

City of Wayland
Allegan County, Michigan

FINANCIAL STATEMENTS

Year ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Wayland, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wayland, Michigan, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wayland, Michigan, as of June 30, 2018, 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, budgetary comparison information, and the pension schedules, as listed in the contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wayland, Michigan's basic financial statements. The combining nonmajor governmental fund financial statements, component unit financial statements, and schedules of debt retirement and annual interest requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements, component unit financial statements, and schedules of debt retirement and annual interest requirements (supplementary information) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Siegfried Crandall P.C.

November 15, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Wayland's (the City) financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$391,504 as a result of this year's activities. Net position of the governmental activities increased by \$155,984 and net position of the business-type activities increased by \$235,520.
- Total net position at the end of the fiscal year was \$11,110,726. However, \$9,194,615 of this total represents a net investment in capital assets and \$853,857 is restricted for various purposes. Consequently, the City's unrestricted net position is \$1,062,254, which is available to be used at the Councils discretion, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$232,169, which represents 10 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The City's annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how general government services, like public safety, were financed in the short-term, as well as what balance remains for future spending.
 - Proprietary funds statements offer short-term and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
 - Agency funds statements provide information about the financial relationships in which the City acts solely as an agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2018 and 2017 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position (the difference between the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources) is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional nonfinancial factors, such as changes in the City's property tax base and the condition of the City's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the City's basic services are included here, such as police protection, fire protection, and general government. Property taxes and state shared revenues generally fund these activities.
- *Business-type activities* - The City charges fees to customers to help it cover the costs of certain services it provides. The City's sewer and water systems are reported here.
- *Component unit* - The City includes another entity in its report - the Downtown Development Authority. Although legally separate, this "component unit" is important because the City is financially accountable for it.

Fund financial statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law (like the street funds) and bond agreements.
- The City Council establishes other funds to control and manage money for particular purposes (such as Community Building and Park activities) or to show that it is properly using certain taxes and other revenues (such as property taxes collected by Allegan County for the Special Road Fund).

The City has three types of funds:

- *Governmental funds.* Most of the City's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Proprietary funds.* Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-term and short-term financial information.
 - The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The City's sewer and water utility systems are reported in enterprise funds.
 - The City uses an internal service fund (the other type of proprietary fund) to report activities that provide services for the City's other programs and activities. The City's only internal service fund is its Equipment Fund.
- *Agency funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of other taxing jurisdictions outside the City. The City is responsible for ensuring that the assets reported in the agency funds are used for their intended purposes. The City's agency balances are reported in a separate Statement of Assets and Liabilities. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$11,110,726. Of this total, \$9,194,615 represents a net investment in capital assets and \$853,857 is restricted for various purposes. Consequently, unrestricted net position was \$1,062,254, or 10 percent of the total.

Condensed financial information
Net position

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 2,058,233	\$ 2,231,010	\$ 2,223,699	\$ 2,137,790	\$ 4,281,932	\$ 4,368,800
Capital assets	<u>5,999,060</u>	<u>5,801,089</u>	<u>5,140,716</u>	<u>5,138,868</u>	<u>11,139,776</u>	<u>10,939,957</u>
Total assets	<u>8,057,293</u>	<u>8,032,099</u>	<u>7,364,415</u>	<u>7,276,658</u>	<u>15,421,708</u>	<u>15,308,757</u>
Deferred outflows of resources	<u>156,727</u>	<u>390,900</u>	<u>44,419</u>	<u>116,009</u>	<u>201,146</u>	<u>506,909</u>
Long-term debt	<u>614,613</u>	<u>720,940</u>	<u>1,330,548</u>	<u>1,622,257</u>	<u>1,945,161</u>	<u>2,343,197</u>
Current and other liabilities	<u>1,940,879</u>	<u>2,273,295</u>	<u>533,030</u>	<u>479,952</u>	<u>2,473,909</u>	<u>2,753,247</u>
Total liabilities	<u>2,555,492</u>	<u>2,994,235</u>	<u>1,863,578</u>	<u>2,102,209</u>	<u>4,419,070</u>	<u>5,096,444</u>
Deferred inflows of resources	<u>73,780</u>	<u>-</u>	<u>19,278</u>	<u>-</u>	<u>93,058</u>	<u>-</u>
Net position:						
Net investment in capital assets	<u>5,384,447</u>	<u>5,080,149</u>	<u>3,810,168</u>	<u>3,516,611</u>	<u>9,194,615</u>	<u>8,596,760</u>
Restricted	<u>853,857</u>	<u>885,764</u>	<u>-</u>	<u>-</u>	<u>853,857</u>	<u>885,764</u>
Unrestricted	<u>(653,556)</u>	<u>(537,149)</u>	<u>1,715,810</u>	<u>1,773,847</u>	<u>1,062,254</u>	<u>1,236,698</u>
Total net position	<u>\$ 5,584,748</u>	<u>\$ 5,428,764</u>	<u>\$ 5,525,978</u>	<u>\$ 5,290,458</u>	<u>\$ 11,110,726</u>	<u>\$ 10,719,222</u>

The 2017 column, for governmental activities, reflects restated amounts for current and other assets and the related net position, unrestricted, as a result of a prior period adjustment recorded in fiscal year 2018. Both amounts were reduced by \$106,820, for the effect of correcting the amount due to the component unit.

Changes in net position

The City's total revenues for the current fiscal year were \$4,459,719. In the current year, approximately 34 percent of the City's revenues come from property taxes and another 14 percent come from operating grants. Only 9 percent of the total revenues came from state shared revenue.

The total cost of the City's programs, covering a wide range of services, totaled \$4,068,215. More than 23 percent of the City's expenses relate to the public works function and 30 percent relates to the public safety function. The provision of utility services accounted for approximately 29 percent of the costs.

*Condensed financial information
Changes in net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	2018	2017	2018	2017	2018	2017
Program revenues:						
Charges for services	\$ 446,122	\$ 316,686	\$ 1,214,398	\$ 1,254,645	\$ 1,660,520	\$ 1,571,331
Grants and contributions:						
Operating	587,957	490,736	56,899	129,253	644,856	619,989
Capital	-	-	126,201	25,236	126,201	25,236
General revenues:						
Property taxes	1,503,042	1,487,551	-	-	1,503,042	1,487,551
State shared revenue	402,608	390,623	-	-	402,608	390,623
Local community stabilization	52,789	97,698	-	-	52,789	97,698
Unrestricted interest income	49,920	23,026	2,301	4,583	52,221	27,609
Franchise fees	17,482	49,479	-	-	17,482	49,479
Miscellaneous	-	33,821	-	-	-	33,821
Total revenues	3,059,920	2,889,620	1,399,799	1,413,717	4,459,719	4,303,337
Expenses:						
General government	663,798	542,593	-	-	663,798	542,593
Public safety	1,228,619	1,158,511	-	-	1,228,619	1,158,511
Public works	921,841	1,302,979	-	-	921,841	1,302,979
Community and economic development	22,744	59,082	-	-	22,744	59,082
Health and welfare	14,510	15,281	-	-	14,510	15,281
Recreation and culture	14,109	37,064	-	-	14,109	37,064
Interest	38,315	31,145	-	-	38,315	31,145
Sewer	-	-	670,077	625,320	670,077	625,320
Water	-	-	494,202	476,775	494,202	476,775
Total expenses	2,903,936	3,146,655	1,164,279	1,102,095	4,068,215	4,248,750
Changes in net position	\$ 155,984	\$ (257,035)	\$ 235,520	\$ 311,622	\$ 391,504	\$ 54,587
Net position, end of year	\$ 5,584,748	\$ 5,428,764	\$ 5,525,978	\$ 5,290,458	\$ 11,110,726	\$ 10,719,222

The 2017 column, for governmental activities, reflects a restated amount as a result of a prior period adjustment recorded in fiscal year 2018. Net position, unrestricted, was reduced by \$106,820, for the effect of correcting the amount due to the component unit.

Governmental activities

Governmental activities increased the City's net position by \$155,984, in the current year, compared to a \$257,035 decrease in the prior year. The increase in net position in the current year was a result of revenues increasing by \$170,300, while expenses decreased by \$242,719.

Total revenues were higher primarily due to a \$129,436 increase in charges for services and a \$97,221 increase in operating grants and contributions. The increase in charges for services was primarily due to charges to local governments, for fire protection services, and the increase in operating grants and contributions related to larger grants from the State for street improvements. Total expenses declined, primarily due to a \$381,138 decrease in public works expenses, related to higher street maintenance costs in the prior year.

The total cost of governmental activities this year was \$2,903,936. After subtracting the direct charges to those who directly benefited from the programs (\$446,122) and operating grants (\$587,957), the "public benefit" portion covered by property taxes, state shared revenue, and other general revenues was \$1,869,857.

Business-type activities

Business-type activities increased the City's net position by \$235,520 compared to an increase of \$311,622 in the prior year. The smaller increase in net position was due to a \$13,918 decrease in revenues and a \$62,184 increase in expenses. Revenues declined primarily due to a reduction in operating grants from the State. Expenses were higher as operating costs continue to increase.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,673,026, a decrease of \$84,860 in comparison with the prior year. Of the total fund balances, \$232,169 (14 percent) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is either assigned (\$587,000) for budget stabilization or restricted (\$853,857) to indicate that it is not available for new spending. The restrictions relate to public works (\$794,965), recreation and culture (\$56,213) and public safety (\$2,679).

The General Fund is the primary operating fund of the City. At the end of the fiscal year, its fund balance was \$821,848, a decrease of \$53,818. Fund balance decreased as expenditures and transfers out exceeded revenues in the current year. The primary reason for the decrease in fund balance relates to the transfer of \$204,250 to the Local Street Fund for required support for street improvements.

The Major Street Fund experienced an increase in fund balance of \$98,069, as the fund's revenues exceeded expenditures in the current year, as there were no significant street projects. The fund balance at the end of the fiscal year was \$424,936, which is restricted for future street preservation costs of the City's major streets.

The Local Street Fund experienced a decrease in fund balance of \$140,776, as the fund's expenditures exceeded revenues and transfers in, in the current year, due to a substantial street improvement project. The fund balance at the end of the fiscal year was \$239,250, which is restricted for future street preservation costs of the City's local streets.

Proprietary funds

The Sewer Fund experienced an increase in net position of \$177,717 in the current year, primarily because user fees have been set so the fund is covering its costs. Total net position is \$3,728,066 at year end, of which \$1,420,088 is unrestricted.

The Water Fund experienced an increase in net position of \$57,803 in the current year, primarily because user fees have been set so the fund is covering its costs. Total net position is \$1,797,912 at year end, of which \$295,722 is unrestricted.

General Fund budgetary highlights

The City amended its budget during the current year so that budgeted revenues were increased by a net amount of \$540,504, due to expected increases in almost all areas. Budgeted expenditures were increased by a net amount of \$481,268 to reflect changes that occurred over the course of the year.

Total actual revenues were \$410,283 less than budgeted, as actual revenues did not meet expectations.

Total actual expenditures were \$449,990 less than the amounts appropriated. The largest variance was experienced in the public safety function where expenditures were \$237,726 less than budgeted as operational costs were lower than expected.

These variances, along with a \$210,750 positive variance related to transfers out, resulted in a \$250,457 positive budget variance, with a \$53,818 decrease in fund balance compared to a budgeted decrease of \$ 304,275.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$11,139,776 (net of accumulated depreciation). This investment includes a broad range of assets, such as land, buildings, street infrastructure, police and fire equipment, and sewer and water facilities. The increase in the City's net investment in capital assets for the current fiscal year was \$199,819 as additions (\$838,945) exceeded depreciation (\$639,126).

The major capital asset investments during the fiscal year included the following:

- Street infrastructure improvements were completed at a cost of \$456,255
- Water system improvements were made at a cost of \$215,481
- A Caterpillar Wheel Loader was purchased for \$167,209

The Downtown Development Authority (a discretely presented component unit) reported capital assets of \$473,456, as of year end, which represents a decrease of \$23,262 due to the current year depreciation provision. The Authority purchased no capital assets during the current fiscal year.

More detailed information about the City's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt

At the end of the fiscal year, the City had total long-term debt outstanding in the amount of \$1,945,161, which represents a net decrease of \$398,036. The City issued new debt, in the amount of \$83,500, during the current year and debt was reduced due to timely principal payments, in the amount of \$477,821, and amortization of a bond premium, in the amount of \$3,715.

Other long-term debt obligations, totaling \$64,263, represent accrued compensated absences. The City also recognized a net pension liability, associated with its defined benefit pension plan, in the amount of \$2,169,968.

The Downtown Development Authority (a discretely presented component unit) reported long-term debt outstanding of \$1,158,730, as of year end, which represents a decrease of \$99,143 due to timely principal payments. The Authority issued no new debt during the current fiscal year.

More detailed information about the City's long-term obligations is presented in Note 7 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's 2019 fiscal year budget does not anticipate significant changes in the amounts or composition of its major revenue sources. The City has budgeted expenditures for the upcoming year at amounts sufficient to support its ongoing programs and activities, while maintaining the current levels of its resources.

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 City's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Cheri Parrish, Finance Director
City of Wayland
103 South Main Street
Wayland, MI 49348

Phone: (269) 792-2265

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

June 30, 2018

	Primary government			Component unit
	Governmental activities	Business-type activities	Totals	Downtown Development Authority
ASSETS				
Current assets:				
Cash	\$ 1,825,188	\$ 1,992,256	\$ 3,817,444	\$ 126,089
Receivables	233,045	231,443	464,488	-
Due from primary government	-	-	-	4,644
Total current assets	2,058,233	2,223,699	4,281,932	130,733
Noncurrent assets:				
Land	891,312	319,730	1,211,042	-
Depreciable capital assets, net of depreciation	5,107,748	4,820,986	9,928,734	473,456
Total noncurrent assets	5,999,060	5,140,716	11,139,776	473,456
Total assets	8,057,293	7,364,415	15,421,708	604,189
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on bond refunding, net	-	3,466	3,466	-
Deferred pension amounts	156,727	40,953	197,680	-
Total deferred outflows of resources	156,727	44,419	201,146	-
LIABILITIES				
Current liabilities:				
Payables	174,237	60,797	235,034	23,293
Due to component unit	4,644	-	4,644	-
Bonds, notes, and loans payable	162,833	278,835	441,668	106,073
Total current liabilities	341,714	339,632	681,346	129,366
Noncurrent liabilities:				
Compensated absences	41,575	22,688	64,263	1,714
Net pension liability	1,720,423	449,545	2,169,968	-
Bonds, notes, and loans payable	451,780	1,051,713	1,503,493	1,052,657
Total noncurrent liabilities	2,213,778	1,523,946	3,737,724	1,054,371
Total liabilities	2,555,492	1,863,578	4,419,070	1,183,737
DEFERRED INFLOWS OF RESOURCES				
Deferred pension amounts	73,780	19,278	93,058	-
NET POSITION				
Net investment in capital assets	5,384,447	3,810,168	9,194,615	-
Restricted for:				
Public safety	2,679	-	2,679	-
Public works	794,965	-	794,965	-
Recreation and culture	56,213	-	56,213	-
Unrestricted (deficit)	(653,556)	1,715,810	1,062,254	(579,548)
Total net position	\$ 5,584,748	\$ 5,525,978	\$ 11,110,726	\$ (579,548)

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended June 30, 2018

Functions/Programs	Program revenues				Net (expenses) revenues and changes in net position			Component unit Downtown Development Authority
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government			
					Governmental activities	Business-type activities	Totals	
Primary government:								
Governmental activities:								
General government	\$ 663,798	\$ 51,352	\$ 35,075	\$ -	\$ (577,371)		\$ (577,371)	
Public safety	1,228,619	366,620	1,195	-	(860,804)		(860,804)	
Public works	921,841	24,890	551,687	-	(345,264)		(345,264)	
Community and economic development	22,744	3,260	-	-	(19,484)		(19,484)	
Health and welfare	14,510	-	-	-	(14,510)		(14,510)	
Recreation and culture	14,109	-	-	-	(14,109)		(14,109)	
Interest on long-term debt	38,315	-	-	-	(38,315)		(38,315)	
Total governmental activities	<u>2,903,936</u>	<u>446,122</u>	<u>587,957</u>	<u>-</u>	<u>(1,869,857)</u>		<u>(1,869,857)</u>	
Business-type activities:								
Sewer	670,077	715,867	56,899	73,656		\$ 176,345	176,345	
Water	494,202	498,531	-	52,545		56,874	56,874	
Total business-type activities	<u>1,164,279</u>	<u>1,214,398</u>	<u>56,899</u>	<u>126,201</u>	<u>-</u>	<u>233,219</u>	<u>233,219</u>	
Total primary government	<u>\$ 4,068,215</u>	<u>\$ 1,660,520</u>	<u>\$ 644,856</u>	<u>\$ 126,201</u>	<u>(1,869,857)</u>	<u>233,219</u>	<u>(1,636,638)</u>	
Component unit:								
Downtown Development Authority	<u>\$ 274,501</u>	<u>\$ -</u>	<u>\$ 45,040</u>	<u>\$ -</u>				<u>\$ (229,461)</u>
General revenues:								
Property taxes					1,503,042	-	1,503,042	302,365
State shared revenue					402,608	-	402,608	-
Local community stabilization revenue					52,789	-	52,789	-
Franchise fees					49,920	-	49,920	-
Unrestricted interest income					17,482	2,301	19,783	112
Total general revenues					<u>2,025,841</u>	<u>2,301</u>	<u>2,028,142</u>	<u>302,477</u>
Changes in net position					155,984	235,520	391,504	73,016
Net position (deficit) - beginning					<u>5,428,764</u>	<u>5,290,458</u>	<u>10,719,222</u>	<u>(652,564)</u>
Net position (deficit) - ending					<u>\$ 5,584,748</u>	<u>\$ 5,525,978</u>	<u>\$ 11,110,726</u>	<u>\$ (579,548)</u>

See notes to financial statements

BALANCE SHEET - governmental funds

June 30, 2018

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 822,920	\$ 374,362	\$ 224,262	\$ 193,745	\$ 1,615,289
Receivables	<u>162,690</u>	<u>53,467</u>	<u>16,888</u>	<u>-</u>	<u>233,045</u>
Total assets	<u>\$ 985,610</u>	<u>\$ 427,829</u>	<u>\$ 241,150</u>	<u>\$ 193,745</u>	<u>\$ 1,848,334</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 159,118	\$ 2,893	\$ 1,900	\$ 6,753	\$ 170,664
Due to component unit	<u>4,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,644</u>
Total liabilities	<u>163,762</u>	<u>2,893</u>	<u>1,900</u>	<u>6,753</u>	<u>175,308</u>
Fund balances:					
Restricted for:					
Public safety	2,679	-	-	-	2,679
Public works	-	424,936	239,250	130,779	794,965
Recreation and culture	-	-	-	56,213	56,213
Assigned for stabilization	587,000	-	-	-	587,000
Unassigned	<u>232,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>232,169</u>
Total fund balances	<u>821,848</u>	<u>424,936</u>	<u>239,250</u>	<u>186,992</u>	<u>1,673,026</u>
Total liabilities and fund balances	<u>\$ 985,610</u>	<u>\$ 427,829</u>	<u>\$ 241,150</u>	<u>\$ 193,745</u>	<u>\$ 1,848,334</u>

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds \$ 1,673,026

Amounts reported for *governmental activities* in the statement of net position (page 12) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 5,587,751

Deferred outflows of resources, related to the pension plan, relate to future years and are not reported in the funds. 151,644

Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. (41,575)

Interest payable, related to long-term liabilities, is not due and payable in the current period and, therefore, is not reported in the funds. (3,300)

The net pension liability is not due and payable in the current period and is not reported in the funds. (1,664,630)

Deferred inflows of resources, related to the pension plan, relate to future years and are not reported in the funds. (71,388)

Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds. (562,233)

The internal service fund is used by management to charge costs of equipment to individual funds. The assets and liabilities of the internal service fund are included in *governmental activities* in the statement of net position. 515,453

Net position of *governmental activities* \$ 5,584,748

City of Wayland

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds

Year ended June 30, 2018

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES					
Property taxes	\$ 1,540,611	\$ -	\$ -	\$ -	\$ 1,540,611
Licenses and permits	159,411	-	-	-	159,411
State grants	456,592	312,538	128,805	17,136	915,071
Contribution from local unit	-	-	-	93,208	93,208
Charges for services	263,510	-	-	-	263,510
Fines and forfeitures	435	-	-	-	435
Interest and rentals	20,732	1,437	1,359	236	23,764
Other	58,991	-	-	4,919	63,910
	<u>2,500,282</u>	<u>313,975</u>	<u>130,164</u>	<u>115,499</u>	<u>3,059,920</u>
Total revenues					
EXPENDITURES					
Current:					
General government	559,788	-	-	-	559,788
Public safety	1,165,939	-	-	-	1,165,939
Public works	415,317	153,405	475,190	103,834	1,147,746
Community and economic development	22,744	-	-	-	22,744
Health and welfare	14,510	-	-	-	14,510
Debt service:					
Principal	120,144	38,563	-	-	158,707
Interest and fees	15,777	23,938	-	-	39,715
Capital outlay	35,631	-	-	-	35,631
	<u>2,349,850</u>	<u>215,906</u>	<u>475,190</u>	<u>103,834</u>	<u>3,144,780</u>
Total expenditures					
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>150,432</u>	<u>98,069</u>	<u>(345,026)</u>	<u>11,665</u>	<u>(84,860)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	204,250	-	204,250
Transfers out	(204,250)	-	-	-	(204,250)
	<u>(204,250)</u>	<u>-</u>	<u>204,250</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)					
NET CHANGES IN FUND BALANCES	(53,818)	98,069	(140,776)	11,665	(84,860)
FUND BALANCES - BEGINNING	<u>875,666</u>	<u>326,867</u>	<u>380,026</u>	<u>175,327</u>	<u>1,757,886</u>
FUND BALANCES - ENDING	<u>\$ 821,848</u>	<u>\$ 424,936</u>	<u>\$ 239,250</u>	<u>\$ 186,992</u>	<u>\$ 1,673,026</u>

See notes to financial statements

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended June 30, 2018

Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:

Net change in fund balance - total governmental funds (page 15) \$ (84,860)

Amounts reported for *governmental activities* in the statement of activities (page 13) are different because:

Capital assets:

Capital asset acquisitions 456,255
Provision for depreciation (366,987)

Long-term debt - principal payments 158,707

Changes in other liabilities:

Net increase in compensated absences (11,353)
Net decrease in interest payable 1,400
Net decrease in net pension liability 272,466

Changes in deferred outflows and inflows of resources:

Net change in deferred outflows of resources related to pension (224,221)
Net change in deferred inflows of resources related to pension (71,388)

Certain changes in net position of the internal service fund are reported with *governmental activities* in the statement of activities.

25,965

Change in net position of *governmental activities* \$ 155,984

STATEMENT OF NET POSITION - proprietary funds

June 30, 2018

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
ASSETS				
Current assets:				
Cash	\$ 1,533,695	\$ 458,561	\$ 1,992,256	\$ 209,899
Receivables	139,026	92,417	231,443	-
Total current assets	1,672,721	550,978	2,223,699	209,899
Noncurrent assets:				
Land	275,730	44,000	319,730	-
Depreciable capital assets, net of depreciation	2,946,101	1,874,885	4,820,986	411,309
Total noncurrent assets	3,221,831	1,918,885	5,140,716	411,309
Total assets	4,894,552	2,469,863	7,364,415	621,208
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on bond refunding, net	3,466	-	3,466	-
Deferred pension amounts	19,244	21,709	40,953	5,083
Total deferred outflows of resources	22,710	21,709	44,419	5,083
LIABILITIES				
Current liabilities:				
Payables	43,692	17,105	60,797	273
Bonds, notes, and loans payable	239,650	39,185	278,835	31,232
Total current liabilities	283,342	56,290	339,632	31,505
Noncurrent liabilities:				
Compensated absences	11,344	11,344	22,688	-
Net pension liability	211,248	238,297	449,545	55,793
Bonds, notes, and loans payable	674,203	377,510	1,051,713	21,148
Total noncurrent liabilities	896,795	627,151	1,523,946	76,941
Total liabilities	1,180,137	683,441	1,863,578	108,446
DEFERRED INFLOWS OF RESOURCES				
Deferred pension amounts	9,059	10,219	19,278	2,392
NET POSITION				
Net investment in capital assets	2,307,978	1,502,190	3,810,168	358,929
Unrestricted	1,420,088	295,722	1,715,810	156,524
Total net position	\$ 3,728,066	\$ 1,797,912	5,525,978	\$ 515,453

See notes to financial statements

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - proprietary funds

Year ended June 30, 2018

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
OPERATING REVENUES				
Charges for services	\$ 715,867	\$ 498,531	\$ 1,214,398	\$ 159,160
OPERATING EXPENSES				
Sewer	516,327	-	516,327	-
Water	-	386,595	386,595	-
Cost of interfund services provided	-	-	-	94,689
Depreciation	126,809	86,824	213,633	58,506
Total operating expenses	643,136	473,419	1,116,555	153,195
OPERATING INCOME	72,731	25,112	97,843	5,965
NONOPERATING REVENUES (EXPENSES)				
State grant	56,899	-	56,899	-
Interest income	1,372	929	2,301	-
Gain on disposition of capital assets	-	-	-	20,000
Interest expense and fees	(26,941)	(20,783)	(47,724)	-
Net nonoperating revenues (expenses)	31,330	(19,854)	11,476	20,000
INCOME BEFORE CONTRIBUTIONS	104,061	5,258	109,319	25,965
CAPITAL CONTRIBUTIONS	73,656	52,545	126,201	-
CHANGES IN NET POSITION	177,717	57,803	235,520	25,965
NET POSITION - BEGINNING	3,550,349	1,740,109	5,290,458	489,488
NET POSITION - ENDING	\$ 3,728,066	\$ 1,797,912	\$ 5,525,978	\$ 515,453

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds

Year ended June 30, 2018

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 725,492	\$ 512,265	\$ 1,237,757	\$ -
Receipts from interfund services provided	-	-	-	159,160
Payments to vendors and suppliers	(344,881)	(195,787)	(540,668)	(63,408)
Payments to employees	(84,164)	(104,858)	(189,022)	(10,895)
Payments for interfund services used	(15,541)	(13,735)	(29,276)	-
Net cash provided by operating activities	<u>280,906</u>	<u>197,885</u>	<u>478,791</u>	<u>84,857</u>
CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES				
State grant	<u>71,124</u>	<u>-</u>	<u>71,124</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Loan proceeds	-	-	-	83,500
Capital contributions	73,656	52,545	126,201	-
Proceeds from sale of capital assets	-	-	-	20,000
Acquisition of capital assets	-	(215,481)	(215,481)	(167,209)
Principal payments on capital debt	(244,580)	(43,414)	(287,994)	(31,120)
Interest payments on capital debt	(30,466)	(20,983)	(51,449)	-
Net cash used in capital and related financing activities	<u>(201,390)</u>	<u>(227,333)</u>	<u>(428,723)</u>	<u>(94,829)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>1,372</u>	<u>929</u>	<u>2,301</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	<u>152,012</u>	<u>(28,519)</u>	<u>123,493</u>	<u>(9,972)</u>
CASH - BEGINNING	<u>1,381,683</u>	<u>487,080</u>	<u>1,868,763</u>	<u>219,871</u>
CASH - ENDING	<u>\$ 1,533,695</u>	<u>\$ 458,561</u>	<u>\$ 1,992,256</u>	<u>\$ 209,899</u>

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds (Continued)

Year ended June 30, 2018

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 72,731	\$ 25,112	\$ 97,843	\$ 5,965
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	126,809	86,824	213,633	58,506
Changes in assets and liabilities:				
Receivables	9,625	13,734	23,359	-
Deferred outflows - pension	25,860	43,440	69,300	9,952
Payables	11,628	(9,253)	2,375	273
Compensated absences	5,534	5,534	11,068	-
Pension liability	19,660	22,275	41,935	7,769
Deferred inflows - pension	9,059	10,219	19,278	2,392
Net cash provided by operating activities	<u>\$ 280,906</u>	<u>\$ 197,885</u>	<u>\$ 478,791</u>	<u>\$ 84,857</u>

See notes to financial statements

City of Wayland

STATEMENT OF ASSETS AND LIABILITIES - Agency Fund

June 30, 2018

ASSETS

Cash \$ 38,079

LIABILITIES

Due to other governmental units \$ 38,079

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Wayland, Michigan (the City), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:

As required by generally accepted accounting principles, these financial statements present the City (the primary government), located in Allegan County, and its component unit described below, for which the City is financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

Discretely presented component unit:

Wayland Downtown Development Authority - The Downtown Development Authority (the Authority) was established, pursuant to Public Act 197 of 1975, as amended, to correct and prevent deterioration and promote economic growth within the downtown district. The Authority is fiscally dependent on the City because the City Council appoints the Authority's governing body and approves its budget. The City is also obligated to provide some of its tax revenues to the Authority, through tax increment financing, which represents a financial burden on the City. Fiscal dependence and the financial burden relationship make the City financially accountable for the Authority and require the City to report it in the City's financial statements. Separate financial statements of the Authority have not been issued as management believes these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component unit.

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 nonfiduciary activities of the City. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and agency fund, even though the latter is excluded from 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 funds 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting and financial statement presentation (continued):

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are 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 City generally considers revenues to be available if they are expected to be 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.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City.

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 City, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund, a special revenue fund, accounts for state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's major streets.

The Local Street Fund, a special revenue fund, accounts for state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's local streets.

The City reports the following major enterprise funds:

The Sewer Fund accounts for the operation of the City's sanitary sewer collection system and wastewater treatment facilities.

The Water Fund accounts for the operation of the City's water mains, pumping, and storage facilities.

Additionally, the City reports the following fund types:

The special revenue funds are used to account for the specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

The Internal Service Fund accounts for vehicle and equipment services provided to other departments of the City on a cost-reimbursement basis.

The Agency Fund accounts for the collection and disbursement of property taxes for the City and other governmental units.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting and financial statement presentation (continued):

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or equity:

Cash - Cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables - In general, outstanding balances between funds are reported as “due to/from other funds.” No allowance for uncollectible accounts has been recorded, as the City considers all receivables to be fully collectible.

Capital assets - Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., streets and sidewalks), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The City has elected to account for infrastructure assets prospectively, beginning July 1, 2003.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Streets	15 -20 years
Sewer and water systems	50 years
Equipment	3 - 20 years

Deferred outflows of resources - The statement of net position and the proprietary funds statement of net position include a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The related expense will not be recognized until a future event occurs. The City has two items that are included in this category: a deferred amount arising from the refunding of bonds in a previous year and deferred amounts relating to the defined benefit pension plan. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. The deferred amounts relating to the pension plan are discussed in Note 9. No deferred outflows of resources affect the governmental funds financial statements.

Compensated absences - It is the City’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the City. Vested compensated absences are accrued when earned in the government-wide and proprietary funds financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or equity (continued):

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

Deferred inflows of resources - The statement of net position and the proprietary funds statement of net position include a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related income will not be recognized until a future event occurs. These deferred amounts relate to the pension plan. The deferred amounts relating to the pension plan are discussed in Note 9. No deferred inflows of resources affect the governmental funds financial statements.

Net position - Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. The City reports three categories of net position, as follows: (1) *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets, and increases by balances of deferred outflows of resources related to those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the City's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the City.

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

Fund equity - Governmental funds report restricted fund balance when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The City Council retains the authority to assign fund balance as to purpose. Unassigned fund balance is the residual classification for the General Fund. When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's policy to use the restricted fund balance first, followed by assigned fund balance and, finally, unassigned fund balance.

Property tax revenue recognition - Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before September 15, at which time the bill becomes delinquent and penalties and interest may be assessed by the City. Property tax revenue is recognized in the year for which taxes have been levied and become available. The City's levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the City’s general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the City Council is the activity level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - The following schedule sets forth reportable budget variances:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
<i>Primary government:</i>					
General	Debt service	Interest	\$ 9,813	\$ 15,777	\$ 5,964
Major Street	Public works	Winter maintenance	27,475	45,218	17,743
Major Street	Debt service	Principal	32,136	38,563	6,427
Local Street	Public works	Traffic services	24,034	32,407	8,373
<i>Component unit</i>	Debt service	Interest	36,037	51,073	15,036

NOTE 3 - CASH

At June 30, 2018, cash is classified in the accompanying financial statements as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total primary government</u>	<u>Agency fund</u>	<u>Component unit</u>	<u>Totals</u>
Deposits - unrestricted	\$ 1,824,963	\$ 1,992,206	\$ 3,817,169	\$ 38,079	\$ 126,089	\$ 3,981,337
Cash on hand	225	50	275	-	-	275
	<u>\$ 1,825,188</u>	<u>\$ 1,992,256</u>	<u>\$ 3,817,444</u>	<u>\$ 38,079</u>	<u>\$ 126,089</u>	<u>\$ 3,981,612</u>

Deposits - Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) and the City’s investment policy authorize the City to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The City’s deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits. The City’s investment policy does not specifically address custodial credit risk for deposits. At June 30, 2018, \$3,243,387 of the City’s bank balances of \$3,996,279 was exposed to custodial credit risk because it was uninsured and uncollateralized. The City maintains individual and pooled cash accounts for all of its funds and its component unit. Due to the use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component unit.

NOTE 4 - RECEIVABLES

Receivables as of June 30, 2018, for the City's major funds, were as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Inter- governmental</i>	<i>Taxes</i>	<i>Totals</i>
Governmental:				
General	\$ 46,025	\$ 70,133	\$ 46,532	\$ 162,690
Major Street	-	53,467	-	53,467
Local Street	-	16,888	-	16,888
Total governmental	<u>\$ 46,025</u>	<u>\$ 140,488</u>	<u>\$ 46,532</u>	<u>\$ 233,045</u>
Proprietary:				
Sewer	\$ 135,510	\$ 3,516	\$ -	\$ 139,026
Water	92,417	-	-	92,417
Total proprietary	<u>\$ 227,927</u>	<u>\$ 3,516</u>	<u>\$ -</u>	<u>\$ 231,443</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
<i>Governmental activities:</i>				
Capital assets not being depreciated - land	<u>\$ 891,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 891,312</u>
Capital assets being depreciated:				
Buildings	982,641	-	-	982,641
Improvements	1,093,886	-	(22,168)	1,071,718
Equipment	1,070,685	167,209	(163,544)	1,074,350
Vehicles	2,575,575	-	-	2,575,575
Infrastructure	17,146,447	456,255	-	17,602,702
Subtotal	<u>22,869,234</u>	<u>623,464</u>	<u>(185,712)</u>	<u>23,306,986</u>
Less accumulated depreciation for:				
Buildings	(539,992)	(23,313)	-	(563,305)
Improvements	(359,613)	(82,597)	22,168	(420,042)
Equipment	(936,991)	(31,888)	163,544	(805,335)
Vehicles	(2,172,500)	(84,348)	-	(2,256,848)
Infrastructure	(13,950,361)	(203,347)	-	(14,153,708)
Subtotal	<u>(17,959,457)</u>	<u>(425,493)</u>	<u>185,712</u>	<u>(18,199,238)</u>
Total capital assets being depreciated, net	<u>4,909,777</u>	<u>197,971</u>	<u>-</u>	<u>5,107,748</u>
Governmental activities capital assets	<u>\$ 5,801,089</u>	<u>\$ 197,971</u>	<u>\$ -</u>	<u>\$ 5,999,060</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated - land	\$ 319,730	\$ -	\$ -	\$ 319,730
Capital assets being depreciated:				
Sewer system	6,118,953	-	(5,716)	6,113,237
Water system	<u>3,200,631</u>	<u>215,481</u>	<u>(7,195)</u>	<u>3,408,917</u>
Subtotal	<u>9,319,584</u>	<u>215,481</u>	<u>(12,911)</u>	<u>9,522,154</u>
Less accumulated depreciation for:				
Sewer system	(3,046,043)	(126,809)	5,716	(3,167,136)
Water system	<u>(1,454,403)</u>	<u>(86,824)</u>	<u>7,195</u>	<u>(1,534,032)</u>
Subtotal	<u>(4,500,446)</u>	<u>(213,633)</u>	<u>12,911</u>	<u>(4,701,168)</u>
Total capital assets being depreciated, net	<u>4,819,138</u>	<u>1,848</u>	<u>-</u>	<u>4,820,986</u>
Business-type activities capital assets, net	<u>\$ 5,138,868</u>	<u>\$ 1,848</u>	<u>\$ -</u>	<u>\$ 5,140,716</u>
<i>Component unit - Downtown Development Authority:</i>				
Capital assets being depreciated - Infrastructure	\$ 526,708	\$ -	\$ -	\$ 526,708
Less accumulated depreciation for - Infrastructure	<u>(29,990)</u>	<u>(23,262)</u>	<u>-</u>	<u>(53,252)</u>
Component unit capital assets, net	<u>\$ 496,718</u>	<u>\$ (23,262)</u>	<u>\$ -</u>	<u>\$ 473,456</u>

Depreciation expense was charged to governmental functions of the City as follows:

<i>Governmental activities:</i>	
General government	\$ 93,358
Public safety	15,791
Public works	243,729
Recreation and culture	14,109
Internal Service Fund	<u>58,506</u>
Total governmental activities	<u>\$ 425,493</u>

NOTE 6 - PAYABLES

Payables as of June 30, 2018, for the City’s individual major funds and nonmajor funds, in the aggregate, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
<i>Primary government:</i>				
Governmental:				
General	\$ 100,913	\$ 58,205	\$ -	\$ 159,118
Major Street	1,848	1,045	-	2,893
Local Street	864	1,036	-	1,900
Nonmajor	<u>6,510</u>	<u>243</u>	<u>-</u>	<u>6,753</u>
Total governmental	<u>\$ 110,135</u>	<u>\$ 60,529</u>	<u>\$ -</u>	<u>\$ 170,664</u>
Proprietary:				
Enterprise:				
Sewer	\$ 33,160	\$ 3,632	\$ 6,900	\$ 43,692
Water	<u>10,525</u>	<u>3,380</u>	<u>3,200</u>	<u>17,105</u>
Total proprietary	43,685	7,012	10,100	60,797
Internal service	<u>273</u>	<u>-</u>	<u>-</u>	<u>273</u>
Total proprietary funds	<u>\$ 43,958</u>	<u>\$ 7,012</u>	<u>\$ 10,100</u>	<u>\$ 61,070</u>
<i>Component unit:</i>				
Downtown Development Authority	<u>\$ 5,671</u>	<u>\$ 2,122</u>	<u>\$ -</u>	<u>\$ 7,793</u>

NOTE 7 - LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2018, are comprised of the following:

<i>Primary government:</i>	
Governmental activities:	
Bonds, note, and loan:	
\$1,237,017 1998 MI Strategic Fund CDBG loan; payable in quarterly installments of \$10,194 at 0% interest; final payment due October 2018	\$ 9,128
\$1,362,504 2008 Capital improvement bonds; payable in annual installments ranging from \$19,500 to \$115,448, plus interest at 4.0% to 5.0%; final payment due June 2028	469,182
\$523,784 2009 Installment purchase agreement; payable in annual installments ranging from \$20,951 to \$87,280, including interest at 4.0%; final payment due December 2018	83,923
\$83,500 2018 Installment purchase agreement; payable in quarterly installments of \$10,613, including interest at 1.68%; final payment due October 2019	<u>52,380</u>
Total bonds, note, and loan	614,613
Compensated absences	<u>41,575</u>
Total governmental activities long-term obligations	<u>\$ 656,188</u>

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

Primary government (continued):

Business-type activities:

Bonds and loan:

\$412,983 1998 MI Strategic Fund CDBG loan; payable in quarterly installments of \$4,369 at 0% interest through October 2018 \$ 5,435

\$582,385 2008 Capital improvement bonds; payable in annual installments ranging from \$27,000 to \$42,541, plus interest at 4.0% to 5.0%; final payment due June 2028 649,488

\$1,930,000 2012 Refunding bonds; payable in annual installments ranging from \$180,000 to \$235,000, plus interest at 2.00% to 2.50%; final payment due October 2020 670,000

1,324,923

Net unamortized premiums 5,625

Total bonds and loan 1,330,548

Compensated absences 22,688

Total business-type activities long-term obligations \$ 1,353,236

Component unit - Downtown Development Authority:

\$875,111 2008 Capital improvement bonds; payable in annual installments ranging from \$28,500 to \$67,111, plus interest at 4.0% to 5.0%; final payment due June 2028 \$ 706,330

\$493,750 2016 Installment purchase agreement; payable in annual installments ranging from \$44,251 to \$54,779, plus interest at 2.4%; final payment August June 2026 452,400

Total bonds and note 1,158,730

Compensated absences 1,714

Total component unit activities long-term obligations \$ 1,160,444

Changes in long-term obligations for the year ended June 30, 2018, were as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
<i>Primary government:</i>					
Governmental activities:					
1998 MSF loan	\$ 57,768	\$ -	\$ (48,640)	\$ 9,128	\$ 9,128
2008 Capital bonds	507,744	-	(38,562)	469,182	38,550
2009 Installment purchase agreement	155,428	-	(71,505)	83,923	83,923
2017 Installment purchase agreement	<u>-</u>	<u>83,500</u>	<u>(31,120)</u>	<u>52,380</u>	<u>31,232</u>
Total bonds, notes and loans	720,940	83,500	(189,827)	614,613	162,833
Compensated absences	<u>30,222</u>	<u>42,101</u>	<u>(30,748)</u>	<u>41,575</u>	<u>-</u>
Total governmental activities	<u><u>\$ 751,162</u></u>	<u><u>\$ 125,601</u></u>	<u><u>\$ (220,575)</u></u>	<u><u>\$ 656,188</u></u>	<u><u>\$ 162,833</u></u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
<i>Primary government (continued):</i>					
<i>Business-type activities:</i>					
1998 MSF loan	\$ 15,047	\$ -	\$ (9,612)	\$ 5,435	\$ 5,435
2008 Capital bonds	702,870	-	(53,382)	649,488	53,400
2012 Refunding bonds	<u>895,000</u>	<u>-</u>	<u>(225,000)</u>	<u>670,000</u>	<u>220,000</u>
Subtotal	1,612,917	-	(287,994)	1,324,923	278,835
Unamortized premiums	<u>9,340</u>	<u>-</u>	<u>(3,715)</u>	<u>5,625</u>	<u>-</u>
Total bonds and loan	1,622,257	-	(291,709)	1,330,548	278,835
Compensated absences	<u>18,396</u>	<u>24,271</u>	<u>(19,979)</u>	<u>22,688</u>	<u>-</u>
Total business-type activities	<u>\$ 1,640,653</u>	<u>\$ 24,271</u>	<u>\$ (311,688)</u>	<u>\$ 1,353,236</u>	<u>\$ 278,835</u>
<i>Component unit - Downtown Development Authority:</i>					
2008 Capital improvement bonds	\$ 764,386	\$ -	\$ (58,056)	\$ 706,330	\$ 58,050
2016 Installment purchase agreement	<u>493,487</u>	<u>-</u>	<u>(41,087)</u>	<u>452,400</u>	<u>48,023</u>
Total bonds and loan	1,257,873	-	(99,143)	1,158,730	106,073
Compensated absences	<u>2,070</u>	<u>2,003</u>	<u>(2,359)</u>	<u>1,714</u>	<u>-</u>
Total component unit	<u>\$ 1,259,943</u>	<u>\$ 2,003</u>	<u>\$ (101,502)</u>	<u>\$ 1,160,444</u>	<u>\$ 106,073</u>

Debt service requirements at June 30, 2018, excluding compensated absences, were as follows:

<u>Year ended June 30:</u>	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Component unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 162,833	\$ 26,206	\$ 278,835	\$ 43,724	\$ 106,073	\$ 41,614
2020	59,698	20,642	268,400	36,703	104,490	40,585
2021	38,550	18,774	288,400	28,943	105,604	36,858
2022	44,975	17,039	62,300	23,603	116,421	33,105
2023	44,975	15,015	62,300	20,799	117,589	2,888
2024 - 2028	<u>263,582</u>	<u>40,940</u>	<u>364,688</u>	<u>56,711</u>	<u>608,553</u>	<u>74,503</u>
Totals	<u>\$ 614,613</u>	<u>\$ 138,616</u>	<u>\$ 1,324,923</u>	<u>\$ 210,483</u>	<u>\$ 1,158,730</u>	<u>\$ 229,553</u>

All debt is secured by the full faith and credit of the City.

NOTE 8 - BALANCES AND TRANSACTIONS WITH COMPONENT UNIT

The General Fund owes \$4,644 to the Downtown Development Authority, which represents costs not reimbursed by year end.

NOTE 9 - DEFINED BENEFIT PENSION PLAN

Plan description:

The City participates in the Municipal Employees’ Retirement System of Michigan (MERS). 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 by accessing the MERS website at www.mersofmich.com.

Benefits provided:

The City’s defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries and covers the City’s full-time employees. Retirement benefits for eligible employees are calculated as 2.50% of the employee’s three-year final average compensation, times the employee’s years of service, with a maximum of 80% of final average compensation. Normal retirement age is 60 with early retirement at a reduced benefit at age 50, with 25 years of service, or age 55, with 15 years of service. Deferred retirement benefits vest after six years of credited service, but are not paid until the date retirement would have occurred had the member remained an employee. Covered employees are not required to contribute to the plan. An employee who leaves service may withdraw their contributions, plus any accumulated interest. Benefit terms, within the parameters of MERS, are established and amended by the authority of the City Council.

Employees covered by benefit terms:

At the December 31, 2017, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>20</u>
 Total	 <u>53</u>

Contributions:

The City is required to contribute amounts at least equal to an actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Covered employees may contribute to the plan. For the fiscal year ended June 30, 2018, City contributions ranged from 22.78% to 25.26% of monthly covered payroll. For the fiscal year ended June 30, 2018, the City contributed \$285,277 to the plan while employees made no contributions.

Net pension liability:

The City’s net pension liability reported at June 30, 2018, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2017. The total pension liability was determined by an annual actuarial valuation as of that date.

NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial assumptions:

The total pension liability in the December 31, 2017, 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 expense, including inflation

Mortality rates were based on a 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 all with a 50 percent male and 50 percent female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50 percent male and 50 percent female blend is used to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2017, valuation were based on the results of the 2015 Experience Study, which is the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses, 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 for each major asset class are summarized in the following schedule:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Global equity	57.50%	6.27%
Global fixed income	20.00%	3.43%
Real assets	12.50%	5.48%
Diversifying strategies	10.00%	7.81%

Discount rate:

The discount rate used to measure the total pension liability is 8.00% for 2017. The projection of cash flows used to determine the discount rate assumes that employer contributions will be made at 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.

NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)

Changes in the net pension liability:

	<i>Increase (decrease)</i>		
	<i>Total pension liability</i>	<i>Plan fiduciary net position</i>	<i>Net pension liability</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balances at December 31, 2016	\$ 7,631,717	\$ 5,238,987	\$ 2,392,730
Changes for the year:			
Service cost	142,998	-	142,998
Interest	598,688	-	598,688
Difference between expected and actual experience	(48,632)	-	(48,632)
Employee contributions	-	-	-
Employer contributions	-	241,647	(241,647)
Net investment income	-	685,024	(685,024)
Benefit payments, including refunds	(439,234)	(439,234)	-
Administrative expenses	-	(10,855)	10,855
Net changes	253,820	476,582	(222,762)
Balances at December 31, 2017	\$ 7,885,537	\$ 5,715,569	\$ 2,169,968

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 8.00%, as well as what the City's net pension liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate.

	<i>1% Decrease (7.00%)</i>	<i>Current Rate (8.00%)</i>	<i>1% Increase (9.00%)</i>
City's net pension liability	\$ 3,114,198	\$ 2,169,968	\$ 1,381,336

Pension plan fiduciary net position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued MERS financial report, which can be found at www.mersofmich.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due. Benefit payments are recognized as expenses when due and payable in accordance with benefit terms.

NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)

Pension expense, deferred outflows of resources, and deferred inflows of resources related to the pension plan:

For the fiscal year ended June 30, 2018, the City recognized pension expense of \$437,496. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources, related to the pension plan, from the following sources:

<i>Source</i>	<i>Deferred outflows of resources</i>	<i>Deferred inflows of resources</i>
Difference between projected and actual earnings	\$ -	\$ 86,819
Difference between expected and actual experience	-	6,239
Difference in assumptions	<u>71,273</u>	<u>-</u>
	71,273	93,058
Contributions made subsequent to the measurement date	<u>126,407</u>	<u>-</u>
Totals	<u>\$ 197,680</u>	<u>\$ 93,058</u>

The amount reported as deferred outflows of resources resulting from contributions made subsequent to the measurement date, in the amount of \$126,407, will be recognized as a reduction in the net pension liability in fiscal year 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources, related to the pension plan, will be recognized in pension expense as follows:

<i>Year ended</i>	<i>Deferred outflows of resources</i>	<i>Deferred inflows of resources</i>
2019	\$ 71,273	\$ (42,196)
2020	-	1,658
2021	-	82,295
2022	<u>-</u>	<u>51,301</u>
	<u>\$ 71,273</u>	<u>\$ 93,058</u>

NOTE 10 - PROPERTY TAX REVENUE

The 2017 taxable valuation of the City approximated \$103,207,000 on which ad valorem taxes levied consisted of 16.3607 mills for operating purposes, raising approximately \$1,696,000 for operating purposes. This amount is recognized in the fund financial statements as property tax revenue.

NOTE 11 - INTERFUND TRANSFER

The General Fund transferred available unrestricted funds, in the amount of \$204,250, to the Local Street Fund to support street improvement costs.

NOTE 12 - CONSTRUCTION CODE ACT

A summary of construction code enforcement transactions for the year ended June 30, 2018, is as follows:

Revenues	\$ 103,001
Expenses	<u>105,108</u>
Deficiency of revenues over expenses	<u><u>\$ (2,107)</u></u>

NOTE 13 - RESTRICTED NET POSITION

In the government-wide statement of net position, the governmental activities report restricted net position in the amount of \$853,857. Of this amount, \$794,965 is restricted by enabling legislation for public works expenditures.

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, and employee health and medical claims. The risks of loss arising from general liability, building contents, workers' compensation, employee medical, and casualty are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

NOTE 15 - PRIOR PERIOD ADJUSTMENTS

Prior period adjustments have been recorded in fiscal year 2018 to correct cash balances of the General Fund and component unit that resulted in a restatement of opening fund balance and net position. Fund balance and net position, as of June 30, 2017, included in the fund-basis and government-wide financial statements, represents restated balances, as presented below.

	<u>Fund balance</u>	<u>Net position</u>	
	<u>General Fund</u>	<u>Governmental activities</u>	<u>Component Unit</u>
Beginning of year, as previously reported	\$ 982,486	\$ 5,535,584	\$ (759,384)
Prior period adjustments:			
Understatement/ (overstatement) of cash	<u>(106,820)</u>	<u>(106,820)</u>	<u>106,820</u>
Beginning of year, as restated	<u><u>\$ 875,666</u></u>	<u><u>\$ 5,428,764</u></u>	<u><u>\$ (652,564)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended June 30, 2018

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 1,573,835	\$ 1,651,122	\$ 1,540,611	\$ (110,511)
Licenses and permits	96,800	266,693	159,411	(107,282)
State grants	430,600	536,778	456,592	(80,186)
Charges for services	188,256	333,219	263,510	(69,709)
Fines and forfeitures	1,200	(350)	435	785
Interest and rentals	14,200	23,065	20,732	(2,333)
Other	65,170	100,038	58,991	(41,047)
Total revenues	<u>2,370,061</u>	<u>2,910,565</u>	<u>2,500,282</u>	<u>(410,283)</u>
EXPENDITURES				
General government:				
Legislative	138,372	119,172	112,920	6,252
Administration	288,530	500,412	376,219	124,193
Elections	42,057	36,815	31,752	5,063
Building maintenance	7,500	7,500	7,500	-
Assessor	28,525	40,725	31,397	9,328
Total general government	<u>504,984</u>	<u>704,624</u>	<u>559,788</u>	<u>144,836</u>
Public safety:				
Police department	796,454	765,345	725,316	40,029
Fire department	309,300	463,320	335,516	127,804
Code inspections	75,000	175,000	105,107	69,893
Total public safety	<u>1,180,754</u>	<u>1,403,665</u>	<u>1,165,939</u>	<u>237,726</u>
Public works:				
Public works department	386,646	448,964	415,192	33,772
Drains	7,845	7,845	125	7,720
Total public works	<u>394,491</u>	<u>456,809</u>	<u>415,317</u>	<u>41,492</u>

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2018

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
EXPENDITURES (Continued)				
Community and economic development:				
Planning	\$ 51,600	\$ 20,000	\$ 15,786	\$ 4,214
Community promotion	<u>7,000</u>	<u>21,000</u>	<u>6,958</u>	<u>14,042</u>
Total community and economic development	<u>58,600</u>	<u>41,000</u>	<u>22,744</u>	<u>18,256</u>
Health and welfare - ambulance service	<u>15,573</u>	<u>15,573</u>	<u>14,510</u>	<u>1,063</u>
Debt service:				
Principal	<u>127,613</u>	<u>121,156</u>	<u>120,144</u>	<u>1,012</u>
Interest	<u>3,357</u>	<u>9,813</u>	<u>15,777</u>	<u>(5,964)</u>
Capital outlay	<u>33,200</u>	<u>47,200</u>	<u>35,631</u>	<u>11,569</u>
Total expenditures	<u>2,318,572</u>	<u>2,799,840</u>	<u>2,349,850</u>	<u>449,990</u>
EXCESS OF REVENUES OVER EXPENDITURES	51,489	110,725	150,432	39,707
OTHER FINANCING USES				
Transfers out	<u>(15,000)</u>	<u>(415,000)</u>	<u>(204,250)</u>	<u>210,750</u>
NET CHANGES IN FUND BALANCES	36,489	(304,275)	(53,818)	250,457
FUND BALANCES - BEGINNING	<u>875,666</u>	<u>875,666</u>	<u>875,666</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 912,155</u>	<u>\$ 571,391</u>	<u>\$ 821,848</u>	<u>\$ 250,457</u>

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended June 30, 2018

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
State grants	\$ 289,745	\$ 289,745	\$ 312,538	\$ 22,793
Interest	-	-	1,437	1,437
Total revenues	<u>289,745</u>	<u>289,745</u>	<u>313,975</u>	<u>24,230</u>
EXPENDITURES				
Public works:				
Street preservation	50,000	50,000	50,000	-
Routine maintenance	35,599	54,899	35,573	19,326
Winter maintenance	63,222	27,475	45,218	(17,743)
Administration	<u>20,838</u>	<u>23,438</u>	<u>22,614</u>	<u>824</u>
Total public works	<u>169,659</u>	<u>155,812</u>	<u>153,405</u>	<u>2,407</u>
Debt service:				
Principal	<u>32,136</u>	<u>32,136</u>	<u>38,563</u>	<u>(6,427)</u>
Interest and fees	<u>25,304</u>	<u>25,304</u>	<u>23,938</u>	<u>1,366</u>
Total expenditures	<u>227,099</u>	<u>213,252</u>	<u>215,906</u>	<u>(2,654)</u>
NET CHANGES IN FUND BALANCES	62,646	76,493	98,069	21,576
FUND BALANCES - BEGINNING	<u>326,867</u>	<u>326,867</u>	<u>326,867</u>	-
FUND BALANCES - ENDING	<u>\$ 389,513</u>	<u>\$ 403,360</u>	<u>\$ 424,936</u>	<u>\$ 21,576</u>

BUDGETARY COMPARISON SCHEDULE - Local Street Fund

Year ended June 30, 2018

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
State grants	\$ 96,750	\$ 96,750	\$ 128,805	\$ 32,055
Interest	-	-	1,359	1,359
Total revenues	<u>96,750</u>	<u>96,750</u>	<u>130,164</u>	<u>33,414</u>
EXPENDITURES				
Public works:				
Street preservation	215,000	602,000	408,500	193,500
Routine maintenance	28,283	55,147	29,940	25,207
Traffic services	40,781	24,034	32,407	(8,373)
Administration	<u>14,743</u>	<u>6,743</u>	<u>4,343</u>	<u>2,400</u>
Total public works	<u>298,807</u>	<u>687,924</u>	<u>475,190</u>	<u>212,734</u>
Total expenditures	<u>298,807</u>	<u>687,924</u>	<u>475,190</u>	<u>212,734</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(202,057)	(591,174)	(345,026)	246,148
OTHER FINANCING SOURCES				
Transfer in - General Fund	-	400,000	204,250	(195,750)
NET CHANGES IN FUND BALANCES	(202,057)	(191,174)	(140,776)	50,398
FUND BALANCES - BEGINNING	<u>380,026</u>	<u>380,026</u>	<u>380,026</u>	-
FUND BALANCES - ENDING	<u>\$ 177,969</u>	<u>\$ 188,852</u>	<u>\$ 239,250</u>	<u>\$ 50,398</u>

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

Year ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:				
Service cost	\$ 142,998	\$ 126,283	\$ 128,419	\$ 148,892
Interest	598,688	567,685	535,576	505,186
Difference between expected and actual experience	(48,632)	88,748	(13,600)	-
Changes in assumptions	-	-	285,094	-
Benefit payments, including refunds	<u>(439,234)</u>	<u>(367,835)</u>	<u>(292,537)</u>	<u>(258,462)</u>
Net change in total pension liability	253,820	414,881	642,952	395,616
Total pension liability, beginning of year	<u>7,631,717</u>	<u>7,216,836</u>	<u>6,573,884</u>	<u>6,178,268</u>
Total pension liability, end of year	<u>7,885,537</u>	<u>7,631,717</u>	<u>7,216,836</u>	<u>6,573,884</u>
Plan fiduciary net position:				
Contributions - employer	241,647	227,562	232,825	243,231
Net investment income (loss)	685,024	549,068	(75,698)	299,481
Benefit payments, including refunds	(439,234)	(367,835)	(292,537)	(258,462)
Administrative expenses	<u>(10,855)</u>	<u>(10,833)</u>	<u>(10,985)</u>	<u>(11,023)</u>
Net change in plan fiduciary net position	476,582	397,962	(146,395)	273,227
Plan fiduciary net position, beginning of year	<u>5,238,987</u>	<u>4,841,025</u>	<u>4,987,420</u>	<u>4,714,193</u>
Plan fiduciary net position, end of year	<u>5,715,569</u>	<u>5,238,987</u>	<u>4,841,025</u>	<u>4,987,420</u>
City's net pension liability, end of year	<u>\$ 2,169,968</u>	<u>\$ 2,392,730</u>	<u>\$ 2,375,811</u>	<u>\$ 1,586,464</u>
Plan fiduciary net position as a percent of total pension liability	72.48%	68.65%	67.08%	75.87%
Covered payroll	\$ 968,904	\$ 868,041	\$ 890,475	\$ 1,030,137
City's net pension liability as a percentage of covered payroll	224%	276%	267%	154%

Note: This schedule is being built prospectively after the implementation of GASB 68 in fiscal year 2015.

Ultimately, ten years of data will be presented.

SCHEDULE OF CITY PENSION CONTRIBUTIONS

Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contributions	\$ 285,277	\$ 227,562	\$ 292,537	\$ 245,804	\$ 205,592	\$ 157,108	\$ 155,497	\$ 178,396	\$ 149,250	\$ 179,091
Contributions in relation to the actuarially determined contributions	<u>285,277</u>	<u>227,562</u>	<u>292,537</u>	<u>245,804</u>	<u>205,592</u>	<u>157,108</u>	<u>155,497</u>	<u>178,396</u>	<u>149,250</u>	<u>179,091</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 968,904</u>	<u>\$ 868,041</u>	<u>\$ 890,475</u>	<u>\$ 1,030,137</u>	<u>\$ 1,017,295</u>	<u>\$ 832,526</u>	<u>\$ 726,565</u>	<u>\$ 828,933</u>	<u>\$ 854,014</u>	<u>\$ 783,737</u>
Contributions as a percentage of covered payroll	29.44%	26.22%	32.85%	23.86%	20.21%	18.87%	21.40%	21.52%	17.48%	22.85%

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 normal cost
Amortization method	Level percentage of pay, open
Remaining amortization period	22 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%, net of investment and administrative expenses, including inflation
Retirement age	Normal retirement age is 60 years
Mortality	50% Female - 50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - nonmajor governmental funds

June 30, 2018

	<u>Special revenue funds</u>		
	<u>Community Building and Park Improvement</u>	<u>Special Road</u>	<u>Totals</u>
ASSETS			
Cash	\$ 56,213	\$ 137,532	\$ 193,745
LIABILITIES AND FUND BALANCES			
Liabilities - payables	\$ -	\$ 6,753	\$ 6,753
Fund balances:			
Restricted for:			
Public works	-	130,779	130,779
Recreation and culture	56,213	-	56,213
Total fund balances	56,213	130,779	186,992
Total liabilities and fund balances	\$ 56,213	\$ 137,532	\$ 193,745

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended June 30, 2018

	<i>Special revenue funds</i>		
	<i>Community Building and Park Improvement</i>	<i>Special Road</i>	<i>Totals</i>
REVENUES			
State grants	\$ -	\$ 17,136	\$ 17,136
Contribution from local unit	-	93,208	93,208
Interest	236	-	236
Other	-	4,919	4,919
	<hr/>	<hr/>	<hr/>
Total revenues	236	115,263	115,499
EXPENDITURES			
Current - public works	219	103,615	103,834
	<hr/>	<hr/>	<hr/>
NET CHANGES IN FUND BALANCES	17	11,648	11,665
FUND BALANCES - BEGINNING	<hr/>	<hr/>	<hr/>
	56,196	119,131	175,327
FUND BALANCES - ENDING	<hr/>	<hr/>	<hr/>
	\$ 56,213	\$ 130,779	\$ 186,992

BALANCE SHEET - Downtown Development Authority

June 30, 2018

ASSETS

Cash	\$ 126,089
Due from primary government	<u>4,644</u>
Total assets	<u>\$ 130,733</u>

LIABILITIES AND FUND BALANCE

Liabilities - payables	\$ 7,793
Fund balance - assigned for public works	<u>122,940</u>
Total liabilities and fund balance	<u>\$ 130,733</u>
Total fund balance	\$ 122,940

Amounts reported for the *component unit* in the statement of net position (page 12) are different because:

Capital assets are not financial resources and, therefore, are not reported in the funds.	473,456
Compensated absences are not due and payable in the current period and, therefore, are not reported in the fund.	(1,714)
Interest payable is not due and payable in the current period and, therefore, is not reported in the fund.	(15,500)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the fund.	<u>(1,158,730)</u>
Net position (deficit) of the <i>component unit</i>	<u>\$ (579,548)</u>

City of Wayland

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND

BALANCE - Downtown Development Authority

Year ended June 30, 2018

REVENUES

Tax increment financing	\$ 302,365
State grants	16,000
Interest income	112
Other	<u>29,040</u>
Total revenues	<u>347,517</u>

EXPENDITURES

Current - public works	201,922
Debt service:	
Principal	99,143
Interest	<u>51,073</u>
Total expenditures	<u>352,138</u>

NET CHANGE IN FUND BALANCE (4,621)

FUND BALANCE - BEGINNING 127,561

FUND BALANCE - ENDING \$ 122,940

Net change in fund balance \$ (4,621)

Amounts reported for the *component unit* in the statement of activities (page 13) are different because:

Capital assets - provision for depreciation (23,262)

Long-term debt - principal payments 99,143

Changes in other liabilities:

 Decrease in compensated absences 356

 Decrease in interest payable 1,400

Change in net position of *component unit* \$ 73,016

City of Wayland

BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority

Year ended June 30, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Tax increment financing	\$ 304,500	\$ 304,500	\$ 302,365	\$ (2,135)
State grants	-	30,000	16,000	(14,000)
Interest income	100	100	112	12
Other	<u>32,000</u>	<u>50,191</u>	<u>29,040</u>	<u>(21,151)</u>
Total revenues	<u>336,600</u>	<u>384,791</u>	<u>347,517</u>	<u>(37,274)</u>
EXPENDITURES				
Public works	184,533	320,933	201,922	119,011
Debt service:				
Principal	114,179	114,179	99,143	15,036
Interest	<u>36,037</u>	<u>36,037</u>	<u>51,073</u>	<u>(15,036)</u>
Total expenditures	<u>334,749</u>	<u>471,149</u>	<u>352,138</u>	<u>119,011</u>
NET CHANGES IN FUND BALANCES	1,851	(86,358)	(4,621)	81,737
FUND BALANCES - BEGINNING	<u>127,561</u>	<u>127,561</u>	<u>127,561</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 129,412</u>	<u>\$ 41,203</u>	<u>\$ 122,940</u>	<u>\$ 81,737</u>

City of Wayland

**SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$1,650,000 1998 MICHIGAN STRATEGIC FUND LOAN PAYABLE**

June 30, 2018

<u>Fiscal period</u>	<u>Principal</u>
2019	<u>\$ 14,563</u>
Allocation by activity:	
Governmental activities	\$ 9,128
Business-type activities	<u>5,435</u>
	<u>\$ 14,563</u>

City of Wayland

**SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$2,820,000 2008 CAPITAL IMPROVEMENT BONDS**

June 30, 2018

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>December 1</i>	<i>June 1</i>			
2019	\$ 43,275	\$ 43,275	6/1/19	\$ 150,000	\$ 236,550
2020	39,900	39,900	6/1/20	150,000	229,800
2021	36,525	36,525	6/1/21	150,000	223,050
2022	33,150	33,150	6/1/22	175,000	241,300
2023	29,213	29,212	6/1/23	175,000	233,425
2024	25,275	25,275	6/1/24	175,000	225,550
2025	21,250	21,250	6/1/25	200,000	242,500
2026	16,250	16,250	6/1/26	200,000	232,500
2027	11,250	11,250	6/1/27	225,000	247,500
2028	5,625	5,625	6/1/28	225,000	236,250
	<u>\$ 261,713</u>	<u>\$ 261,712</u>		<u>\$ 1,825,000</u>	<u>\$ 2,348,425</u>

	<i>Interest</i>	<i>Principal</i>	<i>Totals</i>
Allocation by activity:			
Governmental activities	\$ 134,520	\$ 469,182	\$ 603,702
Business-type activities	186,339	649,488	835,827
Component unit (DDA)	202,566	706,330	908,896
	<u>\$ 523,425</u>	<u>\$ 1,825,000</u>	<u>\$ 2,348,425</u>

City of Wayland

**SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$523,784 2009 INSTALLMENT PURCHASE AGREEMENT**

June 30, 2018

<u><i>Fiscal period</i></u>	<u><i>Interest</i></u>	<u><i>Principal</i></u>	<u><i>Total requirements</i></u>
2019	<u>\$ 3,357</u>	<u>\$ 83,923</u>	<u>\$ 87,280</u>

City of Wayland

**SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$1,930,000 2012 SEWER REFUNDING BONDS**

June 30, 2018

<u>Fiscal period</u>	<u>Interest requirements</u>		<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
	<u>October 1</u>	<u>April 1</u>			
2019	\$ 7,556	\$ 5,356	10/1/18	\$ 220,000	\$ 232,912
2020	5,356	2,938	10/1/19	215,000	223,294
2021	<u>2,938</u>	<u>-</u>	10/1/20	<u>235,000</u>	<u>237,938</u>
	<u>\$ 15,850</u>	<u>\$ 8,294</u>		<u>\$ 670,000</u>	<u>\$ 694,144</u>

**SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$493,750 2016 INSTALLMENT PURCHASE AGREEMENT**

June 30, 2018

<u>Fiscal period</u>	<u>Interest</u>	<u>Principal</u>	<u>Total requirements</u>
2019	\$ 8,119	\$ 48,023	\$ 56,142
2020	9,702	46,440	56,142
2021	8,588	47,554	56,142
2022	7,447	48,696	56,143
2023	6,278	49,864	56,142
2024	5,081	51,061	56,142
2025	3,856	52,287	56,143
2026	2,601	53,541	56,142
2027	1,316	54,934	56,250
	<u>\$ 52,988</u>	<u>\$ 452,400</u>	<u>\$ 505,388</u>

**SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$83,500 2018 INSTALLMENT PURCHASE AGREEMENT**

June 30, 2018

<u>Fiscal period</u>	<u>Interest</u>	<u>Principal</u>	<u>Total requirements</u>
2019	\$ 606	\$ 31,232	\$ 31,838
2020	<u>133</u>	<u>21,148</u>	<u>21,281</u>
	<u>\$ 739</u>	<u>\$ 52,380</u>	<u>\$ 53,119</u>