

CITY OF WAYLAND
ALLEGAN COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the 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 (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension schedules, and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016, on our consideration of the City of Wayland, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the typed name of the firm.

Gabridge & Company, PLC
Grand Rapids, Michigan
December 7, 2016

Management's Discussion and Analysis

As management of the City of Wayland, Michigan (The "City" or "government") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$10,602,069 (net position). Of this amount, \$1,311,130 (about 12%) represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$1,661,446, a decrease of \$412,404 from the prior year's fund balance of \$2,073,850. Approximately 11% of this amount (\$190,700) is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$190,700, or approximately 8% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, deferred outflows, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., accrued but unpaid other postemployment benefits and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, police and fire protection, streets, health and welfare, community and economic development, and recreation and culture. The business-type activities of the City include water and sewer services.

The government-wide financial statements can be found on pages 15 – 16 of this report.

The government-wide financial statements include not only the City of Wayland itself (known as the primary government), but also a legally separate Downtown Development Authority for which the City is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

The component unit fund financial statements can be found on pages 56 – 57 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and local streets which are considered to be major funds. Data from the major streets, special roads, and community building and park improvement funds are presented as a separate column as they are considered nonmajor funds.

The City adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 17 – 20 of this report.

Proprietary Funds. The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprises funds to account for its water and sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The City uses an internal service fund to account for equipment costs by allocating the cost to the funds that are using the resources. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, both of which are considered to be major funds of the City. The internal service fund data is presented in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 21 – 24 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City reports one type of fiduciary fund, an agency fund.

The *agency fund* reports resources held by the City in a custodial capacity for individuals, private organizations, and other governments.

The fiduciary fund financial statement can be found on page 25 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 26 - 45 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's budgetary comparison schedules and the City's pension schedules.

Required supplementary information can be found on pages 47 - 50 of this report.

This report also presents other supplementary information which includes the nonmajor fund combining and individual statements and the combining component unit financial statements. The combining and component unit statements are presented immediately following the required supplementary information on pensions.

Combining and individual fund statements and schedules and the component unit financial statements can be found on pages 52 - 57 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$10,602,069, at the close of the most recent fiscal year.

City of Wayland Statement of Net Position as of June 30, 2016 and June 30, 2015

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
ASSETS						
<i>Current Assets</i>						
Cash & Cash Equivalents	\$ 1,957,340	\$ 2,148,835	\$ 1,911,636	\$ 1,747,702	\$ 3,868,976	\$ 3,896,537
Taxes Receivable	43,501	41,242	-	-	43,501	41,242
Accounts Receivable	15,691	52,491	240,654	211,204	256,345	263,695
Due from State	124,571	113,345	-	-	124,571	113,345
Total Current Assets	2,141,103	2,355,913	2,152,290	1,958,906	4,293,393	4,314,819
<i>Noncurrent Assets</i>						
Capital Assets, net	6,135,007	6,561,688	5,021,519	5,062,877	11,156,526	11,624,565
Total Assets	8,276,110	8,917,601	7,173,809	7,021,783	15,449,919	15,939,384
DEFERRED OUTFLOWS OF RESOURCES						
Pension	638,550	158,709	130,787	32,506	769,337	191,215
Total Deferred Outflows of Resources	638,550	158,709	130,787	32,506	769,337	191,215
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	209,799	45,361	114,005	15,878	323,804	61,239
Payroll Liabilities	66,370	67,961	8,996	8,728	75,366	76,689
Due to Other Governmental Units	-	25,401	-	-	-	25,401
Accrued Interest	7,760	9,718	8,847	8,613	16,607	18,331
Current Portion of Long-term Debt	153,392	230,434	264,050	269,047	417,442	499,481
Total Current Liabilities	437,321	378,875	395,898	302,266	833,219	681,141
<i>Noncurrent Liabilities</i>						
Compensated Absences	25,569	33,326	15,284	21,762	40,853	55,088
Long-term Debt	732,648	886,040	1,624,456	1,890,089	2,357,104	2,776,129
Net Pension Liability	1,971,923	1,316,765	403,888	269,699	2,375,811	1,586,464
Total Liabilities	3,167,461	2,615,006	2,439,526	2,483,816	5,606,987	5,098,822
DEFERRED INFLOWS OF RESOURCES						
Pension	8,466	-	1,734	-	10,200	-
Total Deferred Inflows of Resources	8,466	-	1,734	-	10,200	-
NET POSITION						
Net Investment in Capital Assets	5,268,967	5,445,214	3,133,013	2,903,741	8,401,980	8,348,955
Restricted	888,959	665,309	-	-	888,959	665,309
Unrestricted	(419,193)	350,781	1,730,323	1,666,732	1,311,130	2,017,513
Total Net Position	\$ 5,738,733	\$ 6,461,304	\$ 4,863,336	\$ 4,570,473	\$ 10,602,069	\$ 11,031,777

By far, the largest portion of the City's net position (\$8,401,980, or 79%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$888,959, or 8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,311,130 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

The City's overall net position decreased \$514,109 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

City of Wayland
Change in Net Position for Fiscal Years Ended June 30, 2016 and June 30, 2015

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Revenue						
Program Revenues						
Charges for Services	\$ 170,895	\$ 214,108	\$ 1,292,695	\$ 1,273,999	\$ 1,463,590	\$ 1,488,107
Operating Grants & Contributions	510,660	524,430	-	-	510,660	524,430
Capital Grants & Contributions	5,269	78,899	-	-	5,269	78,899
Total Program Revenues	<u>686,824</u>	<u>817,437</u>	<u>1,292,695</u>	<u>1,273,999</u>	<u>1,979,519</u>	<u>2,091,436</u>
General Revenues						
Property Taxes	1,513,345	1,468,751	-	-	1,513,345	1,468,751
State Revenue Sharing	441,878	413,531	-	-	441,878	413,531
Other Revenue	45,668	72,260	-	-	45,668	72,260
Interest Income	16,389	15,653	20,190	17,827	36,579	33,480
Contributions to Component Unit	-	(26,334)	-	(63,286)	-	(89,620)
Total General Revenues & Transfers	<u>2,017,280</u>	<u>1,943,861</u>	<u>20,190</u>	<u>(45,459)</u>	<u>2,037,470</u>	<u>1,898,402</u>
Total Revenues	<u>2,704,104</u>	<u>2,761,298</u>	<u>1,312,885</u>	<u>1,228,540</u>	<u>4,016,989</u>	<u>3,989,838</u>
Expenses						
General Government	486,452	537,571	-	-	486,452	537,571
Public Safety	1,222,457	1,236,361	-	-	1,222,457	1,236,361
Public Works	1,635,200	1,529,924	-	-	1,635,200	1,529,924
Community & Economic Development	27,496	37,504	-	-	27,496	37,504
Recreation & Culture	39,431	44,749	-	-	39,431	44,749
Interest on Long-term Debt	41,974	45,318	-	-	41,974	45,318
Water & Sewer Operations	-	-	1,078,088	881,964	1,078,088	881,964
Total Expenses	<u>3,453,010</u>	<u>3,431,427</u>	<u>1,078,088</u>	<u>881,964</u>	<u>4,531,098</u>	<u>4,313,391</u>
Change in Net Position	<u>(748,906)</u>	<u>(670,129)</u>	<u>234,797</u>	<u>346,576</u>	<u>(514,109)</u>	<u>(323,553)</u>
<i>Net Position at the Beginning of Period - Restated (Note 10)</i>	<u>6,487,639</u>	<u>7,131,433</u>	<u>4,628,539</u>	<u>4,223,897</u>	<u>11,116,178</u>	<u>11,355,330</u>
Net Position at the End of Period	<u>\$ 5,738,733</u>	<u>\$ 6,461,304</u>	<u>\$ 4,863,336</u>	<u>\$ 4,570,473</u>	<u>\$ 10,602,069</u>	<u>\$ 11,031,777</u>

Governmental Activities. Governmental activities decreased the City's net position by \$748,906 for the year ended June 30, 2016 compared to a decrease of \$670,129 for the year ended June 30, 2015. Total expenses for the year are comparable to the prior year, increasing by \$21,583. Total revenues decreased by \$57,194, which is mostly related to a reduction in capital grants.

The unrestricted net position of the City's governmental activities decreased from \$350,781 (restated) as of June 30, 2015 to (\$419,193) as of June 30, 2016. The most significant reason for the large decrease in unrestricted fund balance is due to the increase in the net pension liability of

\$655,158 in the current year. The decline is also related to the City's non-cash depreciation expense of \$918,814 being in excess of capital asset additions of \$571,950.

Business-type Activities. Business-type activities increased the City's net position by \$234,797 compared to an increase in the prior year of \$346,576. The total increase was the result of close monitoring of revenues and expenses during the year. Revenues from charges for services remained very consistent with the prior year. Total expenditures increased by \$196,124.

Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Commission.

At June 30, 2016, the City's governmental funds reported combined fund balances of \$1,661,446, a decrease of \$412,404 from the prior year fund balance of \$2,073,850. Approximately 11% of this amount (\$190,700) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *assigned*, or *restricted* to indicate that it is 1) not in spendable form or 2) restricted for particular purposes (\$818,259 for major and local streets and special roads, \$67,178 for park improvements, and \$3,522 for various purposes), or 3) assigned (\$581,787 for budget stabilization for unanticipated economic factors).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$190,700 and total fund balance decreased to \$776,009. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 8 percent of total general fund expenditures, while total fund balance represents approximately 34 percent of that same amount.

The fund balance of the City's general fund decreased by \$676,334 during the current fiscal year. The main reason for the large decrease was due to a transfer to the major and local street funds of \$615,000.

The major streets fund had a \$121,617 increase in fund balance during the current fiscal year to a year end fund balance at \$198,068. This increase in fund balance is mostly associated with transfer in from the general fund of \$115,000.

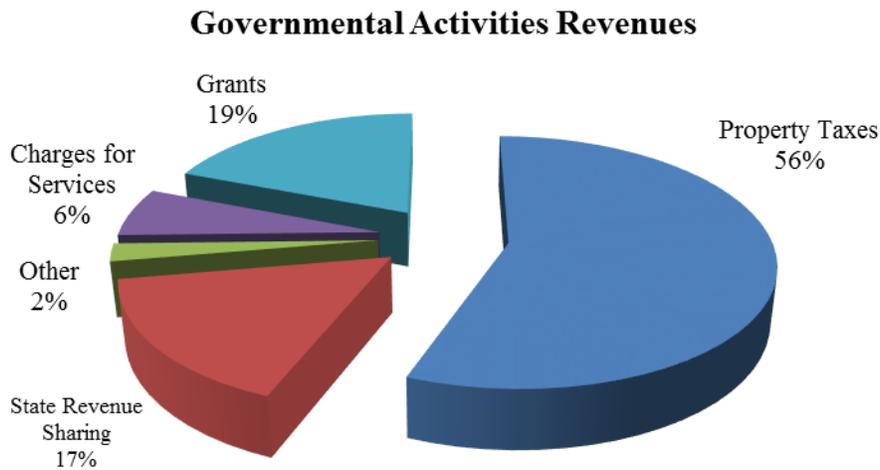
Similarly, the local streets fund has a \$387,660 increase in fund balance to a year end fund balance of \$544,328. The increase is due to transfer in from the general fund of \$500,000.

Proprietary Funds. The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year was \$525,070 for the water fund and \$1,205,253 for the sewer fund. The increases in net position were \$220,637 for the water fund and \$14,160 for the sewer fund. Operational revenues for charges for services were very consistent with the prior year. Operating expenses increased by \$200,934 over the prior year.

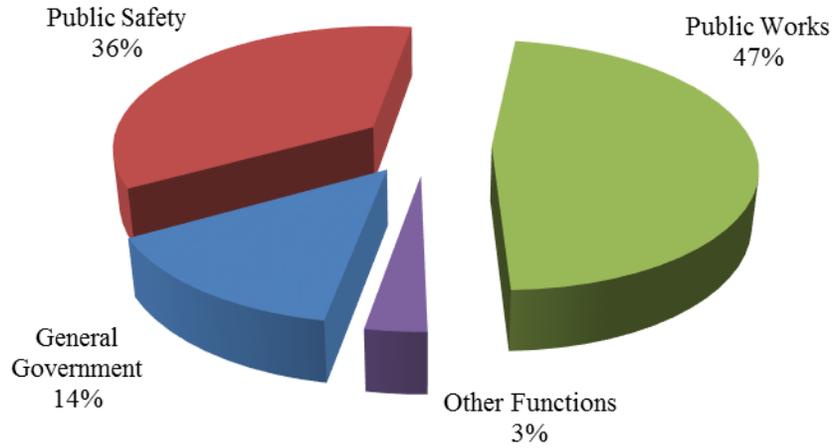
Governmental Activities

The following chart summarizes the revenue sources for the governmental activities of the City for the most recent fiscal year end.



The following chart summarizes the expenses for the governmental activities of the City for the most recent fiscal year end.

Governmental Activities Expenses



General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was a need to adjust expenditures in the final budget to \$2,518,525 from the originally budgeted expenditures of \$2,397,530. All other budget amendments during the year were relatively minor.

Final budget compared to actual results. During the current fiscal year the City had one expenditures in excess of the appropriated amounts in the general fund for capital outlay of \$79,701

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, 2016, amounts to \$11,156,526 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, and water and sewer infrastructure. The following summarizes the City's capital assets:

	Governmental Activities	Business-type Activities	Total Primary Government
Land	\$ 891,312	\$ 319,730	\$ 1,211,042
Buildings	466,981	-	466,981
Improvements	766,300	-	766,300
Equipment	138,404	-	138,404
Vehicles	494,835	-	494,835
Infrastructure	3,377,175	-	3,377,175
Water System	-	1,524,989	1,524,989
Sewer System	-	3,176,800	3,176,800
	<u>\$ 6,135,007</u>	<u>\$ 5,021,519</u>	<u>\$ 11,156,526</u>

The most significant fixed asset additions during the current year include:

- Street Signal Improvements \$61,778
- Monument Sign \$17,208
- 2016 Ram 3500 for Police Department \$30,779
- City Park \$527,944
- Brush Truck \$50,391

More detailed information about the City's capital assets can be found in note 4.

Long-term Debt

As described in note 6 to the financial statements, the City had \$2,774,546 long-term debt at the end of the fiscal year. The City paid down \$526,644 of its outstanding loans and bonds payable during the current fiscal year, and is scheduled to pay down another \$568,752 in the upcoming year as well. The City is well under its legal debt limit as of year-end.

Economic Condition and Outlook

Management estimates that \$2,356,214 of revenues will be available for appropriation in the general fund in the upcoming budget. Total expenditures are budgeted to be \$2,352,320. This is comparable to the current year's actual total revenues of \$2,247,237 and total expenditures of \$2,308,571. The City continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2017, the City plans again to use current revenues to provide essential services and to maintain the City's financial reserves at similar levels. The ongoing costs of providing essential services for the citizens of the City will again need to be monitored in order to maintain the financial condition of the City.

Contacting the City

This financial report is designed to provide a general overview of the City's finances to its citizens, customers, investors, and creditors 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:

The City of Wayland
103 South Main Street
Wayland, MI 49348

Or by contacting Cheri Parrish, CPFA (269) 792-2265 or cparrish@cityofwayland.org

**City of Wayland
Statement of Net Position
June 30, 2016**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash & Cash Equivalents	\$ 1,957,340	\$ 1,911,636	\$ 3,868,976	\$ --
Taxes Receivable	43,501	--	43,501	--
Accounts Receivable	15,691	240,654	256,345	--
Due from State	124,571	--	124,571	--
Total Current Assets	2,141,103	2,152,290	4,293,393	--
<i>Noncurrent Assets</i>				
Capital Assets not being Depreciated	891,312	319,730	1,211,042	--
Capital Assets being Depreciated	5,243,695	4,701,789	9,945,484	519,980
Total Assets	8,276,110	7,173,809	15,449,919	519,980
DEFERRED OUTFLOWS OF RESOURCES				
Pension	638,550	130,787	769,337	--
Total Deferred Outflows of Resources	638,550	130,787	769,337	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	209,799	114,005	323,804	24,027
Payroll Liabilities	66,370	8,996	75,366	2,945
Accrued Interest	7,760	8,847	16,607	4,606
Current Portion of Long-term Debt	153,392	264,050	417,442	48,375
Total Current Liabilities	437,321	395,898	833,219	79,953
<i>Noncurrent Liabilities</i>				
Long-term Debt	732,648	1,624,456	2,357,104	1,258,137
Compensated Absences	25,569	15,284	40,853	--
Net Pension Liability	1,971,923	403,888	2,375,811	--
Total Liabilities	3,167,461	2,439,526	5,606,987	1,338,090
DEFERRED INFLOWS OF RESOURCES				
Pension	8,466	1,734	10,200	--
Total Deferred Inflows of Resources	8,466	1,734	10,200	--
NET POSITION				
Net Investment in Capital Assets	5,268,967	3,133,013	8,401,980	26,230
<i>Restricted for:</i>				
Public Safety	3,522	--	3,522	--
Public Works	818,259	--	818,259	--
Recreation & Culture	67,178	--	67,178	--
<i>Unrestricted</i>	(419,193)	1,730,323	1,311,130	(844,340)
Total Net Position	\$ 5,738,733	\$ 4,863,336	\$ 10,602,069	\$ (818,110)

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Wayland
Statement of Activities
For the Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
General Government	\$ 486,452	\$ 91,677	\$ 30,505	\$ --	\$ (364,270)	\$ --	\$ (364,270)	\$ --
Public Safety	1,222,457	72,688	179,140	--	(970,629)	--	(970,629)	--
Public Works	1,635,200	4,031	299,836	5,269	(1,326,064)	--	(1,326,064)	--
Community & Economic Development	27,496	--	--	--	(27,496)	--	(27,496)	--
Recreation & Culture	39,431	2,499	1,179	--	(35,753)	--	(35,753)	--
Debt Service - Interest	41,974	--	--	--	(41,974)	--	(41,974)	--
<i>Total Governmental Activities</i>	<u>3,453,010</u>	<u>170,895</u>	<u>510,660</u>	<u>5,269</u>	<u>(2,766,186)</u>	<u>--</u>	<u>(2,766,186)</u>	<u>--</u>
Business-type Activities:								
Sewer	565,484	785,586	--	--	--	220,102	220,102	--
Water	512,604	507,109	--	--	--	(5,495)	(5,495)	--
<i>Total Business-type Activities</i>	<u>1,078,088</u>	<u>1,292,695</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>214,607</u>	<u>214,607</u>	<u>--</u>
<i>Total Primary Government</i>	<u>\$ 4,531,098</u>	<u>\$ 1,463,590</u>	<u>\$ 510,660</u>	<u>\$ 5,269</u>	<u>\$ (2,766,186)</u>	<u>\$ 214,607</u>	<u>\$ (2,551,579)</u>	<u>--</u>
Component Unit								
Downtown Development Authority	\$ 365,545	\$ --	\$ --	\$ --	--	--	--	(365,545)
<i>Total Component Unit</i>	<u>\$ 365,545</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(365,545)</u>
General Purpose Revenues and Transfers:								
Revenues								
Property Taxes					1,513,345	--	1,513,345	305,165
Other					45,668	--	45,668	33,091
Interest and Investment Income					16,389	20,190	36,579	117
State Revenue					441,878	--	441,878	--
Transfers					--	--	--	--
<i>Total General Revenues and Transfers</i>					<u>2,017,280</u>	<u>20,190</u>	<u>2,037,470</u>	<u>338,373</u>
<i>Change in Net Position</i>					<u>(748,906)</u>	<u>234,797</u>	<u>(514,109)</u>	<u>(27,172)</u>
<i>Net Position at Beginning of Period - Restated (Note 10)</i>					6,487,639	4,628,539	11,116,178	(790,938)
<i>Net Position at End of Period</i>					<u>\$ 5,738,733</u>	<u>\$ 4,863,336</u>	<u>\$ 10,602,069</u>	<u>\$ (818,110)</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Wayland
Balance Sheet
Governmental Funds
June 30, 2016**

	<u>Special Revenue</u>			
	<u>General</u>	<u>Local Streets</u>	<u>Other Governmental Funds</u>	
ASSETS				
Cash & Cash Equivalents	\$ 758,329	\$ 682,923	\$ 307,759	\$ 1,749,011
Taxes Receivable	43,501	--	--	43,501
Accounts Receivable	15,691	--	--	15,691
Due from State	64,296	22,971	37,304	124,571
Total Assets	\$ 881,817	\$ 705,894	\$ 345,063	\$ 1,932,774
LIABILITIES				
Accounts Payable	\$ 41,280	\$ 161,340	\$ 3,034	\$ 205,654
Payroll Liabilities	64,528	226	920	65,674
Total Liabilities	105,808	161,566	3,954	271,328
FUND BALANCE				
Restricted	3,522	544,328	341,109	888,959
Assigned	581,787	--	--	581,787
Unassigned	190,700	--	--	190,700
Total Fund Balance	776,009	544,328	341,109	1,661,446
Total Liabilities and Fund Balance	\$ 881,817	\$ 705,894	\$ 345,063	\$ 1,932,774

The Notes to the Financial Statements are an integral part of these Financial Statements

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

Total Fund Balance - Governmental Funds	\$	1,661,446
Net Position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements		512,093
General government capital assets of \$21,154,696, net of accumulated depreciation of \$15,360,627, are not financial resources, and accordingly are not reported in the funds.		5,794,069
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(886,040)
Compensated absences are not due in and payable in the current period, and therefore, are not reported in the funds		(25,569)
In the Statement of Net Position, interest is accrued on outstanding bonds, whereas in the governmental funds, the interest expenditure is reported when due.		(7,760)
Certain deferred pension-related amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.		614,901
Net pension liability is not due and payable in the current period and is not reported in the funds.		(1,924,407)
Total Net Position - Governmental Funds	\$	<u>5,738,733</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Wayland
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

	<u>Special Revenue</u>			<u>Total Governmental Funds</u>
	<u>General</u>	<u>Local Streets</u>	<u>Other Governmental Funds</u>	
Revenues				
Property Taxes	\$ 1,433,345	\$ --	\$ 80,000	\$ 1,513,345
Licenses & permits	107,672	--	--	107,672
State Revenue	379,720	111,557	259,924	751,201
Local Revenue Sources	34,200	--	--	34,200
Charges for Services	211,841	--	4,031	215,872
Fine & Forfeitures	1,945	--	--	1,945
Rents	17,812	--	--	17,812
Other	45,668	--	--	45,668
Interest and Investment Income	15,034	--	1,355	16,389
Total Revenues	<u>2,247,237</u>	<u>111,557</u>	<u>345,310</u>	<u>2,704,104</u>
Expenditures				
General Government	436,954	--	--	436,954
Public Safety	1,066,349	--	--	1,066,349
Public Works	358,732	223,897	128,847	711,476
Community & Economic Development	27,496	--	--	27,496
Recreation & Culture	--	--	27,917	27,917
Capital Outlay	288,070	--	283,880	571,950
Debt Service - Principal	118,298	--	112,136	230,434
Debt Service - Interest	12,672	--	31,260	43,932
Total Expenditures	<u>2,308,571</u>	<u>223,897</u>	<u>584,040</u>	<u>3,116,508</u>
Excess of Revenues Over (Under) Expenditures	<u>(61,334)</u>	<u>(112,340)</u>	<u>(238,730)</u>	<u>(412,404)</u>
Other Financing Sources (Uses)				
Transfers from other funds	105,249	500,000	115,000	720,249
Transfers to other funds	(720,249)	--	--	(720,249)
Net Other Financing Sources (Uses)	<u>(615,000)</u>	<u>500,000</u>	<u>115,000</u>	<u>--</u>
Net Change in Fund Balance	(676,334)	387,660	(123,730)	(412,404)
<i>Fund Balance at Beginning of Period - Restated (Note 10)</i>	1,452,343	156,668	464,839	2,073,850
Fund Balance at End of Period	<u>\$ 776,009</u>	<u>\$ 544,328</u>	<u>\$ 341,109</u>	<u>\$ 1,661,446</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Wayland
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	(412,404)
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements		(50,432)
Governmental fund report capital outlay as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$918,814 is in excess of capital outlay expenditures of \$571,950.		(346,864)
Long-term debt payments are reported as financing uses in the governmental funds and thus contribute to the change in fund balance. However, long-term debt payments reduce long-term liabilities on the Statement of Net Position. This represents the amount of long-term debt principal payments made during the year.		230,434
Decrease in accrued interest.		1,958
Decrease in compensated absences.		7,757
The change in net pension liability amounts does require the use of current resources and is not reported in the governmental funds.		(179,355)
Changes in Net Position - Governmental Funds	\$	<u>(748,906)</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Wayland
Statement of Net Position
Proprietary Funds
June 30, 2016**

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total Enterprise Funds	Internal Service Funds
ASSETS				
<i>Current Assets</i>				
Cash & Cash Equivalents	\$ 1,240,326	\$ 671,310	\$ 1,911,636	\$ 208,329
Accounts Receivable	142,177	98,477	240,654	--
Total Current Assets	1,382,503	769,787	2,152,290	208,329
<i>Noncurrent Assets</i>				
Capital Assets not being Depreciated	275,730	44,000	319,730	--
Capital Assets being Depreciated	3,176,800	1,524,989	4,701,789	340,938
Total Assets	4,835,033	2,338,776	7,173,809	549,267
DEFERRED OUTFLOWS OF RESOURCES				
Pension	61,547	69,240	130,787	15,387
Total Deferred Outflows of Resources	61,547	69,240	130,787	15,387
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	28,899	85,106	114,005	4,145
Payroll Liabilities	4,376	4,620	8,996	696
Accrued Interest	6,999	1,848	8,847	--
Current Portion of Long-term Debt	226,561	37,489	264,050	--
Total Current Liabilities	266,835	129,063	395,898	4,841
<i>Noncurrent Liabilities</i>				
Long-term Debt	1,161,646	462,810	1,624,456	--
Compensated Absences	7,642	7,642	15,284	--
Net Pension Liability	190,065	213,823	403,888	47,516
Total Liabilities	1,626,188	813,338	2,439,526	52,357
DEFERRED INFLOWS OF RESOURCES				
Pension	816	918	1,734	204
Total Deferred Inflows of Resources	816	918	1,734	204
NET POSITION				
Net Investment in Capital Assets	2,064,323	1,068,690	3,133,013	340,938
<i>Unrestricted</i>	1,205,253	525,070	1,730,323	171,155
Total Net Position	\$ 3,269,576	\$ 1,593,760	\$ 4,863,336	\$ 512,093

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Wayland
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Sewer	Water	Total Enterprise Funds	
Operating Revenues				
Charges for Services	\$ 726,996	\$ 467,549	\$ 1,194,545	\$ 113,282
Total Operating Revenues	<u>726,996</u>	<u>467,549</u>	<u>1,194,545</u>	<u>113,282</u>
Operating Expenses				
Contractual Services	80,959	114,609	195,568	2,250
Personnel	161,937	207,178	369,115	40,712
Supplies	17,243	10,047	27,290	16,549
Utilities	97,797	28,752	126,549	--
Equipment Rental	17,127	28,287	45,414	--
Repair & Maintenance	27,912	32,481	60,393	32,736
Depreciation Expense	126,169	67,255	193,424	71,467
Total Operating Expenses	<u>529,144</u>	<u>488,609</u>	<u>1,017,753</u>	<u>163,714</u>
Operating Income (Loss)	<u>197,852</u>	<u>(21,060)</u>	<u>176,792</u>	<u>(50,432)</u>
Non-Operating Revenues (Expenses)				
Interest and Investment Income	535	19,655	20,190	--
Connection Fees	58,590	39,560	98,150	--
Interest Expense	(36,340)	(23,995)	(60,335)	--
Net Non-Operating Revenues (Expenses)	<u>22,785</u>	<u>35,220</u>	<u>58,005</u>	<u>--</u>
Income Before Contributions and Transfers	<u>220,637</u>	<u>14,160</u>	<u>234,797</u>	<u>(50,432)</u>
Transfers from other funds	--	--	--	--
Transfers to other funds	--	--	--	--
Change In Net Position	<u>220,637</u>	<u>14,160</u>	<u>234,797</u>	<u>(50,432)</u>
<i>Net Position at Beginning of Period - Restated (Note 10)</i>	3,048,939	1,579,600	4,628,539	562,525
Net Position at End of Period	<u>\$ 3,269,576</u>	<u>\$ 1,593,760</u>	<u>\$ 4,863,336</u>	<u>\$ 512,093</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Wayland
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total Enterprise Funds</u>	<u>Internal Service - Equipment Fund</u>
Cash Flows From Operating Activities				
Cash Received from Customers	\$ 714,965	\$ 450,130	\$ 1,165,095	\$ 113,282
Cash Payments to Employees for Services and Fringe Benefits	(147,521)	(190,162)	(337,683)	(35,867)
Cash Payments to Suppliers for Goods and Services	(220,381)	(136,706)	(357,087)	(48,723)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>347,063</u>	<u>123,262</u>	<u>470,325</u>	<u>28,692</u>
Cash Flows From Capital and Related Financing Activities				
Connection Fees	58,590	39,560	98,150	-
Interest Expense	(36,724)	(23,377)	(60,101)	-
Principal Payment on Long-term Debt	(233,141)	(37,489)	(270,630)	-
Capital Assets Activity	(2,000)	(92,000)	(94,000)	8,350
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	<u>(213,275)</u>	<u>(113,306)</u>	<u>(326,581)</u>	<u>8,350</u>
Cash Flows From Investing Activities				
Interest on Investments	535	19,655	20,190	-
<i>Total Cash Flows from Investing Activities</i>	<u>535</u>	<u>19,655</u>	<u>20,190</u>	<u>-</u>
<i>Net Increase (Decrease) in Cash and Equivalents</i>	134,323	29,611	163,934	37,042
<i>Cash and Equivalents - Beginning of Year</i>	1,106,003	641,699	1,747,702	171,287
<i>Cash and Equivalents - End of Year</i>	<u>\$ 1,240,326</u>	<u>\$ 671,310</u>	<u>\$ 1,911,636</u>	<u>\$ 208,329</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Wayland
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total Enterprise Funds</u>	<u>Internal Service - Equipment Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income	\$ 197,852	\$ (21,060)	\$ 176,792	\$ (50,432)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation and Amortization Expense	126,169	67,255	193,424	71,467
Changes in Assets & Liabilities				
Accounts Receivable	(12,031)	(17,419)	(29,450)	-
Accounts Payable	20,657	77,470	98,127	2,812
Payroll Liabilities	(59)	327	268	417
Compensated Absences	(3,239)	(3,239)	(6,478)	-
Net Pension Liability	17,714	19,928	37,642	4,428
Net Cash Provided by Operating Activities	<u>\$ 347,063</u>	<u>\$ 123,262</u>	<u>\$ 470,325</u>	<u>28,692</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Wayland
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016**

	Agency
	Agency
ASSETS	
Cash & Cash Equivalents	\$ 41,867
<i>Total Assets</i>	41,867
LIABILITIES	
Due to Other Governmental Units	41,867
<i>Total Liabilities</i>	41,867
NET POSITION	
Held in Trust	\$ --

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Wayland

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

The financial statements of the reporting entity include those of the City of Wayland (the primary government) and its component units as required by generally accepted accounting principles.

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The component unit discussed below is included in the City's reporting entity as a discretely presented component unit because of the significance of its operational or financial relationships with the City. The component unit is reported in a separate column to emphasize that it is legally separate from the City.

Discretely Presented Component Units

The *Downtown Development Authority* is presented as a component unit as it is fiscally dependent on the City. The Authority is unable to adopt its budget, levy taxes, or issue debt without approval from the City Council. In addition, the Authority's governing body is appointed by the City Council. The component unit is reported in separate columns in the government-wide financial statements to emphasize that it is legally separate from the City. Separate financial statements of the component unit 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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these financial statements. *Governmental activities*, normally supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

City of Wayland

Notes to the Financial Statements

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, sales taxes, franchise taxes, licenses, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

City of Wayland

Notes to the Financial Statements

The City of Wayland reports the following major governmental funds:

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

The ***local street fund*** accounts for the activities of the City's local streets.

The City reports the following major proprietary funds:

The ***sewer fund*** accounts for the activities of the City's sewage collection system and wastewater treatment facilities.

The ***water fund*** accounts for the activities of the City's water distribution system.

Additionally, the government reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Internal service funds account for the financing of goods or services provided by the City to other departments or funds on a cost reimbursement basis.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for asset that the government holds for others in an agency capacity (such as taxes collected for other governments).

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses are not meeting this definition are reported as nonoperating revenues and expenses.

City of Wayland

Notes to the Financial Statements

Budgetary and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Council, by resolution, adopts a budget for the next fiscal year no later than June 30 of each year.
2. Public hearings are conducted to obtain taxpayer comments.
3. The City shall appropriate the money needed for municipal purposes during the next fiscal year of the City and shall provide for a levy of the amount necessary to be raised by taxes upon real and personal property.
4. Budgetary control is exercised at the functional level, which is the level at which expenditures may not legally exceed appropriations. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the City Council. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
5. The budget and approved appropriations lapse at the end of the fiscal year.
6. The City does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and City policy authorize the City to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

City of Wayland

Notes to the Financial Statements

- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- In United States government or federal agency obligation repurchase agreements.
- Bankers' acceptances of United States banks.
- Obligations of this State or any of its political subdivisions that at the time of purchase are rated at least investment grade by no less than one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by the City.
- Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, as amended.
- Investment pools organized under the Surplus Fund Investment Pool Act, 1982, as amended or under the Local Government Investment Pool Act, 1985, as amended.

Receivables and Payables

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

All trade receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets and sidewalks and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the city as assets with an estimated useful life in excess of two years and an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at replacement cost.

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

City of Wayland

Notes to the Financial Statements

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

<u>Description</u>	<u>Life</u>
Buildings & Improvements	10 - 50 Years
Streets	15 - 20 Years
Water & Sewer Infrastructure	50 Years
Equipment	3 - 20 Years

Deferred Outflows / Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City has several items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position. These items relate to the City's net pension liability. The net pension liability amounts are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

Compensated Absences

Vacation time is earned in varying amounts depending upon years of service. Employees may accumulate and carry over a maximum of twenty days. Upon retirement or termination, employees are paid for unused vacation time at their current rates. 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.

Employees are granted twelve paid personal days per year. Unused personal time does not accumulate, but a maximum of seven days' time is paid to the employee at the end of the first pay period of the following calendar year.

City of Wayland

Notes to the Financial Statements

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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

Net Position Flow Assumption

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

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in

City of Wayland

Notes to the Financial Statements

spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council, or its designee, is authorized to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the City Council.

Property Tax Revenue Recognition

The City property tax is levied on July 1 on the taxable valuation of property located in the City as of the preceding December 31. The billings are due on or before August 1, after which time the bill becomes delinquent and penalties and interest may be assessed by the City; unpaid real property taxes are sold to and collected by Allegan County.

It is the City's policy to recognize revenues in the current year when they are levied and made available for the financing of City operations. The City considers property taxes levied on July 1 to be revenues of the current period.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and

City of Wayland

Notes to the Financial Statements

events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Subsequent Events

Subsequent events have been evaluated through December 7, 2016, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would have a significant impact on the financial condition of the City.

New Accounting Standards Adopted

For June 30, 2016, the City adopted Government Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB 72 requires the funds to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. GASB 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements. There was no material impact on the funds’ financial statements as a result of the implementation of GASB 72.

Note 2 – Excess of Expenditures Over Budget

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2016, the City had one significant expenditures in excess of the amounts appropriated for capital outlay of \$79,901.

City of Wayland

Notes to the Financial Statements

Note 3 – Cash and Investments

Following is a reconciliation of deposit balances as of June 30, 2016:

	Primary Government	Component Unit	Totals
Statement of Net Position			
Cash & Cash Equivalents	\$ 3,868,976	\$ -	\$ 3,868,976
Statement of Fiduciary Net Position			
Cash & Cash Equivalents	41,867	-	41,867
Total Deposits and Investments	3,910,843	-	3,910,843
Deposits and Investments			
Cash & Cash Equivalents			\$ 3,222,450
Certificates of Deposit			688,118
Cash on Hand			275
Total			\$ 3,910,843

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end, \$2,917,615 of the City's bank balance of \$3,701,104 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the City believes it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk.

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All certificates of deposits of \$688,118 are due within one year.

City of Wayland

Notes to the Financial Statements

Fair Value Measurement. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Certificates of Deposits held directly by the City of \$688,118 are not included in the fair value measurement disclosure.

Note 4 – Capital Assets

Capital asset activity for governmental activities during the year was as follows:

Primary Government	<u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>
Capital assets not being depreciated				
Land	\$ 891,312	\$ -	\$ -	\$ 891,312
Total Capital assets not being depreciated	<u>891,312</u>	<u>-</u>	<u>-</u>	<u>891,312</u>
Capital assets being depreciated				
Buildings	982,641	-	-	982,641
Improvements	652,293	441,593	-	1,093,886
Equipment	567,314	49,187	-	616,501
Vehicles	645,927	81,170	-	727,097
Infrastructure	16,843,259	-	-	16,843,259
Total capital assets, being depreciated	<u>19,691,434</u>	<u>571,950</u>	<u>-</u>	<u>20,263,384</u>
Less accumulated depreciation				
Buildings	491,328	24,332	-	515,660
Improvements	316,468	11,118	-	327,586
Equipment	450,736	27,361	-	478,097
Vehicles	548,095	25,105	-	573,200
Infrastructure	12,635,186	830,898	-	13,466,084
Total accumulated depreciation	<u>14,441,813</u>	<u>918,814</u>	<u>-</u>	<u>15,360,627</u>
Internal Service Fund				
Equipment fund	420,755	(71,467)	8,350	340,938
Total capital assets	<u>\$ 6,561,688</u>	<u>\$ (418,331)</u>	<u>\$ 8,350</u>	<u>\$ 6,135,007</u>

City of Wayland

Notes to the Financial Statements

Capital asset activity for internal service activities during the year was as follows:

Internal Service Fund	<u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>
Capital assets being depreciated				
Equipment	\$ 428,618	\$ -	\$ -	\$ 428,618
Vehicles	1,963,166	-	114,688	1,848,478
<i>Total capital assets, being depreciated</i>	<u>2,391,784</u>	<u>-</u>	<u>114,688</u>	<u>2,277,096</u>
Less accumulated depreciation				
Equipment	426,209	1,199	-	427,408
Vehicles	1,544,810	70,268	106,338	1,508,740
<i>Total accumulated depreciation</i>	<u>1,971,019</u>	<u>71,467</u>	<u>106,338</u>	<u>1,936,148</u>
<i>Total capital assets</i>	<u>\$ 420,755</u>	<u>\$ (71,467)</u>	<u>\$ 8,350</u>	<u>\$ 340,938</u>

Capital asset activity for business-type activities during the year was as follows:

Business-type Activities	<u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>
Capital assets not being depreciated				
Land	\$ 319,730	\$ -	\$ -	\$ 319,730
Capital assets being depreciated				
Water System	2,843,515	92,000	-	2,935,515
Sewer System	6,094,073	2,000	-	6,096,073
<i>Total capital assets, being depreciated</i>	<u>8,937,588</u>	<u>94,000</u>	<u>-</u>	<u>9,031,588</u>
Less accumulated depreciation				
Water System	1,343,271	67,255	-	1,410,526
Sewer System	2,793,104	126,169	-	2,919,273
<i>Total accumulated depreciation</i>	<u>4,136,375</u>	<u>193,424</u>	<u>-</u>	<u>4,329,799</u>
<i>Total capital assets</i>	<u>\$ 5,120,943</u>	<u>\$ (99,424)</u>	<u>\$ -</u>	<u>5,021,519</u>

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

Governmental Activities	
General Government	\$ 23,178
Public Safety	39,527
Public Works	844,595
Recreation & Culture	11,514
Depreciation Charged to the Internal Service Fund	71,467
<i>Total Governmental Activities</i>	<u>\$ 990,281</u>
Business-type Activities	
Sewer Fund	\$ 126,169
Water Fund	67,255
<i>Total Business-type Activities</i>	<u>\$ 193,424</u>

City of Wayland

Notes to the Financial Statements

Note 5 – Interfund Balances & Interfund Transfers

As of June 30, 2016, there were no interfund balances between the City’s funds.

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

The following transfers occurred between funds of the City for the current year:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Local Streets	General Fund	\$ 500,000
Major Streets	General Fund	115,000
General Fund	Tribe Revenue Sharing	37,540
General Fund	WHIF	67,709

Transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and 3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Wayland

Notes to the Financial Statements

Note 6 – Long-term Debt

The following is a summary of long-term debt activity of the City for the year ended June 30, 2016:

	Interest Rate	Maturity	6/30/2015	Additions	Reductions	6/30/2016	Due Within One Year
Governmental Activities							
1998 MSF Loan	0.0%	2018	\$ 156,068	\$ -	\$ 43,689	\$ 112,379	\$ 43,689
2001 MTF Bonds	4.0% - 5.3%	2016	80,000	-	80,000	-	-
2008 Capital Bonds	4.0% - 5.0%	2028	572,016	-	32,136	539,880	32,138
2009 IPA	4.0%	2018	308,390	-	74,609	233,781	77,566
Compensated Absences			33,326	-	7,757	25,569	-
Total Governmental Activities			<u>1,149,800</u>	<u>-</u>	<u>238,191</u>	<u>911,609</u>	<u>153,392</u>
Business-type Activities							
1998 MSF Loan	0.0%	2018	47,813	-	14,563	33,250	14,562
2008 Capital Bonds	4.0% - 5.0%	2028	791,843	-	44,487	747,356	44,488
2012 Refunding Bonds	2.0% - 2.5%	2020	1,310,000	-	210,000	1,100,000	205,000
Unamortized Deferred Refunding			(15,224)	-	2,537	(12,687)	-
Unamortized Premium			24,704	-	4,117	20,587	-
Compensated Absences			21,762	-	6,478	15,284	-
Total Business-type Activities			<u>2,180,898</u>	<u>-</u>	<u>282,182</u>	<u>1,903,790</u>	<u>264,050</u>
Total Primary Government Long-term Debt			<u>\$ 3,330,698</u>	<u>\$ -</u>	<u>\$ 520,373</u>	<u>\$ 2,815,399</u>	<u>\$ 417,442</u>
Component Unit - DDA							
2016 IPA	2.4%	2027	\$ -	\$ 493,750	\$ -	\$ 493,750	\$ -
2008 Capital Bonds	4.0% - 5.0%	2028	861,141	-	48,379	812,762	48,375
Total DDA Long-term Debt			<u>\$ 861,141</u>	<u>\$ 493,750</u>	<u>\$ 48,379</u>	<u>\$ 1,306,512</u>	<u>\$ 48,375</u>

Annual debt service requirements, exclusive of compensated absences, to maturity are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 153,392	\$ 34,992	\$ 188,385	\$ 264,050	\$ 56,690	\$ 320,741
2018	162,950	30,524	193,474	288,640	50,500	339,139
2019	139,086	25,609	164,695	281,811	43,714	325,525
2020	38,565	20,517	59,082	268,383	36,693	305,076
2021	38,565	18,781	57,346	288,383	28,935	317,317
2022-2026	237,818	64,346	302,163	329,193	89,069	418,261
2027-2028	115,664	8,677	124,341	160,149	12,011	172,160
Totals	<u>\$ 886,040</u>	<u>\$ 203,446</u>	<u>\$ 1,089,486</u>	<u>\$ 1,880,607</u>	<u>\$ 317,612</u>	<u>\$ 2,198,220</u>

City of Wayland

Notes to the Financial Statements

	Component Unit		
	Principal	Interest	Total
2017	\$ 48,375	\$ 41,904	\$ 90,279
2018	102,324	47,885	150,209
2019	103,387	44,282	147,669
2020	104,475	40,582	145,057
2021	105,589	36,855	142,444
2022-2026	613,342	122,111	735,452
2027-2028	229,021	14,377	243,397
Totals	\$ 1,306,512	\$ 347,995	\$ 1,654,507

Note 7 – Defined Benefit Pension Plan

Plan Description

The City's defined benefit pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. The City's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent, multiple-employer, public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the City. MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917, or by calling 1-800-767-6377.

Benefits Provided

The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The MERS plan covers full-time employees at the City including AFSCME, non-union, police, patrolmen, police command, and clerical employees. Retirement benefits for employees are calculated as 2.5 percent of the employee's five-year final average compensation times the employee's years of service with a maximum of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at an unreduced benefit at age 55 with 25 years of service or a reduced benefit at age 50 with 25 years of service or age 55 with 15 years of service. Deferred retirement benefits vest after 10 years of credited service, but are not paid until the date retirement would have occurred had the member remained an employee. Employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately and if duty-related without an actuarial reduction for retirement before age 60 is not applied. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

City of Wayland

Notes to the Financial Statements

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

Employees Covered by Benefit Terms

At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	18
Inactive plan members entitled to but not yet receiving benefits	8
Active plan members	<u>18</u>
Total employees covered by MERS	<u>44</u>

Contributions

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

For the year ended June 30, 2016, the City had the following contribution rates:

<u>Division</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>
General Employee - Open	0.00%	20.68%
Police/Fire Division - Open	0.00%	23.72%

Net Pension Liability

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

City of Wayland

Notes to the Financial Statements

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2014	\$ 6,573,884	\$ 4,987,420	\$ 1,586,464
Service cost	128,419	-	128,419
Interest	535,576	-	535,576
Difference in Experience	(13,600)	-	(13,600)
Change in Assumptions	285,094	-	285,094
Contributions - Employer	-	232,825	(232,825)
Contributions - Employee	-	-	-
Net investment income	-	(75,698)	75,698
Benefit payments, including refunds	(292,537)	(292,537)	-
Administrative expenses	-	(10,985)	10,985
Net changes	<u>642,952</u>	<u>(146,395)</u>	<u>789,347</u>
Balance at December 31, 2015	<u>\$ 7,216,836</u>	<u>\$ 4,841,025</u>	<u>\$ 2,375,811</u>

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

For the year ended June 30, 2015, the City recognized pension expense of \$221,426.

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected & actual experience	\$ -	\$ 10,200
Changes in assumptions	213,821	-
Excess (deficit) investment returns	440,411	-
Contributions subsequent to the measurement date	115,105	-
Total	<u>\$ 769,337</u>	<u>\$ 10,200</u>

City of Wayland

Notes to the Financial Statements

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

Years Ending	
June 30	Amount
2017	\$ 182,395
2018	182,395
2019	182,394
2020	96,848

Actuarial Assumptions

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

Inflation: 2.5% (3-4% for 2014)

Salary Increases: base wage inflation of 3.75% in the long-term (plus merit and longevity from 0 to 11% based on age) (4.5 for 2014)

Investment rate of return: 7.75%, net of investment expense, including inflation (8.25 for 2014)

Mortality rates used for non-disabled plan member were based on a weighted blend of RP-2014 mortality tables of a 50% Male and 50% Female blend. Mortality rates used for disabled plan member were based on a blend of RP-2014 disabled retire mortality tables of a 50% Male and 50% Female blend of disabled retirees. (1994 group annuity tables is 2014)

The actuarial assumptions used in the valuation were based on the results of 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 table:

City of Wayland

Notes to the Financial Statements

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Expected Money Weighted Rate of Return</u>
Global equity	57.50%	6.27%	3.60%
Global fixed income	20.00%	3.43%	0.68%
Real assets	12.50%	5.48%	0.69%
Diversifying strategies	10.00%	7.81%	0.78%
Inflation			2.00%
Administrative fee			0.25%
Investment rate of return			8.00%

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent) or one percentage point higher (9.00 percent) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Net pension liability of the City	\$ 3,253,659	\$ 2,375,811	\$ 1,641,526

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report 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, pursuant to legal requirements.

City of Wayland

Notes to the Financial Statements

Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 8 – Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers’ compensation). The risks of loss arising from general liability, property and casualty, and workers’ compensation are managed through purchased commercial insurance.

Note 9 – Construction Code Fees

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

<u>Building Department Activity</u>	
Building Permit Revenue	\$ 67,638
Building Inspection Expense	<u>(58,171)</u>
<i>Net Change in Fund Balance</i>	9,467
<i>Fund Balance at Beginning of Period</i>	<u>(13,626)</u>
<i>Fund Balance at End of Period</i>	<u><u>\$ (4,159)</u></u>

Note 10 – Prior Period Adjustments

The financial statements for the year ended June 30, 2015 have been restated in order to account for prior year activity.

The beginning net position of both the governmental activities and business-type activities has been restated as indicated:

	Governmental Activities - Major Street Fund	Business-type Activities - Water Fund	Component Unit - DDA
Net position - June 30, 2015 - As previously reported	\$ 6,461,304	\$ 4,570,473	\$ (684,992)
Prior year activity	26,335	58,066	(105,946)
Net position - June 30, 2015 - As restated	<u>\$ 6,487,639</u>	<u>\$ 4,628,539</u>	<u>\$ (790,938)</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Wayland
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Consolidated General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Property Taxes	\$ 1,459,497	\$ 1,431,086	\$ 1,433,345	\$ 2,259
Licenses & permits	113,200	116,526	107,672	(8,854)
State Revenue	386,841	386,993	379,720	(7,273)
Local Revenue Sharing	39,179	50,461	34,200	(16,261)
Charges for Services	227,056	258,843	211,841	(47,002)
Fine & Forfeitures	1,200	1,945	1,945	--
Rents	24,100	18,063	17,812	(251)
Other	2,500	5,737	45,668	39,931
Interest	26,650	13,481	15,034	1,553
Total Revenues	2,280,223	2,283,135	2,247,237	(35,898)
Other Financing Sources				
Transfers from other funds	199,249	172,500	105,249	(67,251)
Total Revenues and Other Financing Sources	2,479,472	2,455,635	2,352,486	(103,149)
Expenditures				
General Government				
Council	102,650	99,782	86,919	12,863
General Administration	288,150	308,515	278,968	29,547
Elections	32,975	34,275	23,094	11,181
Assessor	55,400	49,175	42,224	6,951
Building & Grounds	5,000	7,070	5,749	1,321
Total General Government	484,175	498,817	436,954	61,863
Public Safety				
Police	852,001	852,929	746,877	106,052
Fire	308,400	308,405	261,301	47,104
Building Inspections	70,000	70,000	58,171	11,829
Total Public Safety	1,230,401	1,231,334	1,066,349	164,985
Public Works	376,985	412,585	358,732	53,853
Community & Economic Development	37,250	36,450	27,496	8,954
Capital Outlay	137,749	208,369	288,070	(79,701)
Debt Service	130,970	130,970	130,970	--
Total Expenditures	2,397,530	2,518,525	2,308,571	209,954
Other Financing Uses				
Transfers to other funds	742,749	720,249	720,249	--
Total Expenditures and Other Financing Uses	3,140,279	3,238,774	3,028,820	209,954
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(660,807)	(783,139)	(676,334)	106,805
Net Change in Fund Balance	(660,807)	(783,139)	(676,334)	106,805
<i>Fund Balance at Beginning of Period</i>	1,452,343	1,452,343	1,452,343	--
Fund Balance at End of Period	\$ 791,536	\$ 669,204	\$ 776,009	\$ 106,805

City of Wayland
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Local Streets
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
State Revenue	\$ 57,000	\$ 93,493	\$ 111,557	\$ 18,064
Interest	100	--	--	--
Total Revenues	<u>57,100</u>	<u>93,493</u>	<u>111,557</u>	<u>18,064</u>
Other Financing Sources				
Transfers from other funds	500,000	500,000	500,000	--
Total Revenues and Other Financing Sources	<u>557,100</u>	<u>593,493</u>	<u>611,557</u>	<u>18,064</u>
Expenditures				
Public Works	580,825	581,353	223,897	357,456
Total Expenditures	<u>580,825</u>	<u>581,353</u>	<u>223,897</u>	<u>357,456</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>580,825</u>	<u>581,353</u>	<u>223,897</u>	<u>357,456</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(23,725)</u>	<u>12,140</u>	<u>387,660</u>	<u>375,520</u>
Net Change in Fund Balance	<u>(23,725)</u>	<u>12,140</u>	<u>387,660</u>	<u>375,520</u>
<i>Fund Balance at Beginning of Period</i>	156,668	156,668	156,668	--
Fund Balance at End of Period	<u>\$ 132,943</u>	<u>\$ 168,808</u>	<u>\$ 544,328</u>	<u>\$ 375,520</u>

City of Wayland
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Fiscal Year

	2016	2015
Total Pension Liability		
Service Cost	\$ 128,419	\$ 148,892
Interest	535,576	505,186
Difference in Experience	(13,600)	-
Change in Assumptions	285,094	-
Benefit Payments, Including Refunds	(292,537)	(258,462)
Net Change in Pension Liability	642,952	395,616
<i>Total Pension Liability - Beginning</i>	6,573,884	6,178,268
Total Pension Liability - Ending (a)	\$ 7,216,836	\$ 6,573,884
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 232,825	\$ 243,231
Contributions - Member	-	-
Net Investment Income	(75,698)	299,481
Benefit Payments, Including Refunds	(292,537)	(258,462)
Administrative Expenses	(10,985)	(11,023)
Net Change in Plan Fiduciary Net Position	(146,395)	273,227
<i>Plan Fiduciary Net Position - Beginning</i>	4,987,420	4,714,193
Plan Fiduciary Net Position - Ending (b)	\$ 4,841,025	\$ 4,987,420
 Net Pension Liability - Ending (a) - (b)	\$ 2,375,811	\$ 1,586,464
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	67.08%	76%
 Covered Employee Payroll	\$ 890,475	\$ 1,030,137
 Net Pension Liability as a Percentage of Covered Employee Payroll	267%	154%

* Built prospectively upon implementation on GASB 68

**City of Wayland
Required Supplementary Information
Schedule of Contributions
Last 10 Fiscal Years**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially Determined Contribution	\$ 292,537	\$ 245,804	\$ 205,592	\$ 157,108	\$ 155,497	\$ 178,396	\$ 149,250	\$ 179,091	\$ 167,160	\$ 163,954
Contributions in Relation to the Actuarially Determined Contribution	292,537	245,804	205,592	157,108	155,497	178,396	149,250	179,091	167,160	163,954
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	890,475	1,030,137	1,017,295	832,526	726,565	828,933	854,014	783,737	836,291	789,541
Contributions as a Percentage of Covered Employee Payroll	33%	24%	20%	19%	21%	22%	17%	23%	20%	21%

Notes

Valuation Date

Actuarially determined contribution amounts 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
Amortization method	Level percentage of pay, open
Remaining amortization period	14 Years
Asset valuation method	5-year smoothed
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	50% Male - 50% Female RP-2014 Mortality Table

OTHER SUPPLEMENTARY INFORMATION

**City of Wayland
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016**

	Special Revenue			Total Nonmajor Governmental Funds
	Major Streets	Special Roads	Community Building & Park Improvement	
ASSETS				
Cash & Cash Equivalents	\$ 162,380	\$ 78,201	\$ 67,178	\$ 307,759
Due from State	37,304	--	--	37,304
<i>Total Assets</i>	<u>\$ 199,684</u>	<u>\$ 78,201</u>	<u>\$ 67,178</u>	<u>\$ 345,063</u>
LIABILITIES				
Accounts Payable	\$ 1,337	\$ 1,697	\$ --	\$ 3,034
Payroll Liabilities	279	641	--	920
<i>Total Liabilities</i>	<u>1,616</u>	<u>2,338</u>	<u>--</u>	<u>3,954</u>
FUND BALANCE				
Restricted	198,068	75,863	67,178	341,109
Unassigned	--	--	--	--
<i>Total Fund Balance</i>	<u>198,068</u>	<u>75,863</u>	<u>67,178</u>	<u>341,109</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 199,684</u>	<u>\$ 78,201</u>	<u>\$ 67,178</u>	<u>\$ 345,063</u>

City of Wayland
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue			Total Nonmajor Governmental Funds
	Major Streets	Special Roads	Community Building & Park Improvement	
Revenues				
Property Taxes	\$ --	\$ 80,000	\$ --	\$ 80,000
State Revenue	246,242	13,682	--	259,924
Charges for Services	--	4,031	--	4,031
Interest and Investment Income	--	--	1,355	1,355
Total Revenues	<u>246,242</u>	<u>97,713</u>	<u>1,355</u>	<u>345,310</u>
Expenditures				
Public Works	60,249	68,598	--	128,847
Recreation & Culture	--	--	27,917	27,917
Capital Outlay	35,980	--	247,900	283,880
Debt Service - Principal	112,136	--	--	112,136
Debt Service - Interest	31,260	--	--	31,260
Total Expenditures	<u>239,625</u>	<u>68,598</u>	<u>275,817</u>	<u>584,040</u>
Excess of Revenues Over (Under) Expenditures	<u>6,617</u>	<u>29,115</u>	<u>(274,462)</u>	<u>(238,730)</u>
Other Financing Sources (Uses)				
Transfers from other funds	115,000	--	--	115,000
Transfers to other funds	--	--	--	--
Net Other Financing Sources (Uses)	<u>115,000</u>	<u>--</u>	<u>--</u>	<u>115,000</u>
Net Change in Fund Balance	121,617	29,115	(274,462)	(123,730)
<i>Fund Balance at Beginning of Period - Restated (Note 10)</i>	76,451	46,748	341,640	464,839
Fund Balance at End of Period	\$ 198,068	\$ 75,863	\$ 67,178	\$ 341,109

**City of Wayland
General Fund Combining Balance Sheet
All Funds Treated as General
June 30, 2016**

	<u>General</u>	<u>Tribe Revenue Sharing</u>	<u>Drug Foreiture</u>	<u>Justice Training</u>	<u>WHIF</u>	<u>Total General Funds</u>
ASSETS						
Cash & Cash Equivalents	\$ 718,149	\$ 36,658	\$ 54	\$ 3,066	\$ 402	\$ 758,329
Taxes Receivable	43,501	--	--	--	--	43,501
Accounts Receivable	703	14,988	--	--	--	15,691
Due from State	64,296	--	--	--	--	64,296
<i>Total Assets</i>	\$ 826,649	\$ 51,646	\$ 54	\$ 3,066	\$ 402	\$ 881,817
LIABILITIES						
Accounts Payable	\$ 41,280	\$ --	\$ --	\$ --	\$ --	\$ 41,280
Payroll Liabilities	64,528	--	--	--	--	64,528
<i>Total Liabilities</i>	105,808	--	--	--	--	105,808
FUND BALANCE						
Restricted	--	--	54	3,066	402	3,522
Assigned	581,787	--	--	--	--	581,787
Unassigned	139,054	51,646	--	--	--	190,700
<i>Total Fund Balance</i>	720,841	51,646	54	3,066	402	776,009
<i>Total Liabilities and Fund Balance</i>	\$ 826,649	\$ 51,646	\$ 54	\$ 3,066	\$ 402	\$ 881,817

City of Wayland
General Fund Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
All Funds Treated as General
For the Year Ended June 30, 2016

	<u>General</u>	<u>Tribe Revenue Sharing</u>	<u>Drug Forfeiture</u>	<u>Justice Training</u>	<u>WHIF</u>	<u>Total General Funds</u>
Revenues						
Property Taxes	\$ 1,433,345	\$ --	\$ --	\$ --	\$ --	\$ 1,433,345
Licenses & permits	107,672	--	--	--	--	107,672
State Revenue	378,295	--	--	1,425	--	379,720
Local Revenue Sources	4,587	29,613	--	--	--	34,200
Charges for Services	211,841	--	--	--	--	211,841
Fine & Forfeitures	1,945	--	--	--	--	1,945
Rents	17,812	--	--	--	--	17,812
Other	45,668	--	--	--	--	45,668
Interest and Investment Income	14,764	--	--	--	270	15,034
Total Revenues	<u>2,215,929</u>	<u>29,613</u>	<u>--</u>	<u>1,425</u>	<u>270</u>	<u>2,247,237</u>
Expenditures						
General Government	436,194	750	--	--	10	436,954
Public Safety	1,065,758	--	--	591	--	1,066,349
Public Works	358,732	--	--	--	--	358,732
Community & Economic Development	27,496	--	--	--	--	27,496
Capital Outlay	282,862	5,208	--	--	--	288,070
Debt Service - Principal	118,298	--	--	--	--	118,298
Debt Service - Interest	12,672	--	--	--	--	12,672
Total Expenditures	<u>2,302,012</u>	<u>5,958</u>	<u>--</u>	<u>591</u>	<u>10</u>	<u>2,308,571</u>
Excess of Revenues Over (Under) Expenditures	<u>(86,083)</u>	<u>23,655</u>	<u>--</u>	<u>834</u>	<u>260</u>	<u>(61,334)</u>
Other Financing Sources (Uses)						
Transfers from other funds	105,249	--	--	--	--	105,249
Transfers to other funds	(615,000)	(37,540)	--	--	(67,709)	(720,249)
Net Other Financing Sources (Uses)	<u>(509,751)</u>	<u>(37,540)</u>	<u>--</u>	<u>--</u>	<u>(67,709)</u>	<u>(615,000)</u>
Net Change in Fund Balance	(595,834)	(13,885)	--	834	(67,449)	(676,334)
<i>Fund Balance at Beginning of Period</i>	1,316,675	65,531	54	2,232	67,851	1,452,343
Fund Balance at End of Period	<u>\$ 720,841</u>	<u>\$ 51,646</u>	<u>\$ 54</u>	<u>\$ 3,066</u>	<u>\$ 402</u>	<u>\$ 776,009</u>

City of Wayland
Combining Statement of Net Position / Balance Sheet
Component Unit
June 30, 2016

	Component Unit		
	Downtown Development Authority	Adjustments	Statement of Net Position
ASSETS			
<i>Current Assets</i>			
Cash & Cash Equivalents	\$ --	\$ --	\$ --
<i>Noncurrent Assets</i>			
Capital Assets being Depreciated		519,980	519,980
Total Assets	--	519,980	519,980
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	24,027	--	24,027
Payroll Liabilities	2,945	--	2,945
Accrued Interest	--	4,606	4,606
Current Portion of Long-term Debt	--	48,375	48,375
Total Current Liabilities	26,972	52,981	79,953
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	1,258,137	1,258,137
Total Liabilities	26,972	1,311,118	1,338,090
NET POSITION / FUND BALANCE			
Net Investment in Capital Assets	--	--	26,230
<i>Unrestricted / Unassigned</i>	(26,972)	(1,311,118)	(844,340)
Total Net Position / Fund Balance	\$ (26,972)	\$ (1,311,118)	\$ (818,110)

City of Wayland
Combining Statement of Activities / Statement of Revenues, Expenses and Changes in Fund Balance
Component Unit
For the Year Ended June 30, 2016

	Component Unit		
	Downtown Development Authority	Adjustments	Statement of Activities
Expenses			
Community & Economic Development	\$ 316,635	\$ --	\$ 316,635
Capital Outlay	526,709	(526,709)	--
Debt Service - Principal	48,379	(48,379)	--
Debt Service - Interest	40,150	2,031	42,181
Depreciation Expense	--	6,729	6,729
Total Expenses	931,873	(566,328)	365,545
General Revenue			
Property Taxes	305,165	--	305,165
Investment Income	117	--	117
Other	33,091	--	33,091
Installment Purchase Agreement Issuance	493,750	(493,750)	--
Total General Revenues	832,123	(493,750)	338,373
Change in Net Position / Fund Balnce	(99,750)	72,578	(27,172)
<i>Net Position / Fund Balance at Beginning of Period - Restated (Note 10)</i>	72,778	(863,716)	(790,938)
Net Position / Fund Balance at End of Period	\$ (26,972)	\$ (791,138)	\$ (818,110)

December 7, 2016

Honorable Mayor and Members of the City Council
City of Wayland, Michigan

We have audited the 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 for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 17, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As discussed in Note 1 to the Financial Statements, the City adopted Governmental Accounting Standards Board Statement No. 72. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements was:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences and the related pay rates as of June 30, 2015.

We evaluated key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- In the general fund, \$64,296 was adjusted for state revenue sharing amounts.
- In the general fund, \$53,575 was adjusted for miscellaneous receivables.
- Entries needed to be posted to process transfers in and out between funds.
- Adjustments to capital assets and depreciation needed to be prepared for all funds.
- Entries for the net pension liability needed to be prepared.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 7, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to management's discussion and analysis, pension schedules, and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund financial statements and the component unit financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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



Gabridge & Company, PLC
Grand Rapids, MI

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

December 7, 2016

Honorable Mayor and Members of the City Council
City of Wayland, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wayland, Michigan (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 7, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant

deficiencies, or material weaknesses have been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. 2016-1.

Compliance and Other Matters

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

City of Wayland's Response to Findings

The City of Wayland, Michigan's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Gabridge & Company, PLC
Grand Rapids, MI
December 7, 2016

City of Wayland

Schedule of Findings and Responses

Material Weaknesses

2016-1 – Preparation of Governmental Financial Statements

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Condition/Finding: As is the case with many smaller and medium sized entities, the City has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered a part of the City's internal controls. In addition, we proposed, and management approved, material journal entries to properly record receivables in the governmental funds and material journal entries to properly record depreciation expense, capital asset additions, and debt service payments in the business-type funds.

Cause: This condition was caused by the City's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the City to perform this task internally.

Effect: As a result of this condition, the City lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, at least in part, on its external auditors for assistance with this task. In addition, the City's records were initially misstated by an amount material to the financial statements.

View of Responsible Officials: It is the City's intent to improve upon the internal controls so that the financial statements are prepared in accordance with GAAP. The City is working with the auditor to enable the City to prepare GAAP financial statements internally.