>	<u>Operating Grants and Contributions</u>	<u>Economic Development Corporation</u>	<u>Tax Increment Finance Authority 2A</u>	<u>Tax Increment Finance Authority 2B</u>	<u>Downtown Development Authority</u>	<u>Total</u>
Economic Development Corporation								
Community and Economic Development	\$ 3,770	\$ -	\$ 154	\$ (3,616)	\$ -	\$ -	\$ -	\$ (3,616)
Total Economic Development Corporation	<u>3,770</u>	<u>-</u>	<u>154</u>	<u>(3,616)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,616)</u>
Tax Increment Finance Authority 2A								
Community and Economic Development	16,852	-	31	-	(16,821)	-	-	(16,821)
Total Tax Increment Finance Authority 2A	<u>16,852</u>	<u>-</u>	<u>31</u>	<u>-</u>	<u>(16,821)</u>	<u>-</u>	<u>-</u>	<u>(16,821)</u>
Tax Increment Finance Authority 2B								
Community and Economic Development	98,382	-	2,489	-	-	(95,893)	-	(95,893)
Total Tax Increment Finance Authority 2B	<u>98,382</u>	<u>-</u>	<u>2,489</u>	<u>-</u>	<u>-</u>	<u>(95,893)</u>	<u>-</u>	<u>(95,893)</u>
Downtown Development Authority								
Community and Economic Development	185,225	3,342	355	-	-	-	(181,528)	(181,528)
Interest and Other Expenses on Related Debt	37,494	-	-	-	-	-	(37,494)	(37,494)
Total Downtown Development Authority	<u>\$ 222,719</u>	<u>\$ 3,342</u>	<u>\$ 355</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(219,022)</u>	<u>(219,022)</u>
General Revenues								
Property Taxes				-	-	252,495	376,813	629,308
Total General Revenues and Special Items				<u>-</u>	<u>-</u>	<u>252,495</u>	<u>376,813</u>	<u>629,308</u>
Change in Net Position				(3,616)	(16,821)	156,602	157,791	293,956
Net Position--Beginning of Year				<u>76,674</u>	<u>57,053</u>	<u>1,532,799</u>	<u>212,300</u>	<u>1,878,826</u>
Net Position--End of Year				<u>\$ 73,058</u>	<u>\$ 40,232</u>	<u>\$ 1,689,401</u>	<u>\$ 370,091</u>	<u>\$ 2,172,782</u>

**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, 2016

#### 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, 2016

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 offices at:

Community Fire Board  
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, 2016

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, 2016

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 Enterprise Funds (a component of Proprietary Funds) as major 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:

Internal Service Fund - The Internal Service Fund accounts for operations that provide services to other departments of the City on a cost-reimbursement basis.

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.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

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

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.

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, 2016

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or inflow (revenue) until then. In this category deferred outflows of resources related to the defined benefit pension plan. The City has one item that qualifies for reporting in this category. The deferred outflows/inflows of resources related to pensions from the following sources: difference between expected and actual experience, changes in assumptions, net difference between projected and actual earnings on pension plan investments, and employer contributions to the plan subsequent to the measurement date.

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.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

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

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.

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 \$144,352 consists of \$18,800 related to prepaid expenditures and \$125,552 for a long term advance to the Water Fund.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2016

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

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.
- 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.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

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

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. Unexpended appropriations lapse at year end.

Fund Deficits

The City has an accumulated deficit of \$118,012 in the unrestricted net position in the Water Fund.

NOTE C--DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of June 30, 2016.

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Total</u>
Cash	\$ 858,306	\$ 1,144	\$ 309,911	\$ 1,169,361
Restricted Cash	780,139	-	7,071	787,210
Investments	<u>403,923</u>	<u>-</u>	<u>852,400</u>	<u>1,256,323</u>
Total	<u>\$ 2,042,368</u>	<u>\$ 1,144</u>	<u>\$ 1,169,382</u>	<u>\$ 3,212,894</u>

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has designated four banks for the deposit of City funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997, has authorized investment in all the above investments permissible under Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943 as amended). The City's deposits and investment policy are in accordance with statutory authority.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$1,698,753 of bank deposits (certificates of deposit and checking and savings accounts) of which \$531,404 was FDIC insured and the remaining \$1,167,349 was uninsured and uncollateralized. The City's component units had \$316,983 of bank deposits of which \$32,266 was FDIC insured and \$284,716 was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The City also maintains \$630 in imprest cash.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three (3) levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.



CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

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

	Fair Value Measurements			Total	Weighted Average Maturity	S&P Rating
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
Primary Government Michigan Class	\$ -	\$ 403,923	\$ -	\$ 403,923	54 days	AAAm
Component Units Michigan Class	-	852,400	-	852,400	54 days	AAAm
Total Investments as Fair Value	<u>\$ -</u>	<u>\$ 1,256,323</u>	<u>\$ -</u>	<u>\$ 1,256,323</u>		

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations. As of June 30, 2016, rating information on the City's investments is presented above.

Interest Rate Risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Council and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business in accordance with Council approved policy.

The cash and investments referred to above have been reported in the cash and investments captions on the basic financial statements, based upon criteria disclosed in Note A.

Restricted Cash

The revenue bonds issued by the City include covenants to set aside amounts in bond reserve funds. These bond reserves are reported as "Restricted Cash" in the Statement of Net Position for the respective funds. As of June 30, 2016, the following amounts were set aside for the following reasons.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

<u>PRIMARY GOVERNMENT</u>	<u>AMOUNT</u>
Sewer Fund	
2010 Sewer Bonds-Repair, Replacement, and Improvements	\$ 213,961
2010 Sewer Bonds-Bond and Interest Redemption	1,964
2010 Sewer Bonds-Bond Reserve	96,000
2011 Tax Refunding Reserve	207,949
2011 Water and Sewer Refunding Reserve	<u>13,645</u>
Subtotal--Sewer Fund	<u>\$ 533,519</u>
Water Fund	
2004 Water Improvement Bonds	\$ 46,401
2005 Water Improvement Bonds	45,353
2010 Water Bonds-Repair, Replacement, and Improvements	23,062
2010 Water Bonds-Bond and Interest Redemption	2,204
2010 Water Bonds-Bond Reserve	<u>129,600</u>
Subtotal--Water Fund	<u>\$ 246,620</u>
Total--Business Type Activities	<u>\$ 780,139</u>
 <u>COMPONENT UNITS</u>	 <u>AMOUNT</u>
2004 DDA Refunding Bonds	<u>\$ 7,071</u>
Total--Component Units	<u>\$ 7,071</u>

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 2015 State Taxable Valuation was \$104,259,679, on which ad valorem taxes levied consisted of 15.1342 mills and raised \$1,403,277 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 \$1,503,926 (net of tax tribunal refunds, TIFA 2B captured taxes of \$252,495, and DDA captured taxes of \$367,641).

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

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 \$184,202 and \$167,050, respectively.

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, 2016, the Local Street Fund has special assessments receivable \$343 and special assessment revenue in the amount of \$1,697 to improve sidewalks..

NOTE F--INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

<u>Interfund Payables</u>	<u>Interfund Receivables</u>					
	<u>Primary Government</u>			<u>Component Units</u>		<u>Total</u>
	<u>General</u>	<u>Nonmajor Gov't</u>	<u>Agency</u>	<u>TIFA 2A</u>	<u>DDA</u>	
<u>Primary Government</u>						
General	\$ -	\$ 109,324		\$ 170	\$ 25,508	\$ 135,002
Major Street		1,288				1,288
Water	154,356					154,356
						-
<u>Component Units</u>						-
TIFA 2B	4,113		76			4,189
Total Government	<u>\$ 158,469</u>	<u>\$ 110,612</u>	<u>\$ 76</u>	<u>\$ 170</u>	<u>\$ 25,508</u>	<u>\$ 294,835</u>

In addition to the inter-fund receivables/payables listed above, the City has established a long-term advance from the General Fund to the Water Fund of \$125,552 to assist with cash flow.

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

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

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

The inter-fund 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.

The 2016 operating transfers from Exhibits D and F can be summarized as follows:

Transfers Out	Trasnfers In				Total
	Major Street	Local Street	Nonmajor Gov't	Sewer	
General	\$ 68,712	\$ 60,000	\$ 1,288	\$ -	\$ 130,000
Major Street	-	-	154,700	-	154,700
Water Fund	-	-	-	145,430	145,430
Total Government	<u>\$ 68,712</u>	<u>\$ 60,000</u>	<u>\$ 155,988</u>	<u>\$ 145,430</u>	<u>\$ 430,130</u>

Inter-fund 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, 2016

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
Subtotal	<u>390,632</u>	<u>-</u>	<u>-</u>	<u>390,632</u>
Capital Assets Being Depreciated				
Land Improvements	916,250	18,923	-	935,173
Buildings	1,672,356	-	216,530	1,455,826
Office Equipment	27,219	2,842	-	30,061
Machinery and Equipment	414,816	17,425	-	432,241
Vehicles	906,816	32,832	30,041	909,607
Infrastructure	5,971,862	153,156	-	6,125,018
Subtotal	<u>9,909,319</u>	<u>225,178</u>	<u>246,571</u>	<u>9,887,926</u>
Less Accumulated Depreciation for				
Land Improvements	227,069	47,616	-	274,685
Buildings	421,558	39,498	32,479	428,577
Office Equipment	27,219	-	-	27,219
Machinery and Equipment	350,842	28,062	-	378,904
Vehicles	757,105	51,772	30,041	778,836
Infrastructure	1,715,095	265,145	-	1,980,240
Subtotal	<u>3,498,888</u>	<u>432,093</u>	<u>62,520</u>	<u>3,868,461</u>
Net Capital Assets Being Depreciated	<u>6,410,431</u>	<u>(206,915)</u>	<u>184,051</u>	<u>6,019,465</u>
Total Capital Assets--Net of Depreciation	<u>\$ 6,801,063</u>	<u>\$ (206,915)</u>	<u>\$ 184,051</u>	<u>\$ 6,410,097</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

NOTE G--CAPITAL ASSETS (Continued)

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

	<u>Amount</u>
Governmental Activities	
General Government	\$ 32,498
Public Safety	15,107
Public Works	332,111
Community and Economic Development	3,559
Recreation and Culture	<u>48,818</u>
Total Depreciation--Governmental Activities	<u>\$ 432,093</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	17,307,321	5,818	-	17,313,139
Water System	9,698,471	124,103	-	9,822,574
Sewer Equipment	283,822	19,189	-	303,011
Water Equipment	<u>305,577</u>	<u>-</u>	<u>-</u>	<u>305,577</u>
Subtotal	<u>27,595,191</u>	<u>149,110</u>	<u>-</u>	<u>27,744,301</u>
Less: Accumulated Depreciation for				
Sewer System	6,072,358	352,760	-	6,425,118
Water System	1,873,432	200,759	-	2,074,191
Sewer Equipment	211,325	20,335	-	231,660
Water Equipment	<u>165,353</u>	<u>12,708</u>	<u>-</u>	<u>178,061</u>
Subtotal	<u>8,322,468</u>	<u>586,562</u>	<u>-</u>	<u>8,909,030</u>
Net Capital Assets Being Depreciated	<u>19,272,723</u>	<u>(437,452)</u>	<u>-</u>	<u>18,835,271</u>
Total Capital Assets--Net of Depreciation	<u>\$ 19,709,280</u>	<u>\$ (437,452)</u>	<u>\$ -</u>	<u>\$ 19,271,828</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

NOTE G--CAPITAL ASSETS (Continued)

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

Business-Type Funds	
Sewer	\$ 373,095
Water	<u>213,467</u>
Total Business-Type Funds	<u>\$ 586,562</u>

Component Units

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 Being Depreciated				
Infrastructure	<u>\$ 55,879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,879</u>
Subtotal	<u>55,879</u>	<u>-</u>	<u>-</u>	<u>55,879</u>
Less Accumulated Depreciation for				
Infrastructure	<u>20,490</u>	<u>1,863</u>	<u>-</u>	<u>22,353</u>
Subtotal	<u>20,490</u>	<u>1,863</u>	<u>-</u>	<u>22,353</u>
Total Capital Assets--Net of Depreciation	<u>\$ 35,389</u>	<u>\$ (1,863)</u>	<u>\$ -</u>	<u>\$ 33,526</u>

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



CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

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
Construction in Progress	28,540	51,930	-	80,470
Subtotal	<u>213,898</u>	<u>51,930</u>	<u>-</u>	<u>265,828</u>
Capital Assets Being Depreciated				
Land Improvements	4,491	-	-	4,491
Buildings	747,614	-	-	747,614
Subtotal	<u>752,105</u>	<u>-</u>	<u>-</u>	<u>752,105</u>
Less Accumulated Depreciation for				
Land Improvements	4,491	-	-	4,491
Buildings	230,539	37,380	-	267,919
Subtotal	<u>235,030</u>	<u>37,380</u>	<u>-</u>	<u>272,410</u>
Net Capital Assets Being Depreciated	<u>517,075</u>	<u>(37,380)</u>	<u>-</u>	<u>479,695</u>
Total Capital Assets--Net of Depreciation	<u>\$ 730,973</u>	<u>\$ 14,550</u>	<u>\$ -</u>	<u>\$ 745,523</u>

Depreciation expense for the year was \$37,380.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

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	\$ 299,801	\$ -	\$ -	\$ 299,801
Land Improvements	<u>153,855</u>	<u>-</u>	<u>-</u>	<u>153,855</u>
Subtotal	<u>453,656</u>	<u>-</u>	<u>-</u>	<u>453,656</u>
Capital Assets Being Depreciated				
Land Improvements	<u>1,492,977</u>	<u>-</u>	<u>-</u>	<u>1,492,977</u>
Subtotal	<u>1,492,977</u>	<u>-</u>	<u>-</u>	<u>1,492,977</u>
Less Accumulated Depreciation for				
Land Improvements	<u>541,992</u>	<u>41,227</u>	<u>-</u>	<u>583,219</u>
Subtotal	<u>541,992</u>	<u>41,227</u>	<u>-</u>	<u>583,219</u>
Net Capital Assets Being Depreciated	<u>950,985</u>	<u>(41,227)</u>	<u>-</u>	<u>909,758</u>
Total Capital Assets--Net of Depreciation	<u>\$ 1,404,641</u>	<u>\$ (41,227)</u>	<u>\$ -</u>	<u>\$ 1,363,414</u>

Depreciation expense for the year was \$41,227.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

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</u> <u>06/30/15</u>	<u>Additions</u>	<u>(Reduction</u> <u>s)</u>	<u>Balance</u> <u>06/30/16</u>	<u>Due Within</u> <u>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.	\$ 815,000	\$ -	\$ (90,000)	\$ 725,000	\$ 100,000
\$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.	95,000	-	(20,000)	75,000	25,000
\$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%.	344,133	-	(49,162)	294,971	49,162
Vested Employee Benefits Payable	71,514	5,117	-	76,631	15,326
<b>Total Governmental Activities</b>	<b>\$ 1,325,647</b>	<b>\$ 5,117</b>	<b>\$ (159,162)</b>	<b>\$ 1,171,602</b>	<b>\$ 189,488</b>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

NOTE H--LONG-TERM DEBT (Continued)

<u>Business-Type Activities</u>	<u>Balance 06/30/15</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance 06/30/16</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%.	\$ 70,000	\$ -	\$ (70,000)	\$ -	\$ -
\$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%.	1,354,000	-	(417,000)	937,000	452,000
\$3,540,000, 2010 Series, Revenue Bonds (Sewage Disposal Improvements), payable in 40 years at an interest rate of 3%.	3,305,000	-	(50,000)	3,255,000	52,000
\$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%.	420,000	-	(20,000)	400,000	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%.	655,000	-	(30,000)	625,000	35,000
\$4,800,000, 2010 Series, Revenue Bonds (Water System Improvements), payable in 40 years at an interest rate of 3%.	4,480,000	-	(68,000)	4,412,000	71,000
<b>Total Business-Type Activities</b>	<b>\$10,284,000</b>	<b>\$ -</b>	<b>\$ (655,000)</b>	<b>\$ 9,629,000</b>	<b>\$ 630,000</b>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

NOTE H--LONG-TERM DEBT (Continued)

<u>Component Unit Activities</u>	<u>Balance 06/30/15</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance 06/30/16</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%.	\$ 1,080,000	\$ -	\$ (105,000)	\$ 975,000	\$ 110,000
\$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%.	<u>205,000</u>	<u>-</u>	<u>(20,000)</u>	<u>185,000</u>	<u>20,000</u>
Total Downtown Development Authority	<u>\$ 1,285,000</u>	<u>\$ -</u>	<u>\$ (125,000)</u>	<u>\$ 1,160,000</u>	<u>\$ 130,000</u>
Total Reporting Entity Activities	<u>\$ 12,894,647</u>	<u>\$ -</u>	<u>\$ (939,162)</u>	<u>\$ 11,955,485</u>	<u>\$ 949,488</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

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 as of June 30, 2016, are as follows:

Fiscal Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
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	36,332	230,494	185,000	267,920	452,920
2020	174,162	27,330	201,492	195,000	261,563	456,563
2021	179,162	18,622	197,784	204,000	254,753	458,753
2022-2026	189,161	9,598	198,759	1,071,000	1,161,642	2,232,642
2027-2031	-	-	-	1,330,000	959,030	2,289,030
2032-2036	-	-	-	1,060,000	742,395	1,802,395
2037-2041	-	-	-	1,236,000	570,615	1,806,615
2042-2046	-	-	-	1,453,000	368,955	1,821,955
2047-2051	-	-	-	1,598,000	132,405	1,730,405
Total	<u>\$ 1,094,971</u>	<u>\$ 190,915</u>	<u>\$ 1,285,886</u>	<u>\$ 9,629,000</u>	<u>\$ 5,293,066</u>	<u>\$ 14,922,066</u>

Fiscal Year	Component Unit Activities		
	Principal	Interest	Total
2017	\$ 130,000	\$ 33,688	\$ 163,688
2018	135,000	29,725	164,725
2019	135,000	25,675	160,675
2020	140,000	21,505	161,505
2021	140,000	17,217	157,217
2022-2024	480,000	22,497	502,497
Total	<u>\$ 1,160,000</u>	<u>\$ 150,307</u>	<u>\$ 1,310,307</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

NOTE H--LONG-TERM DEBT (Continued)

The debt service requirements to maturity for the City's debt obligations outstanding as of June 30, 2016, 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	
2017	\$ 100,000	\$ 18,150	\$ 18,150	\$ 136,300
2018	110,000	15,700	15,700	141,400
2019	120,000	12,978	12,978	145,956
2020	125,000	9,978	9,978	144,956
2021	130,000	6,853	6,853	143,706
2022	140,000	3,570	3,570	147,140
Total	<u>\$ 725,000</u>	<u>\$ 67,229</u>	<u>\$ 67,229</u>	<u>\$ 859,458</u>

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	
2017	\$ 25,000	\$ 1,600	\$ 1,075	\$ 27,675
2018	25,000	1,075	544	26,619
2019	25,000	544	-	25,544
Total	<u>\$ 75,000</u>	<u>\$ 3,219</u>	<u>\$ 1,619</u>	<u>\$ 79,838</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

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>
2017	\$ 49,162	\$ 14,749	\$ 63,911
2018	49,162	12,290	61,452
2019	49,162	9,832	58,994
2020	49,162	7,374	56,536
2021	49,162	4,916	54,078
2022	<u>49,161</u>	<u>2,459</u>	<u>51,620</u>
Total	<u>\$ 294,971</u>	<u>\$ 51,620</u>	<u>\$ 346,591</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 as of June 30, 2016, are as follows:

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

<u>Fiscal Year</u>	<u>Principal 1-Nov</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>1-Nov</u>	<u>1-May</u>	
2017	\$ 452,000	\$ 9,604	\$ 4,971	\$ 466,575
2018	<u>485,000</u>	<u>4,971</u>	<u>-</u>	<u>489,971</u>
Total	<u>\$ 937,000</u>	<u>\$ 14,575</u>	<u>\$ 4,971</u>	<u>\$ 956,546</u>



CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

NOTE H--LONG-TERM DEBT (Continued)

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	
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	25,000	8,309	8,309	41,618
2021	25,000	7,746	7,746	40,492
2022-2026	80,000	30,232	30,232	140,464
2027-2031	<u>210,000</u>	<u>21,000</u>	<u>21,000</u>	<u>252,000</u>
Total	<u>\$ 400,000</u>	<u>\$ 94,813</u>	<u>\$ 94,813</u>	<u>\$ 589,626</u>

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	
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	35,000	12,425	12,425	59,850
2021	40,000	11,638	11,638	63,276
2022-2026	225,000	43,844	43,844	312,688
2027-2031	<u>220,000</u>	<u>14,125</u>	<u>14,125</u>	<u>248,250</u>
Total	<u>\$ 625,000</u>	<u>\$ 123,752</u>	<u>\$ 123,752</u>	<u>\$ 872,504</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

NOTE H--LONG-TERM DEBT (Continued)

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	
2017	\$ 52,000	\$ 49,560	\$ 48,780	\$ 150,340
2018	54,000	48,780	47,970	150,750
2019	55,000	47,970	47,145	150,115
2020	57,000	47,145	46,290	150,435
2021	59,000	46,290	45,405	150,695
2022-2026	325,000	217,575	212,700	755,275
2027-2031	382,000	191,535	185,805	759,340
2032-2036	448,000	160,965	154,245	763,210
2037-2041	527,000	125,085	117,180	769,265
2042-2046	616,000	82,965	73,725	772,690
2047-2051	680,000	33,630	22,695	736,325
Total	<u>\$ 3,255,000</u>	<u>\$ 1,051,500</u>	<u>\$ 1,001,940</u>	<u>\$ 5,308,440</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

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	
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	78,000	63,915	62,745	204,660
2021	80,000	62,745	61,545	204,290
2022-2026	441,000	294,915	288,300	1,024,215
2027-2031	518,000	259,605	251,835	1,029,440
2032-2036	612,000	218,145	209,040	1,039,185
2037-2041	709,000	169,530	158,820	1,037,350
2042-2046	837,000	112,410	99,855	1,049,265
2047-2051	918,000	45,435	30,645	994,080
Total	<u>\$ 4,412,000</u>	<u>\$ 1,425,075</u>	<u>\$ 1,357,875</u>	<u>\$ 7,194,950</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 as of June 30, 2015, 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 \$1,435,000 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 \$184,106 (net savings) which resulted in an economic gain of \$155,036 (net present value of benefits).

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

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	
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	120,000	7,055	8,700	135,755
2021	120,000	5,412	7,055	132,467
2022-2024	<u>395,000</u>	<u>5,480</u>	<u>10,892</u>	<u>411,372</u>
Total	<u>\$ 975,000</u>	<u>\$ 48,772</u>	<u>\$ 62,130</u>	<u>\$ 1,085,902</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	
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	20,000	2,625	3,125	25,750
2021	20,000	2,125	2,625	24,750
2022-2024	<u>85,000</u>	<u>2,000</u>	<u>4,125</u>	<u>91,125</u>
Total	<u>\$ 185,000</u>	<u>\$ 17,475</u>	<u>\$ 21,930</u>	<u>\$ 224,405</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, 2016

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, 2016, 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	\$ 4,738	\$ 16,124	\$ 20,862
Public Safety	9,363	19,360	28,723
Public Works--General Fund	<u>9,753</u>	<u>17,293</u>	<u>27,046</u>
Total	<u>\$ 23,854</u>	<u>\$ 52,777</u>	<u>\$ 76,631</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 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.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

NOTE J--EMPLOYEES' RETIREMENT SYSTEM

PRIMARY GOVERNMENT

General Information about the Pension Plan

*Plan Description.* The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com) or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Summary of Significant Accounting Policies

*Pensions.* For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Benefits Provided--Defined Benefit.* The City's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. Benefit terms, within the guidelines established by MERS, are established and amended by the City Council, usually after negotiation of terms with applicable unions. Any changes to the plan, including cost of living adjustments, would have to be approved by the City Council in this manner also.

*Benefits Provided--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). Retirement benefits consist of a Defined Benefit component calculated as 1.5% of the employee's three year final average compensation 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

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

NOTE J--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Employer contributions to the Defined Contribution component of the Plan after six 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. During the fiscal year, the City contributed \$229 and employees contributed \$5,032 to the defined contribution portion of the hybrid plan.

Benefits Provided by Division

<u>Division 1 - General: Closed to new hires, linked to Division HA</u>	<u>2015 Valuation</u>
Benefit Multiplier	2.00% Multiplier (No Max)
Normal Retirement Age	60
Vesting	10 Years
Early Retirement (Unreduced)	55/15
Early Retirement (Reduced)	50/25
Final Average Compensation	3 Years
Employee Contributions	4.75%
Act 88	No
 <u>Division 2 - Police: Closed to new hires</u>	 <u>2015 Valuation</u>
Benefit Multiplier	2.50% Multiplier (80% Max)
Normal Retirement Age	60
Vesting	10 Years
Early Retirement (Unreduced)	55/25
Early Retirement (Reduced)	55/15
Final Average Compensation	3 Years
Employee Contributions	8%
Act 88	No
 <u>Division 10 - NonUnion: Closed to new hires, linked to Division HB</u>	 <u>2015 Valuation</u>
Benefit Multiplier	2.25% Multiplier (80% Max)
Normal Retirement Age	60
Vesting	10 Years
Early Retirement (Unreduced)	55/15
Early Retirement (Reduced)	50/25
Final Average Compensation	3 Years
Employee Contributions	7%
Act 88	No

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

NOTE J--EMPLOYEES' RETIREMENT SYSTEM (Continued)

<u>HA - General New Hires after 11/1/12: Open Division, linked to Division 1</u>	<u>2015 Valuation</u>
Benefit Multiplier	Hybrid Plan - 1.5% Multiplier
Normal Retirement Age	60
Vesting	6 Years
Final Average Compensation	3 Years
Employee Contributions	0%
Act 88	No

<u>HA - Non-Union hired after 6/30/13: Open Division, linked to Division 10</u>	<u>2015 Valuation</u>
Benefit Multiplier	Hybrid Plan - 1.5% Multiplier
Normal Retirement Age	60
Vesting	6 Years
Final Average Compensation	3 Years
Employee Contributions	0%
Act 88	No

*Employees covered by benefit terms.* As of the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	20
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>15</u>
Total employees covered by MERS Plan	<u><u>38</u></u>

*Contributions.* Const 1963, art 9, § 24 requires that financial benefits arising on account of employee service rendered in each year be funded during that year. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ending June 30, 2016, the active employee contributions are listed previously and the City's contribution rate of annual payroll was \$30,492 for the closed general employees division, \$61,104 for police, \$29,448 for the closed nonunion employees, 6.74% for nonunion employees, and 8.30% for general employees.



CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

NOTE J--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Net Pension Liability

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

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

Inflation	2.50%
Salary Increases	3.75% in the long-term
Investment Rate of Return	7.75%, net of investment and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with the price inflation of 3%-4%.

Mortality rates were based on 50 percent male - 50 percent female blend of the RP- 2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent, RP-2014 Employee Mortality Tables, and RP-2014 Juvenile Mortality Tables. For disabled plan members, rates were based on a blend of the 50 percent male - 50 percent RP-2014 Disabled Retiree Mortality Tables.

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

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

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

NOTE J--EMPLOYEES' RETIREMENT SYSTEM (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

*Discount Rate:* The discount rate used to measure the total pension liability is 8% for 2015. The projection of cash flows used to determine the discount rate assumes that the employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2014	<u>\$ 4,421,765</u>	<u>\$ 3,066,594</u>	<u>\$ 1,355,171</u>
Changes for the Year:			
Service Cost	88,758	-	88,758
Interest	357,602	-	357,602
Difference Between Expected and Actual Experience	(60,877)	-	(60,877)
Changes in Assumptions	184,926	-	184,926
Contributions - Employer	-	125,626	(125,626)
Contributions - Employee	-	45,289	(45,289)
Net Investment Income	-	(45,441)	45,441
Benefit Payments, Including Refunds	(263,163)	(263,163)	-
Administrative Expenses	-	(6,676)	6,676
Net Changes	<u>307,246</u>	<u>(144,365)</u>	<u>451,611</u>
Balance at December 31, 2015	<u>\$ 4,729,011</u>	<u>\$ 2,922,229</u>	<u>\$ 1,806,782</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

NOTE J--EMPLOYEES' RETIREMENT SYSTEM (Continued)

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the employer, calculated using the discount rate of 8.25%, as well as what the employer's net pension liability would be using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Net pension liability of the City	\$ 2,326,392	\$ 1,806,782	\$ 1,367,998

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

For the year ended June 30, 2016, the City recognized pension expense of \$244,076. At June 30, 2016, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Experience	\$ -	\$ 53,267
Differences in Assumptions	161,810	-
Excess (Deficit) Investment Returns	268,081	-
Contributions subsequent to the measurement date*	<u>67,207</u>	<u>-</u>
Total	<u>\$ 497,098</u>	<u>\$ 53,267</u>

\*The amount reported as deferred outflow of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the fiscal year ending June 30, 2017.

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

Years Ending June 30	Amount
2017	\$ 85,243
2018	85,243
2019	85,243
2020	74,377
2021	15,506
2022-2023	31,012

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

NOTE J--EMPLOYEES' RETIREMENT SYSTEM (Continued)

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.

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 \$40,165 and employees contributed \$7,615 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 for 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.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

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

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 to 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. However, all employees hired under the AFL-CIO collective bargaining agreement after July 1, 2014 are no longer eligible for this benefit.

Currently, one (1) 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 2016 totaled \$18,449.

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, 2016, 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:

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

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

Annual Required Contribution	\$ 45,666
Interest on Beginning of Year Net OPEB Obligation (5.5%)	<u>17,341</u>
Annual OPEB Cost	63,007
Amounts Contributed	
Payments of Current Premiums	<u>(18,449)</u>
Increase in Net OPEB Obligation	44,558
Net OPEB Obligation--Beginning of Year	<u>315,286</u>
Net OPEB Obligation--End of Year	<u><u>\$ 359,844</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, 2016 were as follows:

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual OPEB Costs	\$ 83,991	\$ 75,990	\$ 63,007
Percentage Contributed	8%	1%	29%
Net OPEB Obligation	\$ 240,046	\$ 315,286	\$ 359,844

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
2016	\$ -	\$ 1,369,973	\$(1,369,973)	0%	\$ 815,150	168%

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.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

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

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

NOTE L--RISK MANAGEMENT/SELF-INSURANCE PROGRAMS

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.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2016

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, 2015	\$ (95,626)
Current year construction permit revenue	36,964
Related expenses - Direct costs	(33,383)
Related expenses - Indirect costs	<u>(3,338)</u>
Current year surplus	<u>243</u>
Cumulative (deficit) at June 30, 2016	<u>\$ (95,383)</u>

NOTE N--CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 72, Fair Value Measurement and Application, was implemented during the year. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, was implemented during the year. The Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.



CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016

NOTE O--UPCOMING REPORTING CHANGE

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

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: (1) Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) The gross dollar amount of taxes abated during the period; (3) Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. GASB Statement No. 77 is effective for fiscal years beginning after December 15, 2015. The City is currently evaluating the effect of the new pronouncement.

CITY OF WILLIAMSTON  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN THE CITY'S NET  
 PENSION LIABILITY AND RELATED RATIOS\*  
 For the Fiscal Year Ending June 30, 2016

	2016	2015
Total Pension Liability		
Service Cost	\$ 88,758	\$ 98,706
Interest	357,602	343,261
Difference Between Expected and Actual Experience	(60,877)	-
Changes in Assumptions	184,926	
Benefit payments including employee refunds	(263,163)	(263,163)
Net Change in Total Pension Liability	307,246	178,804
Total Pension Liability beginning	4,421,765	4,242,961
Total Pension Liability ending	<u>\$ 4,729,011</u>	<u>\$ 4,421,765</u>
Plan Fiduciary Net Position		
Contributions-employer	\$ 125,626	\$ 130,642
Contributions-employee	45,289	45,976
Net Investment income	(45,441)	187,084
Benefit payments including employee refunds	(263,163)	(263,163)
Administrative expense	(6,676)	(6,862)
Net Change in Plan Fiduciary Net Position	(144,365)	93,677
Plan Fiduciary Net Position beginning	3,066,594	2,972,917
Plan Fiduciary Net Position ending	<u>\$ 2,922,229</u>	<u>\$ 3,066,594</u>
Employer Net Pension Liability	<u>\$ 1,806,782</u>	<u>\$ 1,355,171</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	62%	69%
Covered Employee Payroll	\$ 786,514	\$ 863,134
Employer's Net Pension Liability as a percentage of covered employee payroll	230%	157%

Notes to schedule:

There were no benefit changes or changes in assumptions or methods affecting the 2015 valuation.

Above dates are based on measurement date, which may not necessarily tie to the fiscal year

\*10-year schedule as required by GASB Statement No. 68 will be built prospectively upon implementation of the standard.

CITY OF WILLIAMSTON  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CITY'S CONTRIBUTIONS  
For the Fiscal Year Ending June 30, 2016

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarial Determined Contributions*	\$ 125,893	\$ 130,642	\$ 121,382	\$ 100,193	\$ 91,228	\$ 99,316	\$ 109,042	\$ 273,351	\$ 107,678	\$ 109,160
Contributions in relation to the actuarially determined contribution	125,893	130,642	121,382	100,193	91,228	99,316	109,042	273,351	107,678	109,160
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	786,514	863,134	804,404	757,014	750,515	765,918	830,907	865,146	847,111	944,214
Contributions as a percentage of covered employee payroll	16%	15%	15%	13%	12%	13%	13%	32%	13%	12%

Notes to Schedule

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry Age  
Amortization method Level percentage of payroll, open  
Remaining amortization period 25 years  
Asset valuation method 10 year smoothed  
Inflation 2.5%  
Salary Increases 3.75% in the long-term  
Investment rate of return 7.75%, net of investment and administrative expense including inflation  
Retirement age Experience-based tables of rates that are specific to the type of eligibility condition  
Mortality 50% Female/50% Male based on RP-2014 Group Annuity Mortality Table

CITY OF WILLIAMSTON  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS  
 For the Fiscal Year Ending June 30, 2016

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
06/30/14	\$ -	\$ 2,251,814	\$ 2,251,814	0%	\$ 729,063	309%
06/30/15	-	1,883,602	1,883,602	0%	824,979	228%
06/30/16	-	1,369,973	1,369,973	0%	815,150	168%

**CITY OF WILLIAMSTON**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2016**

**EXHIBIT K**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
<b>Revenues</b>				
Taxes and Penalties	\$ 1,478,000	\$ 1,478,000	\$ 1,503,946	\$ 25,946
Licenses and Permits	49,750	49,750	64,232	14,482
State Grants	337,350	337,350	335,326	(2,024)
Charges for Services	10,550	14,850	12,039	(2,811)
Fines and Forfeitures	4,500	4,500	7,629	3,129
Interest and Rentals	6,350	6,350	9,046	2,696
Other Revenue	223,000	243,000	255,776	12,776
<b>Total Revenues</b>	<b>2,109,500</b>	<b>2,133,800</b>	<b>2,187,994</b>	<b>54,194</b>
<b>Expenditures</b>				
<b>Current</b>				
General Government	910,250	883,975	794,725	89,250
Public Safety	671,475	655,975	612,738	43,237
Public Works	295,300	298,300	281,347	16,953
Community and Economic Development	68,750	102,250	96,669	5,581
Recreation and Culture	93,800	130,100	128,404	1,696
Capital Outlay	47,500	57,500	54,597	2,903
<b>Total Expenditures</b>	<b>2,087,075</b>	<b>2,128,100</b>	<b>1,968,480</b>	<b>159,620</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>22,425</b>	<b>5,700</b>	<b>219,514</b>	<b>213,814</b>
<b>Other Financing Sources (Uses)</b>				
Interfund Transfers (Out)	(130,000)	(130,000)	(130,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(130,000)</b>	<b>(130,000)</b>	<b>(130,000)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(107,575)</b>	<b>(124,300)</b>	<b>89,514</b>	<b>213,814</b>
<b>Fund Balance--July 1, 2015</b>	<b>935,754</b>	<b>935,754</b>	<b>935,755</b>	<b>(1)</b>
<b>Fund Balance--June 30, 2016</b>	<b>\$ 828,179</b>	<b>\$ 811,454</b>	<b>\$ 1,025,269</b>	<b>\$ 213,815</b>

**CITY OF WILLIAMSTON**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**MAJOR STREET--MAJOR SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2016**

**EXHIBIT L**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Revenues				
State Grants				
MTF Distributions	\$ 187,200	\$ 187,200	\$ 201,693	\$ 14,493
Metro Act	10,000	10,000	13,215	3,215
Other State Grants	5,510	5,510	39,745	34,235
Interest and Rentals	-	-	158	158
Other Revenue	200	200	-	(200)
Total Revenues	<u>202,910</u>	<u>202,910</u>	<u>254,811</u>	<u>51,901</u>
Expenditures				
Public Works				
Nonmotorized Transportation	15,100	15,100	8,926	6,174
Surface Maintenance	57,400	57,400	43,952	13,448
Sweeping/Flushing	7,850	19,850	15,230	4,620
Bridge Maintenance	4,700	4,700	3,421	1,279
Traffic Control	17,700	18,700	16,652	2,048
Winter Maintenance	38,400	37,300	22,197	15,103
Administration	8,200	8,300	8,220	80
Capital Outlay				
Preservation/Structural Improvements	190,000	190,000	153,156	36,844
Total Expenditures	<u>339,350</u>	<u>351,350</u>	<u>271,754</u>	<u>79,596</u>
Excess of Revenues Over (Under) Expenditures	<u>(136,440)</u>	<u>(148,440)</u>	<u>(16,943)</u>	<u>131,497</u>
Other Financing Sources (Uses)				
Interfund Transfers In	70,000	70,000	68,712	(1,288)
Interfund Transfers (Out)	(154,700)	(154,700)	(154,700)	-
Total Other Financing Sources (Uses)	<u>(84,700)</u>	<u>(84,700)</u>	<u>(85,988)</u>	<u>(1,288)</u>
Net Change in Fund Balance	(221,140)	(233,140)	(102,931)	130,209
Fund Balance--July 1, 2015	<u>283,823</u>	<u>283,823</u>	<u>283,823</u>	<u>-</u>
Fund Balance--June 30, 2016	<u>\$ 62,683</u>	<u>\$ 50,683</u>	<u>\$ 180,892</u>	<u>\$ 130,209</u>

**CITY OF WILLIAMSTON**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**LOCAL STREET--MAJOR SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2016**

**EXHIBIT M**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
<b>Revenues</b>				
State Grants				
MTF Distributions	\$ 58,875	\$ 58,875	\$ 63,395	\$ 4,520
Interest and Rentals	25	25	190	165
Other Revenues	50	50	1,697	1,647
<b>Total Revenues</b>	<b>58,950</b>	<b>58,950</b>	<b>65,282</b>	<b>6,332</b>
<b>Expenditures</b>				
Public Works				
Nonmotorized Transportation	5,925	11,925	11,383	542
Surface Maintenance	56,000	56,000	41,891	14,109
Sweeping/Flushing	9,200	9,200	7,900	1,300
Bridge Maintenance	3,025	3,025	2,000	1,025
Traffic Control	13,700	13,700	10,057	3,643
Winter Maintenance	40,650	39,650	20,337	19,313
Administration	8,050	8,050	7,973	77
<b>Total Expenditures</b>	<b>136,550</b>	<b>141,550</b>	<b>101,541</b>	<b>40,009</b>
Excess of Revenues Over (Under) Expenditures	(77,600)	(82,600)	(36,259)	46,341
<b>Other Financing Sources (Uses)</b>				
Interfund Transfers In	60,000	60,000	60,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>-</b>
Net Change in Fund Balance	(17,600)	(22,600)	23,741	46,341
Fund Balance--July 1, 2015	23,224	23,224	23,224	-
Fund Balance--June 30, 2016	\$ 5,624	\$ 624	\$ 46,965	\$ 46,341

**CITY OF WILLIAMSTON  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2016**

**EXHIBIT N**

	<b><u>DEBT SERVICE FUNDS</u></b>		
	2003 Act 175 Bond Debt	2003 Act 342 Bond Debt	Total
<b><u>ASSETS</u></b>			
Due From Other Funds--Primary Government	<u>\$ 279</u>	<u>\$ 110,333</u>	<u>\$ 110,612</u>
Total Assets	<u><u>\$ 279</u></u>	<u><u>\$ 110,333</u></u>	<u><u>\$ 110,612</u></u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Accounts Payable	<u>\$ -</u>	<u>\$ 110,333</u>	<u>\$ 110,333</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 110,333</u>	<u>\$ 110,333</u>
Fund Balances			
Restricted for Debt Service	<u>279</u>	<u>-</u>	<u>279</u>
Total Fund Balances	<u>279</u>	<u>-</u>	<u>279</u>
Total Liabilities and Fund Balances	<u><u>\$ 279</u></u>	<u><u>\$ 110,333</u></u>	<u><u>\$ 110,612</u></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, 2016**

**EXHIBIT O**

	<b>DEBT</b>		<b>Total</b>
	<b>SERVICE FUNDS</b>		
	2003 Act 175 <u>Bond Debt</u>	2003 Act 342 <u>Bond Debt</u>	
Total Revenues	\$ -	\$ -	\$ -
Expenditures			
Current			
Principal	20,000	90,000	110,000
Interest and Fees	<u>3,960</u>	<u>42,565</u>	<u>46,525</u>
Total Expenditures	<u>23,960</u>	<u>132,565</u>	<u>156,525</u>
Excess of Revenue Over (Under)			
Expenditures	<u>(23,960)</u>	<u>(132,565)</u>	<u>(156,525)</u>
Other Financing Sources (Uses)			
Interfund Transfers In (Primary Government)	<u>24,000</u>	<u>131,988</u>	<u>155,988</u>
Total Other Financing Sources (Uses)	<u>24,000</u>	<u>131,988</u>	<u>155,988</u>
Net Change in Fund Balances	40	(577)	(537)
Fund Balance--July 1, 2015	<u>239</u>	<u>577</u>	<u>816</u>
Fund Balance--June 30, 2016	<u>\$ 279</u>	<u>\$ -</u>	<u>\$ 279</u>

**CITY OF WILLIAMSTON**  
**SCHEDULE OF REVENUES**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2016**

**EXHIBIT P**

	<b>BUDGETED AMOUNTS</b>			Variance With
	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	Amended Budget Positive (Negative)
Taxes and Penalties				
Current Property Taxes	\$ 1,404,000	\$ 1,404,000	\$ 1,403,277	\$ (723)
Mobile Home Tax	500	500	374	(126)
Local Community Stabilization	-	-	17,065	17,065
Penalties and Interest on Taxes	10,000	10,000	17,461	7,461
Property Tax Administration Fees	63,500	63,500	65,769	2,269
<b>Total Taxes and Penalties</b>	<b>1,478,000</b>	<b>1,478,000</b>	<b>1,503,946</b>	<b>25,946</b>
Licenses and Permits				
Cable Franchise Fee	23,000	23,000	23,918	918
Building Permits	25,000	25,000	36,964	11,964
Zoning Permits	750	750	2,040	1,290
Other Licenses and Permits	1,000	1,000	1,310	310
<b>Total Licenses and Permits</b>	<b>49,750</b>	<b>49,750</b>	<b>64,232</b>	<b>14,482</b>
State Grants				
Liquor Licenses	3,500	3,500	4,234	734
Act 302 Officer Training	600	600	1,222	622
State Shared Revenue	333,250	333,250	329,870	(3,380)
<b>Total State Grants</b>	<b>337,350</b>	<b>337,350</b>	<b>335,326</b>	<b>(2,024)</b>
Charges for Services				
General Sales	500	500	1,079	579
Garbage Bag Sales	3,300	3,300	2,306	(994)
Farm Market Fees	-	4,300	3,524	(776)
Police Reports and Service Fees	6,500	6,500	4,380	(2,120)
Miscellaneous	250	250	750	500
<b>Total Charges for Services</b>	<b>10,550</b>	<b>14,850</b>	<b>12,039</b>	<b>(2,811)</b>
Fines and Forfeitures				
Parking Fines and Civil Infractions	4,500	4,500	7,629	3,129
<b>Total Fines and Forfeitures</b>	<b>4,500</b>	<b>4,500</b>	<b>7,629</b>	<b>3,129</b>
Interest and Rentals				
Interest Earned	350	350	3,046	2,696
Building Rental	6,000	6,000	6,000	-
<b>Total Interest and Rentals</b>	<b>6,350</b>	<b>6,350</b>	<b>9,046</b>	<b>2,696</b>
Other Revenue				
Donations	2,000	22,000	25,250	3,250
Administrative Reimbursements	187,500	187,500	182,500	(5,000)
Refunds and Reimbursements	33,500	33,500	48,026	14,526
<b>Total Other Revenue</b>	<b>223,000</b>	<b>243,000</b>	<b>255,776</b>	<b>12,776</b>
<b>Total Revenues</b>	<b>\$ 2,109,500</b>	<b>\$ 2,133,800</b>	<b>\$ 2,187,994</b>	<b>\$ 54,194</b>

**CITY OF WILLIAMSTON**  
**SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2016**

**EXHIBIT Q**

	<b>BUDGETED AMOUNTS</b>			Variance With
	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	Amended Budget Positive (Negative)
General Government				
City Council	\$ 28,750	\$ 23,750	\$ 22,060	\$ 1,690
City Manager	142,950	138,950	125,961	12,989
Clerk	106,400	138,025	126,695	11,330
Treasurer	190,200	144,500	130,420	14,080
Assessor	60,000	60,000	59,635	365
Elections	8,200	10,500	8,971	1,529
Buildings and Grounds	282,000	275,500	231,016	44,484
Attorney	59,000	59,000	56,433	2,567
Cemetery Board	15,000	15,000	15,000	-
Wheatfield Township 425 Revenue Sharing	17,750	18,750	18,534	216
<b>Total General Government</b>	<b>910,250</b>	<b>883,975</b>	<b>794,725</b>	<b>89,250</b>
Public Safety				
Police	612,975	612,975	578,855	34,120
Building Department	58,000	42,500	33,383	9,117
Ingham County Hazmat Team	500	500	500	-
<b>Total Public Safety</b>	<b>671,475</b>	<b>655,975</b>	<b>612,738</b>	<b>43,237</b>
Public Works				
Department of Public Works	80,600	80,600	73,599	7,001
Street Lighting	72,000	72,000	66,753	5,247
City Tree Service	69,200	72,200	69,873	2,327
Tobias Drain Assessment	73,500	73,500	71,122	2,378
<b>Total Public Works</b>	<b>295,300</b>	<b>298,300</b>	<b>281,347</b>	<b>16,953</b>
Community and Economic Development				
Planning Commission	35,250	52,250	49,771	2,479
Community and Economic Development Administration	33,500	50,000	46,898	3,102
<b>Total Community and Economic Development</b>	<b>68,750</b>	<b>102,250</b>	<b>96,669</b>	<b>5,581</b>
Recreation and Culture				
Parks and Recreation	93,800	123,300	123,259	41
Farmer's Market	-	6,800	5,145	1,655
<b>Total Recreation and Culture</b>	<b>93,800</b>	<b>130,100</b>	<b>128,404</b>	<b>1,696</b>
Capital Outlay				
New Equipment	47,500	57,500	54,597	2,903
<b>Total Capital Outlay</b>	<b>47,500</b>	<b>57,500</b>	<b>54,597</b>	<b>2,903</b>
Other Financing Uses				
Local Street Fund	70,000	70,000	70,000	-
Equipment Fund	60,000	60,000	60,000	-
<b>Total Other Financing Uses</b>	<b>130,000</b>	<b>130,000</b>	<b>130,000</b>	<b>-</b>
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ 2,217,075</b>	<b>\$ 2,258,100</b>	<b>\$ 2,098,480</b>	<b>\$ 159,620</b>

**CITY OF WILLIAMSTON  
GOVERNMENTAL FUND BALANCE SHEET  
STATEMENT OF NET POSITION  
ECONOMIC DEVELOPMENT CORPORATION  
June 30, 2016**

**EXHIBIT R**

	<u>Modified Accrual Basis</u>	<u>Full Accrual Adjustments</u>	<u>Statement of Net Position</u>
<b><u>ASSETS</u></b>			
Current Assets			
Cash	\$ 27,923	\$ -	\$ 27,923
Investments	<u>45,135</u>	<u>-</u>	<u>45,135</u>
Total Assets	<u>\$ 73,058</u>	<u>-</u>	<u>73,058</u>
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Due to Other Funds--Primary Government	<u>\$ -</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>FUND BALANCE/NET POSITION</u></b>			
Fund Balance--Restricted	<u>73,058</u>	<u>(73,058)</u>	<u>-</u>
Total Fund Balance	<u>73,058</u>	<u>(73,058)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 73,058</u>		
Net Position			
Restricted for Economic Development Programs		<u>73,058</u>	<u>73,058</u>
Total Net Position		<u>\$ 73,058</u>	<u>\$ 73,058</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, 2016**

**EXHIBIT S**

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Activities
Revenue			
Interest and Rents	\$ 154	\$ -	\$ 154
Total Revenue	<u>154</u>	<u>-</u>	<u>154</u>
Expenditures			
Community and Economic Development	3,770	-	3,770
Total Expenditures	<u>3,770</u>	<u>-</u>	<u>3,770</u>
Excess of Revenue Over (Under) Expenditures/Change in Net Position	<u>(3,616)</u>	<u>-</u>	<u>(3,616)</u>
Fund Balance/Net Position--Beginning of Year	<u>76,674</u>	<u>-</u>	<u>76,674</u>
Fund Balance/Net Position--End of Year	<u><u>\$ 73,058</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 73,058</u></u>

**CITY OF WILLIAMSTON  
GOVERNMENTAL FUND BALANCE SHEET  
STATEMENT OF NET POSITION  
TAX INCREMENT FINANCE AUTHORITY 2A  
June 30, 2016**

**EXHIBIT T**

	<u>Modified Accrual Basis</u>	<u>Full Accrual Adjustments</u>	<u>Statement of Net Position</u>
<b><u>ASSETS</u></b>			
Current Assets			
Cash	\$ 6,536	\$ -	\$ 6,536
Due From Other Funds--Primary Government	<u>170</u>	<u>-</u>	<u>170</u>
Total Current Assets	<u>6,706</u>	<u>-</u>	<u>6,706</u>
Noncurrent Assets			
Capital Assets--Depreciating	<u>-</u>	<u>33,526</u>	<u>33,526</u>
Total Noncurrent Assets	<u>-</u>	<u>33,526</u>	<u>33,526</u>
Total Assets	<u><u>\$ 6,706</u></u>	<u>33,526</u>	<u>40,232</u>
<b><u>LIABILITIES</u></b>			
Total Liabilities	<u>\$ -</u>	<u>-</u>	<u>-</u>
<b><u>FUND BALANCE/NET POSITION</u></b>			
Fund Balance--Restricted	<u>6,706</u>	<u>(6,706)</u>	<u>-</u>
Total Fund Balance	<u>6,706</u>	<u>(6,706)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u><u>\$ 6,706</u></u>		
Net Position			
Net Investment in Capital Assets		33,526	33,526
Restricted for Tax Increment Finance Plans		<u>6,706</u>	<u>6,706</u>
Total Net Position		<u><u>\$ 40,232</u></u>	<u><u>\$ 40,232</u></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, 2016**

**EXHIBIT U**

	<u>Modified Accrual Basis</u>	<u>Full Accrual Adjustments</u>	<u>Statement of Activities</u>
Revenue			
Interest and Rents	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ 31</u>
Total Revenue	<u>31</u>	<u>-</u>	<u>31</u>
Expenditures			
Community and Economic Development	<u>14,989</u>	<u>1,863</u>	<u>16,852</u>
Total Expenditures	<u>14,989</u>	<u>1,863</u>	<u>16,852</u>
Excess of Revenue Over (Under) Expenditures/Change in Net Position	<u>(14,958)</u>	<u>(1,863)</u>	<u>(16,821)</u>
Fund Balance/Net Position--Beginning of Year	<u>21,664</u>	<u>35,389</u>	<u>57,053</u>
Fund Balance/Net Position--End of Year	<u><u>\$ 6,706</u></u>	<u><u>\$ 33,526</u></u>	<u><u>\$ 40,232</u></u>

**CITY OF WILLIAMSTON  
GOVERNMENTAL FUND BALANCE SHEET  
STATEMENT OF NET POSITION  
TAX INCREMENT FINANCE AUTHORITY 2B  
June 30, 2016**

**EXHIBIT V**

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Position
<b><u>ASSETS</u></b>			
Current Assets			
Cash	\$ 241,515	\$ -	\$ 241,515
Investments	706,850	-	706,850
Total Current Assets	948,365	-	948,365
Noncurrent Assets			
Capital Assets--Nondepreciating	-	265,828	265,828
Capital Assets--Depreciating	-	479,695	479,695
Total Noncurrent Assets	-	745,523	745,523
Total Assets	<u>\$ 948,365</u>	<u>745,523</u>	<u>1,693,888</u>
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Accounts Payable	\$ 298	-	298
Due to Other Funds--Primary Government	4,189	-	4,189
Total Liabilities	4,487	-	4,487
<b><u>FUND BALANCE/NET POSITION</u></b>			
Fund Balance--Restricted	943,878	(943,878)	-
Total Fund Balance	943,878	(943,878)	-
Total Liabilities and Fund Balance	<u>\$ 948,365</u>		
Net Position			
Net Investment in Capital Assets		745,523	745,523
Restricted for Tax Increment Finance Plans		943,878	943,878
Total Net Position		<u>\$ 1,689,401</u>	<u>\$ 1,689,401</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, 2016**

**EXHIBIT W**

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Activities
Revenue			
Property Taxes	\$ 252,495	\$ -	\$ 252,495
Interest and Rents	2,489	-	2,489
	<u>254,984</u>	<u>-</u>	<u>254,984</u>
Total Revenue			
Expenditures			
Community and Economic Development	61,002	37,380	98,382
Capital Outlay	51,930	(51,930)	-
	<u>112,932</u>	<u>(14,550)</u>	<u>98,382</u>
Total Expenditures			
Excess of Revenue Over (Under) Expenditures/Change in Net Position	<u>142,052</u>	<u>14,550</u>	<u>156,602</u>
Change in Net Position	<u>-</u>	<u>14,550</u>	<u>156,602</u>
Fund Balance/Net Position--Beginning of Year	<u>801,827</u>	<u>730,972</u>	<u>1,532,799</u>
Fund Balance/Net Position--End of Year	<u><u>\$ 943,879</u></u>	<u><u>\$ 745,522</u></u>	<u><u>\$ 1,689,401</u></u>

**CITY OF WILLIAMSTON  
GOVERNMENTAL FUND BALANCE SHEET  
STATEMENT OF NET POSITION  
DOWNTOWN DEVELOPMENT AUTHORITY  
June 30, 2016**

**EXHIBIT X**

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Position
<b><u>ASSETS</u></b>			
Current Assets			
Cash	\$ 33,937	\$ -	\$ 33,937
Investments	100,415	-	100,415
Due From Other Funds--Primary Government	25,508	-	25,508
Total Current Assets	<u>159,860</u>	<u>-</u>	<u>159,860</u>
Noncurrent Assets			
Restricted Cash	7,071	-	7,071
Capital Assets--Nondepreciating	-	453,656	453,656
Capital Assets--Depreciating	-	909,758	909,758
Total Noncurrent Assets	<u>7,071</u>	<u>1,363,414</u>	<u>1,370,485</u>
Total Assets	<u>\$ 166,931</u>	<u>1,363,414</u>	<u>1,530,345</u>
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Accounts Payable	\$ 98	-	98
Accrued Liabilities	156	-	156
Total Current Liabilities	<u>254</u>	<u>-</u>	<u>254</u>
Non-Current Liabilities			
Bonds Payable--Due Within One Year	-	130,000	130,000
Bonds Payable--Due in More Than One Year	-	1,030,000	1,030,000
Total Noncurrent Liabilities	<u>-</u>	<u>1,160,000</u>	<u>1,160,000</u>
Total Liabilities	<u>254</u>	<u>1,160,000</u>	<u>1,160,254</u>
<b><u>FUND BALANCE/NET POSITION</u></b>			
Fund Balance--Restricted	<u>166,677</u>	<u>(166,677)</u>	<u>-</u>
Total Fund Balance	<u>166,677</u>	<u>(166,677)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 166,931</u>		
Net Position			
Net Investment in Capital Assets		203,414	203,414
Restricted for Downtown Development Activities		166,677	166,677
Total Net Position		<u>\$ 370,091</u>	<u>\$ 370,091</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, 2016**

**EXHIBIT Y**

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Activities
Revenue			
Property Taxes	\$ 376,813	\$ -	\$ 376,813
Charges for Services	2,843	-	2,843
Interest and Rents	355	-	355
Other Revenue	499	-	499
	<u>380,510</u>	<u>-</u>	<u>380,510</u>
Total Revenue			
Expenditures			
Community and Economic Development	148,446	36,779	185,225
Debt Service			
Principal	125,000	(125,000)	-
Interest	37,494	-	37,494
	<u>310,940</u>	<u>(88,221)</u>	<u>222,719</u>
Total Expenditures			
Excess of Revenue Over (Under) Expenditures/Change in Net Position	<u>69,570</u>	<u>88,221</u>	<u>157,791</u>
Fund Balance/Net Position--Beginning of Year	<u>97,107</u>	<u>115,193</u>	<u>212,300</u>
Fund Balance/Net Position--End of Year	<u><u>\$ 166,677</u></u>	<u><u>\$ 203,414</u></u>	<u><u>\$ 370,091</u></u>



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

NICK A. KHOURI  
STATE TREASURER

December 20, 2016

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, 2016, 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 20, 2016.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### 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.

Sincerely,



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Government Financial Services Division



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

NICK A. KHOURI  
STATE TREASURER

December 20, 2016

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, 2016, and have issued our report thereon dated December 20, 2016. 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 on September 28, 2015, 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. As described in Note N, during the fiscal year ended June 30, 2016, the City implemented GASB Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The notes to the financial statement now includes fair value information relating to the City's investments. 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 relates to depreciation, the net pension liability, and the liability related to other post-employment benefits. Management's estimate of the depreciation is based on the straight-line method for all other capital assets. For the pension, estimates and assumptions are determined by MERS and its actuary, based on the City's negotiations with its bargaining units and resolutions of the City Council. For retiree health care, the estimates and assumptions are based on actuarial techniques. 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 20, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City 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.

Sincerely,



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Government Financial Services Division