

CITY OF WAYLAND
ALLEGAN COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

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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, 2014, 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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress and employer contributions for the pension plan, 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 and the component unit 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 and the component unit 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 and the component unit 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 October 31, 2014, 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 printed name of the firm.

Gabridge & Company, PLC
Grand Rapids, Michigan
October 31, 2014

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, 2014. 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 \$12,494,058 (net position). Of this amount, \$3,344,987 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 \$2,220,230, a decrease of \$312,543 in comparison with the prior year. Approximately 37% of this amount (\$823,280) 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 \$823,280, or approximately 37% of total general fund expenditures and transfers out.

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 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 55 – 56 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, major streets, and special roads, which are considered to be major funds. Data from the local streets and community building and park improvement funds is 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 - 44 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 schedules of funding progress and employer contributions for the pension plan.

Required supplementary information can be found on pages 46 - 49 of this report.

This report also presents other supplementary information which includes the nonmajor fund combining and individual statements and the 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 51 - 56 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 \$12,494,058, at the close of the most recent fiscal year.

City of Wayland Statement of Net Position as of June 30, 2014 and June 30, 2013

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
ASSETS						
<i>Current Assets</i>						
Cash & Cash Equivalents	\$ 2,218,955	\$ 2,514,999	\$ 1,726,326	\$ 1,419,700	\$ 3,945,281	\$ 3,934,699
Taxes Receivable	42,387	41,431	-	-	42,387	41,431
Accounts Receivable	37,884	32,924	216,841	223,119	254,725	256,043
Due from State	108,131	118,134	-	-	108,131	118,134
Prepaid Items	15,380	-	1,815	-	17,195	-
Due from (to) Other Units	(16,327)	96,037	-	-	(16,327)	96,037
Total Current Assets	2,406,410	2,803,525	1,944,982	1,642,819	4,351,392	4,446,344
<i>Noncurrent Assets</i>						
Unamortized Bond Issuance Costs	-	14,426	-	68,582	-	83,008
Restricted Investments	158,021	156,726	-	-	158,021	156,726
Capital Assets, net	7,217,263	7,969,521	5,007,016	5,099,332	12,224,279	13,068,853
Total Assets	9,781,694	10,944,198	6,951,998	6,810,733	16,733,692	17,754,931
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	97,300	259,187	35,492	34,375	132,792	293,562
Payroll Liabilities	55,525	58,325	5,608	8,351	61,133	66,676
Accrued Liabilities	4,523	1,774	-	-	4,523	1,774
Accrued Interest	15,718	15,300	9,754	14,000	25,472	29,300
Current Portion of Long-term Debt	241,738	233,979	248,469	258,470	490,207	492,449
Internal Balances	-	(106,089)	-	106,089	-	-
Total Current Liabilities	414,804	462,476	299,323	421,285	714,127	883,761
<i>Noncurrent Liabilities</i>						
Compensated Absences	27,304	29,437	22,540	22,423	49,844	51,860
Long-term Debt	1,686,111	1,925,330	1,789,552	2,035,960	3,475,663	3,961,290
Total Liabilities	2,128,219	2,417,243	2,111,415	2,479,668	4,239,634	4,896,911
NET POSITION						
Net Investment in Capital Assets	5,289,414	5,810,212	2,968,995	2,804,902	8,258,409	8,615,114
Restricted	890,662	1,162,304	-	-	890,662	1,162,304
Unrestricted	1,473,399	1,554,439	1,871,588	1,526,163	3,344,987	3,080,602
Total Net Position	\$ 7,653,475	\$ 8,526,955	\$ 4,840,583	\$ 4,331,065	\$ 12,494,058	\$ 12,858,020

By far, the largest portion of the City's net position (\$8,258,409, or 66%) 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 (\$890,662, or 7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,344,987 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's overall net position decreased \$290,604 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. Governmental activities decreased the City's net position by \$762,615 for the year ended June 30, 2014 compared to a decrease of \$674,089 for the year ended June 30, 2013. The total decrease was largely a result of increased street repair and maintenance costs during June 30, 2014. Accordingly, public works expenses increased from \$1,373,188 during the fiscal year ended June 30, 2013 to \$1,534,649 during the fiscal year ended June 30, 2014.

The unrestricted net position of the City decreased from \$1,554,439 as of June 30, 2013 to \$1,473,399 as of June 30, 2014. The city had an overall decrease in net position of \$762,615 during the year. This is largely related to the City's non-cash depreciation expense of \$1,079,868 being in excess of capital asset additions of \$327,620.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Business-type Activities. Business-type activities increased the City's net position by \$472,011. The total increase was the result of close monitoring of expenses during the year and an overall increase in charges for services of \$54,551, due to increased users, compared to the prior year.

City of Wayland
Change in Net Position for Fiscal Years Ended June 30, 2014 and June 30, 2013

	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Revenue						
Program Revenues						
Charges for Services	\$ 161,717	\$ 153,230	\$ 1,195,228	\$ 1,140,677	\$ 1,356,945	\$ 1,293,907
Operating Grants & Contributions	514,079	572,174	-	-	514,079	572,174
Capital Grants & Contributions	-	9,586	75,750	217,253	75,750	226,839
Total Program Revenues	<u>675,796</u>	<u>734,990</u>	<u>1,270,978</u>	<u>1,357,930</u>	<u>1,946,774</u>	<u>2,092,920</u>
General Revenues						
Property Taxes	1,464,328	1,236,907	-	-	1,464,328	1,236,907
State Revenue Sharing	399,703	356,619	-	-	399,703	356,619
Other Revenue	66,731	65,550	-	-	66,731	65,550
Interest Income	31,622	5,383	19,931	877	51,553	6,260
Total General Revenues & Transfers	<u>1,962,384</u>	<u>1,664,459</u>	<u>19,931</u>	<u>877</u>	<u>1,982,315</u>	<u>1,665,336</u>
Total Revenues	<u>2,638,180</u>	<u>2,399,449</u>	<u>1,290,909</u>	<u>1,358,807</u>	<u>3,929,089</u>	<u>3,758,256</u>
Expenses						
General Government	472,656	400,861	-	-	472,656	400,861
Public Safety	1,252,396	1,134,836	-	-	1,252,396	1,134,836
Public Works	1,534,649	1,373,188	-	-	1,534,649	1,373,188
Community & Economic Development	31,419	51,128	-	-	31,419	51,128
Recreation & Culture	19,074	14,110	-	-	19,074	14,110
Health & Welfare	-	14,018	-	-	-	14,018
Interest on Long-term Debt	90,601	85,397	-	-	-	-
Water & Sewer Operations	-	-	818,898	850,066	818,898	850,066
Total Expenses	<u>3,400,795</u>	<u>3,073,538</u>	<u>818,898</u>	<u>850,066</u>	<u>4,219,693</u>	<u>3,923,604</u>
Change in Net Position	<u>(762,615)</u>	<u>(674,089)</u>	<u>472,011</u>	<u>508,741</u>	<u>(290,604)</u>	<u>(165,348)</u>
<i>Net Position at the Beginning of Period</i>	8,526,865	9,200,954	4,331,065	3,822,324	12,857,930	13,023,278
<i>Prior Period Adjustment (See Note 10)</i>	(110,775)	-	37,507	-	(73,268)	-
<i>Net Position at the Beginning of Period - Restated</i>	8,416,090	9,200,954	4,368,572	3,822,324	12,784,662	13,023,278
Net Position at the End of Period	<u>\$ 7,653,475</u>	<u>\$ 8,526,865</u>	<u>\$ 4,840,583</u>	<u>\$ 4,331,065</u>	<u>\$ 12,494,058</u>	<u>\$ 12,857,930</u>

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, 2014, the City's governmental funds reported combined fund balances of \$2,220,230, a decrease of \$312,543 in comparison with the prior year. Approximately 37% of this amount (\$823,280) 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 (\$13,523 for prepaid items), or 2) restricted for particular purposes (\$890,357 for major and local streets, and special roads), or 3) assigned (\$493,070 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 \$823,280, while total fund balance increased to \$1,408,771. 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 37 percent of total general fund expenditures and transfers out, while total fund balance represents approximately 64 percent of that same amount.

The fund balance of the City's general fund increased by \$35,777 during the current fiscal year. The City Council monitors the expenditures of the general fund closely to ensure that spending does not exceed the City's available resources.

The major streets fund, a major fund, had a \$78,676 decrease in fund balance during the current fiscal year which put the overall fund balance at \$198,130. This decrease in fund balance is due to the increased costs associated with routine maintenance and increased costs of winter maintenance associated with the near record winter snowfall during the year.

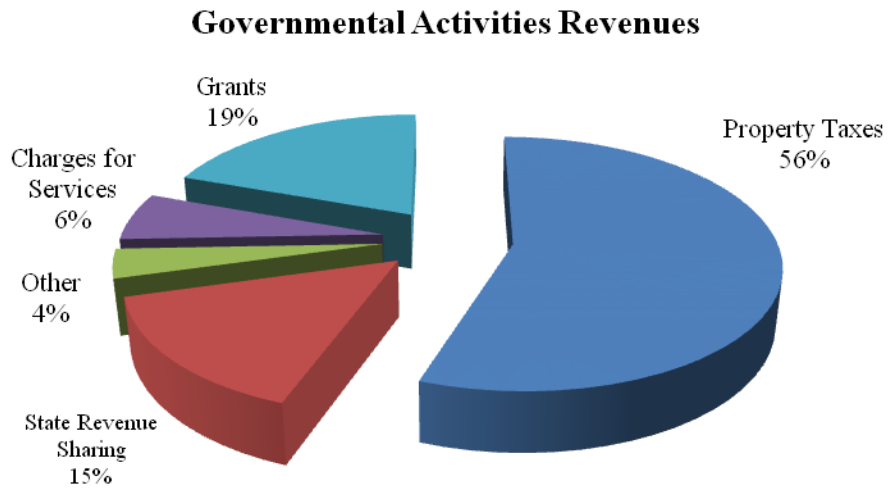
The special roads fund, a major fund, had a \$218,685 decrease in fund balance during the current fiscal year which put the overall fund balance at \$43,928. This decrease in fund balance is due to the cedar street project being completed during the year.

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

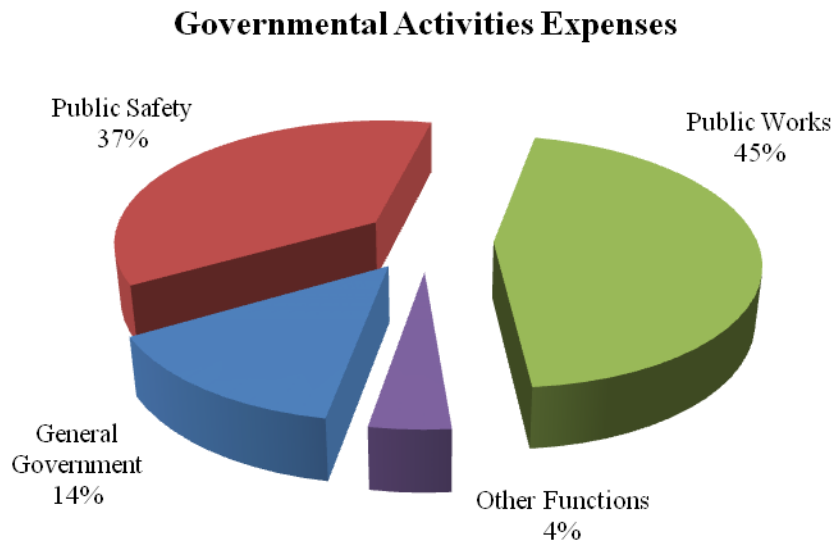
Unrestricted net position at the end of the year was \$812,560 for the water fund and \$1,059,028 for the sewer fund. The increase in net position was \$136,760 for the water fund and \$335,251 for the sewer fund. The results were consistent with the previous year with one exception. The connections fees decreased in the water and sewer funds by \$70,878 and \$70,625 respectively.

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.



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 \$2,258,564 from the originally budgeted expenditures of \$1,991,650. This is a result of increased estimated expenditures in general administration, police, and fire. 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 expenditure in excess of the appropriated amounts in the general fund of \$7,349 for the police department.

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, 2014, amounts to \$12,224,279 (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	515,645	-	515,645
Improvements	44,723	-	44,723
Equipment	149,789	-	149,789
Vehicles	577,454	-	577,454
Infrastructure	5,038,340	-	5,038,340
Water System	-	1,269,661	1,269,661
Sewer System	-	3,417,625	3,417,625
Subtotal	<u>\$ 7,217,263</u>	<u>\$ 5,007,016</u>	<u>\$ 12,224,279</u>

Three of the significant fixed asset additions during the current year include:

- Cedar Street Project \$344,009
- 2014 Chevy Tahoe for Police Department \$26,722
- Stage Trailer \$55,133

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 \$4,658,321 long-term debt at the end of the fiscal year. The City paid down \$476,549 of its outstanding loans and bonds payable during the current fiscal year, and is scheduled to pay down another \$490,207 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 \$2,200,000 of revenues will be available for appropriation in the general fund in the upcoming budget. Expenditures are expected to change by small amounts compared to 2014. 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 2014, 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, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash & Cash Equivalents	\$ 2,218,955	\$ 1,726,326	\$ 3,945,281	\$ 101,206
Taxes Receivable	42,387	--	42,387	--
Accounts Receivable	37,884	216,841	254,725	--
Due from State	108,131	--	108,131	--
Prepaid Items	15,380	1,815	17,195	--
Due from (to) Other Units	(16,327)	--	(16,327)	16,327
Total Current Assets	2,406,410	1,944,982	4,351,392	117,533
<i>Noncurrent Assets</i>				
Restricted Investments	158,021	--	158,021	--
Capital Assets not being Depreciated	891,312	319,730	1,211,042	--
Capital Assets being Depreciated	6,325,951	4,687,286	11,013,237	--
Total Assets	9,781,694	6,951,998	16,733,692	117,533
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	97,300	35,492	132,792	1,881
Accrued Liabilities	4,523	--	4,523	--
Payroll Liabilities	55,525	5,608	61,133	1,177
Accrued Interest	15,718	9,754	25,472	2,680
Current Portion of Long-term Debt	241,738	248,469	490,207	29,783
Total Current Liabilities	414,804	299,323	714,127	35,521
<i>Noncurrent Liabilities</i>				
Long-term Debt	1,686,111	1,789,552	3,475,663	662,668
Compensated Absences	27,304	22,540	49,844	--
Total Liabilities	2,128,219	2,111,415	4,239,634	698,189
NET POSITION				
Net Investment in Capital Assets	5,289,414	2,968,995	8,258,409	--
<i>Restricted for:</i>				
Public Safety	1,357	--	1,357	--
Public Works	445,493	--	445,493	--
Recreation & Culture	365,966	--	365,966	--
Community & Economic Development	77,846	--	77,846	--
<i>Unrestricted</i>	1,473,399	1,871,588	3,344,987	(580,656)
Total Net Position	\$ 7,653,475	\$ 4,840,583	\$ 12,494,058	\$ (580,656)

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, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Unit - DDA
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
General Government	\$ 472,656	\$ 108,315	\$ 64,120	\$ --	\$ (300,221)	\$ --	\$ (300,221)	\$ --
Public Safety	1,252,396	46,644	172,406	--	(1,033,346)	--	(1,033,346)	--
Public Works	1,534,649	6,758	277,553	--	(1,250,338)	--	(1,250,338)	--
Community & Economic Development	31,419	--	--	--	(31,419)	--	(31,419)	--
Recreation & Culture	19,074	--	--	--	(19,074)	--	(19,074)	--
Interest on Long-term Debt	90,601	--	--	--	(90,601)	--	(90,601)	--
<i>Total Governmental Activities</i>	<u>3,400,795</u>	<u>161,717</u>	<u>514,079</u>	<u>--</u>	<u>(2,724,999)</u>	<u>--</u>	<u>(2,724,999)</u>	<u>--</u>
Business-type Activities:								
Sewer	456,958	791,492	--	--	--	334,534	334,534	--
Water	361,940	479,486	--	--	--	117,546	117,546	--
<i>Total Business-type Activities</i>	<u>818,898</u>	<u>1,270,978</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>452,080</u>	<u>452,080</u>	<u>--</u>
<i>Total Primary Government</i>	<u>\$ 4,219,693</u>	<u>\$ 1,432,695</u>	<u>\$ 514,079</u>	<u>\$ --</u>	<u>\$ (2,724,999)</u>	<u>\$ 452,080</u>	<u>\$ (2,272,919)</u>	<u>--</u>
Component Units								
Downtown Development Authority	\$ (324,647)	\$ --	\$ --	\$ --	--	--	--	(324,647)
<i>Total Component Units</i>	<u>\$ (324,647)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(324,647)</u>
General Purpose Revenues and Transfers:								
Revenues								
Property Taxes					1,464,328	--	1,464,328	294,025
Other					66,731	--	66,731	33,161
Investment Income					31,622	19,931	51,553	2,026
State Revenue Sharing					399,703	--	399,703	--
Transfers					--	--	--	--
<i>Total General Revenues and Transfers</i>					<u>1,962,384</u>	<u>19,931</u>	<u>1,982,315</u>	<u>329,212</u>
<i>Change in Net Position</i>					<u>(762,615)</u>	<u>472,011</u>	<u>(290,604)</u>	<u>4,565</u>
<i>Net Position at Beginning of Period</i>					8,526,865	4,331,065	12,857,930	(395,684)
<i>Prior Period Adjustment (See Note 10)</i>					(110,775)	37,507	(73,268)	(189,537)
<i>Net Position at Beginning of Period - Restated</i>					8,416,090	4,368,572	12,784,662	(585,221)
<i>Net Position at End of Period</i>					<u>\$ 7,653,475</u>	<u>\$ 4,840,583</u>	<u>\$ 12,494,058</u>	<u>\$ (580,656)</u>

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

**City of Wayland
Balance Sheet
Governmental Funds
June 30, 2014**

	<u>Special Revenue</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Streets</u>	<u>Special Roads</u>		
ASSETS					
Cash & Cash Equivalents	\$ 1,406,002	\$ 163,257	\$ 56,428	\$ 407,203	\$ 2,032,890
Taxes Receivable	42,387	--	--	--	42,387
Accounts Receivable	37,884	--	--	--	37,884
Due from State	62,456	34,715	--	10,960	108,131
Prepaid Expenditures	13,218	210	20	75	13,523
Due from (to) Other Units	--	--	--	(16,327)	(16,327)
Due from Other Funds	--	--	--	10,379	10,379
Restricted Investments	--	--	--	158,021	158,021
Total Assets	\$ 1,561,947	\$ 198,182	\$ 56,448	\$ 570,311	\$ 2,386,888
LIABILITIES					
Accounts Payable	\$ 82,749	\$ 52	\$ 12,520	\$ 910	\$ 96,231
Accrued Liabilities	4,523	--	--	--	4,523
Payroll Liabilities	55,525	--	--	--	55,525
Due to Other Funds	10,379	--	--	--	10,379
Total Liabilities	153,176	52	12,520	910	166,658
FUND BALANCE					
Nonspendable	13,218	210	20	75	13,523
Restricted	79,203	197,920	43,908	569,326	890,357
Assigned	493,070	--	--	--	493,070
Unassigned	823,280	--	--	--	823,280
Total Fund Balance	1,408,771	198,130	43,928	569,401	2,220,230
Total Liabilities and Fund Balance	\$ 1,561,947	\$ 198,182	\$ 56,448	\$ 570,311	\$ 2,386,888

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, 2014

Total Fund Balance - Governmental Funds	\$ 2,220,230
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	684,173
General government capital assets of \$20,217,853, net of accumulated depreciation of \$13,497,910, are not financial resources, and accordingly are not reported in the funds.	6,719,943
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,927,849)
Compensated absences are not due in and payable in the current period, and therefore, are not reported in the funds.	(27,304)
In the statement of net position, interest is accrued on outstanding bonds, whereas in the governmental funds, the interest expenditure is reported when due.	(15,718)
Total Net Position - Governmental Funds	\$ <u>7,653,475</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, 2014

	<u>Special Revenue</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Streets</u>	<u>Special Roads</u>		
Revenues					
Property Taxes	\$ 1,376,245	\$ --	\$ 88,083	\$ --	\$ 1,464,328
Licenses & permits	81,307	--	--	--	81,307
State Revenue Sharing	370,332	226,276	12,377	68,271	677,256
Local Revenue Sharing	64,120	--	--	--	64,120
Charges for Services	221,769	--	2,141	--	223,910
Fine & Forfeitures	2,449	--	--	--	2,449
Rents	21,840	--	--	--	21,840
Other	66,731	--	--	--	66,731
Investment Income	28,211	277	80	3,054	31,622
Total Revenues	<u>2,233,004</u>	<u>226,553</u>	<u>102,681</u>	<u>71,325</u>	<u>2,633,563</u>
Expenditures					
General Government	447,659	--	--	--	447,659
Public Safety	1,116,580	--	--	--	1,116,580
Public Works	380,720	161,632	89,522	70,443	702,317
Community & Economic Development	31,419	--	--	--	31,419
Recreation & Culture	12,526	--	--	1,082	13,608
Capital Outlay	88,276	--	234,344	--	322,620
Debt Service - Principal	100,410	96,906	--	24,404	221,720
Debt Service - Interest	19,637	44,191	--	26,355	90,183
Total Expenditures	<u>2,197,227</u>	<u>302,729</u>	<u>323,866</u>	<u>122,284</u>	<u>2,946,106</u>
Excess of Revenues Over (Under) Expenditures	<u>35,777</u>	<u>(76,176)</u>	<u>(221,185)</u>	<u>(50,959)</u>	<u>(312,543)</u>
Other Financing Sources (Uses)					
Transfers In	--	--	2,500	--	2,500
Transfers Out	--	(2,500)	--	--	(2,500)
Net Other Financing Sources (Uses)	<u>--</u>	<u>(2,500)</u>	<u>2,500</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	<u>35,777</u>	<u>(78,676)</u>	<u>(218,685)</u>	<u>(50,959)</u>	<u>(312,543)</u>
<i>Fund Balance at Beginning of Period</i>	1,372,994	276,806	262,613	620,360	2,532,773
Fund Balance at End of Period	<u>\$ 1,408,771</u>	<u>\$ 198,130</u>	<u>\$ 43,928</u>	<u>\$ 569,401</u>	<u>\$ 2,220,230</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, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	(312,543)
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.		4,617
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 \$1,000,744 is in excess of capital outlay expenditures of \$322,620.		(678,124)
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.		221,720
Increase in accrued interest.		(418)
Decrease in compensated absences.		2,133
Changes in Net Position - Governmental Funds	\$	<u>(762,615)</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, 2014**

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total Enterprise Funds	Internal Service Funds
ASSETS				
<i>Current Assets</i>				
Cash & Cash Equivalents	\$ 946,951	\$ 779,375	\$ 1,726,326	\$ 186,065
Accounts Receivable	134,944	81,897	216,841	--
Prepaid Items	1,731	84	1,815	1,857
Total Current Assets	1,083,626	861,356	1,944,982	187,922
<i>Noncurrent Assets</i>				
Capital Assets not being Depreciated	275,730	44,000	319,730	--
Capital Assets being Depreciated	3,417,625	1,269,661	4,687,286	497,320
Total Assets	4,776,981	2,175,017	6,951,998	685,242
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	2,468	33,024	35,492	1,069
Payroll Liabilities	2,386	3,222	5,608	--
Accrued Interest	8,474	1,280	9,754	--
Current Portion of Long-term Debt	226,090	27,106	253,196	--
Total Current Liabilities	239,418	64,632	304,050	1,069
<i>Noncurrent Liabilities</i>				
Long-term Debt	1,435,399	349,426	1,784,825	--
Compensated Absences	11,270	11,270	22,540	--
Total Liabilities	1,686,087	425,328	2,111,415	1,069
NET POSITION				
Net Investment in Capital Assets	2,031,866	937,129	2,968,995	497,320
<i>Unrestricted</i>	1,059,028	812,560	1,871,588	186,853
Total Net Position	\$ 3,090,894	\$ 1,749,689	\$ 4,840,583	\$ 684,173

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, 2014

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total Enterprise</u>	<u>Activities</u>
			<u>Funds</u>	<u>Internal Service</u>
				<u>Funds</u>
Operating Revenues				
Charges for Services	\$ 749,642	\$ 445,586	\$ 1,195,228	\$ 166,051
<i>Total Operating Revenues</i>	<u>749,642</u>	<u>445,586</u>	<u>1,195,228</u>	<u>166,051</u>
Operating Expenses				
Contractual Services	35,271	21,114	56,385	3,519
Personnel	135,309	158,187	293,496	21,877
Supplies	12,565	10,092	22,657	33,217
Utilities	89,523	33,263	122,786	--
Equipment	19,887	29,498	49,385	--
Repair & Maintenance	10,326	32,525	42,851	23,801
Depreciation Expense	124,603	61,802	186,405	79,134
<i>Total Operating Expenses</i>	<u>427,484</u>	<u>346,481</u>	<u>773,965</u>	<u>161,548</u>
<i>Operating Income (Loss)</i>	<u>322,158</u>	<u>99,105</u>	<u>421,263</u>	<u>4,503</u>
Non-Operating Revenues (Expenses)				
Investment Income (Loss)	717	19,214	19,931	114
Connection Fees	41,850	33,900	75,750	--
Interest Expense	(29,474)	(15,459)	(44,933)	--
<i>Net Non-Operating Revenues (Expenses)</i>	<u>13,093</u>	<u>37,655</u>	<u>50,748</u>	<u>114</u>
<i>Income Before Contributions and Transfers</i>	<u>335,251</u>	<u>136,760</u>	<u>472,011</u>	<u>4,617</u>
Transfers In	--	--	--	--
Transfers Out	--	--	--	--
<i>Change In Net Position</i>	<u>335,251</u>	<u>136,760</u>	<u>472,011</u>	<u>4,617</u>
<i>Net Position at Beginning of Period</i>	2,811,579	1,625,575	4,437,154	679,556
<i>Prior Period Adjustment (See Note 10)</i>	(55,936)	(12,646)	(68,582)	--
<i>Net Position at Beginning of Period</i>	2,755,643	1,612,929	4,368,572	679,556
<i>Net Position at End of Period</i>	<u>\$ 3,090,894</u>	<u>\$ 1,749,689</u>	<u>\$ 4,840,583</u>	<u>\$ 684,173</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, 2014

	<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	\$ 753,538	\$ 447,968	\$ 1,201,506	\$ 166,051
Cash Payments to Employees for Services and Fringe Benefits	(137,032)	(159,090)	(296,122)	(21,877)
Cash Payments to Suppliers for Goods and Services	(198,222)	(100,786)	(299,008)	(61,793)
<i>Total Cash Flows from Operating Activities</i>	<u>418,284</u>	<u>188,092</u>	<u>606,376</u>	<u>82,381</u>
Cash Flows From Capital and Related Financing Activities				
Connection Fees	41,850	33,900	75,750	-
Interest Expense	(29,474)	(15,459)	(44,933)	-
Principal Payment on Long-term Debt	(235,190)	(21,219)	(256,409)	-
Purchase of Capital Assets	-	(94,089)	(94,089)	(5,000)
Total Cash Flows From Capital and Related Financing Activities	<u>(222,814)</u>	<u>(96,867)</u>	<u>(319,681)</u>	<u>(5,000)</u>
Cash Flows From Investing Activities				
Interest on Investments	717	19,214	19,931	114
<i>Total Cash Flows from Investing Activities</i>	<u>717</u>	<u>19,214</u>	<u>19,931</u>	<u>114</u>
<i>Net Increase (Decrease) in Cash and Equivalents</i>	<u>196,187</u>	<u>110,439</u>	<u>306,626</u>	<u>77,495</u>
<i>Cash and Equivalents - Beginning of Year</i>	<u>750,764</u>	<u>668,936</u>	<u>1,419,700</u>	<u>108,570</u>
<i>Cash and Equivalents - End of Year</i>	<u>\$ 946,951</u>	<u>\$ 779,375</u>	<u>\$ 1,726,326</u>	<u>\$ 186,065</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, 2014**

	<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	\$ 322,158	\$ 99,105	\$ 421,263	\$ 4,503
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation and Amortization Expense	124,603	61,802	186,405	79,134
Changes in Assets & Liabilities				
Accounts Receivable	3,896	2,382	6,278	-
Prepays	(1,731)	(84)	(1,815)	(461)
Accounts Payable	(24,693)	25,810	1,117	(795)
Payroll Liabilities	(1,781)	(962)	(2,743)	-
Accrued Interest	(4,226)	(20)	(4,246)	-
Compensated Absences	58	59	117	-
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 418,284</u>	<u>\$ 188,092</u>	<u>\$ 606,376</u>	<u>82,381</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, 2014**

	Agency
	Agency
ASSETS	
Cash & Cash Equivalents	\$ 59,618
<i>Total Assets</i>	59,618
LIABILITIES	
Due to Other Governmental Units	59,618
<i>Total Liabilities</i>	59,618
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 financial statements of the City have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the City's accounting policies are described below.

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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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 *major streets fund* accounts for the maintenance and improvement activities for streets designated as "major" within the City. Funding is primary through state sources.

The *special roads fund* accounts for the improvement activities for streets funded by tax revenues within the City.

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.

Restricted Assets

Certain bond proceeds and resources set aside for their repayment are classified as restricted assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

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.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost

City of Wayland

Notes to the Financial Statements

of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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 recorded at estimated fair market value at the date of donation.

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

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

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.

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

City of Wayland

Notes to the Financial Statements

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 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).

City of Wayland

Notes to the Financial Statements

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

City of Wayland

Notes to the Financial Statements

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 \$732,172 are due within one year.

City of Wayland

Notes to the Financial Statements

Note 4 – Capital Assets

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

Primary Government	<u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>
Capital assets not being depreciated				
Land	\$ 891,312	\$ -	\$ -	\$ 891,312
Construction in Progress	14,946	-	14,946	-
Total Capital assets not being depreciated	<u>906,258</u>	<u>-</u>	<u>14,946</u>	<u>891,312</u>
Capital assets being depreciated				
Buildings	982,641	-	-	982,641
Improvements	352,571	-	-	352,571
Equipment	505,760	61,554	-	567,314
Vehicles	554,664	26,722	-	581,386
Infrastructure	16,593,339	249,290	-	16,842,629
Total capital assets, being depreciated	<u>18,988,975</u>	<u>337,566</u>	<u>-</u>	<u>19,326,541</u>
Less accumulated depreciation				
Buildings	442,664	24,332	-	466,996
Improvements	298,877	8,971	-	307,848
Equipment	391,911	29,736	-	421,647
Vehicles	386,167	110,963	-	497,130
Infrastructure	10,977,547	826,742	-	11,804,289
Total accumulated depreciation	<u>12,497,166</u>	<u>1,000,744</u>	<u>-</u>	<u>13,497,910</u>
Internal Service Fund				
Equipment fund	571,454	-	74,134	497,320
Total capital assets	<u>\$ 7,969,521</u>	<u>\$ (663,178)</u>	<u>\$ 89,080</u>	<u>\$ 7,217,263</u>
Internal Service Fund	<u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>
Capital assets being depreciated				
Equipment	\$ 428,618	\$ -	\$ -	\$ 428,618
Vehicles	1,958,156	5,000	-	1,963,166
Total capital assets, being depreciated	<u>2,386,774</u>	<u>5,000</u>	<u>-</u>	<u>2,391,784</u>
Less accumulated depreciation				
Equipment	421,880	2,616	-	424,496
Vehicles	1,393,440	76,518	-	1,469,958
Total accumulated depreciation	<u>1,815,320</u>	<u>79,134</u>	<u>-</u>	<u>1,894,454</u>
Total capital assets	<u>\$ 571,454</u>	<u>\$ (74,134)</u>	<u>\$ -</u>	<u>\$ 497,320</u>

City of Wayland

Notes to the Financial Statements

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

Business-type Activities	<u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>
Capital assets not being depreciated				
Land	\$ 319,730	\$ -	\$ -	\$ 319,730
Capital assets being depreciated				
Water System	2,511,747	94,089	-	2,605,836
Sewer System	6,085,934	-	-	6,085,934
Total capital assets, being depreciated	<u>8,597,681</u>	<u>94,089</u>	<u>-</u>	<u>8,691,770</u>
Less accumulated depreciation				
Water System	1,274,373	61,802	-	1,336,175
Sewer System	2,543,706	124,603	-	2,668,309
Total accumulated depreciation	<u>3,818,079</u>	<u>186,405</u>	<u>-</u>	<u>4,004,484</u>
Total capital assets	<u>\$ 5,099,332</u>	<u>\$ (92,316)</u>	<u>\$ -</u>	<u>5,007,016</u>

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

Governmental Activities		
General Government	\$ 27,130	
Public Safety	135,816	
Public Works	832,322	
Recreation & Culture	5,466	
Depreciation Charged to the Internal Service Fund	79,134	
Total Governmental Activities	<u>\$ 1,079,868</u>	
Business-type Activities		
Sewer Fund	\$ 124,603	
Water Fund	61,802	
Total Business-type Activities	<u>\$ 186,405</u>	

Note 5 – Interfund Balances & Interfund Transfers

As of June 30, 2014, the interfund balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Local Street	General Fund	\$ 10,379
DDA	Local Street	16,327

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.

City of Wayland

Notes to the Financial Statements

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.

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

Transfer In	Transfer Out	Amount
Special Roads	Major Streets	\$ 2,500

Note 6 – Long-term Debt

The following is a summary of long-term debt activity of the City for the year ended June 30, 2014:

	Interest Rate	Maturity	6/30/2013	Additions	Reductions	6/30/2014	Due Within One Year
Governmental Activities							
1998 MSF Loan	0.0%	2018	\$ 232,524	\$ -	\$ 32,767	\$ 199,757	\$ 43,689
2001 MTF Bonds	4.0% - 5.3%	2016	225,000	-	70,000	155,000	75,000
2008 Capital Bonds	4.0% - 5.0%	2028	1,244,273	-	51,310	1,192,963	51,310
2009 IPA	4.0%	2018	447,772	-	67,643	380,129	71,739
Compensated Absences			29,437	-	2,133	27,304	-
Total Governmental Activities			2,179,006	-	223,853	1,955,153	241,738
Business-type Activities							
1998 MSF Loan	0.0%	2018	73,297		10,922	62,375	14,562
2008 Capital Bonds	4.0% - 5.0%	2028	458,493	-	18,907	439,586	18,907
2012 Refunding Bonds	2.0% - 2.5%	2020	1,750,000	-	225,000	1,525,000	215,000
Unamortized Deferred Refunding			(20,298)	-	2,537	(17,761)	-
Unamortized Premium			32,938	-	(4,117)	28,821	-
Compensated Absences			22,423	117	-	22,540	-
Total Business-type Activities			2,316,853	117	253,249	2,060,561	248,469
Total Primary Government Long-term Debt			\$ 4,495,859	\$ 117	\$ 477,102	\$ 4,015,714	\$ 490,207
Component Unit - DDA							
2008 Capital Bonds	4.0% - 5.0%	2028	\$ 722,234	\$ -	\$ 29,783	\$ 692,451	\$ 29,783

City of Wayland

Notes to the Financial Statements

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

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 241,738	\$ 79,090	\$ 258,861	\$ 248,469	\$ 55,683	\$ 310,512
2016	262,436	70,140	270,069	248,196	50,480	298,950
2017	185,393	60,189	276,753	243,196	45,426	293,623
2018	201,350	54,361	191,056	267,922	40,272	283,468
2019	177,487	47,766	196,380	252,488	34,967	302,891
2020-2024	423,309	168,362	425,496	605,982	73,270	918,366
2025-2028	436,137	55,800	318,643	160,709	20,561	223,914
Totals	\$ 1,927,849	\$ 535,708	\$ 1,937,259	\$ 2,026,961	\$ 320,658	\$ 2,347,620

	Component Unit		
	Principal	Interest	Total
2015	\$ 29,783	\$ 32,162	\$ 61,945
2016	37,229	30,896	68,125
2017	37,229	29,314	66,542
2018	44,674	27,732	72,406
2019	44,674	25,777	70,451
2020-2024	245,708	97,725	343,433
2025-2028	253,154	32,389	285,543
Totals	\$ 692,451	\$ 275,994	\$ 968,445

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.

City of Wayland

Notes to the Financial Statements

Funding Policy

Contribution rates for each participating employer and its covered employees are established, and may be amended, by each participating unit. The contribution rates are determined based on the benefit structure established by each employer. Covered employees are not required to contribute to the plan. Participating employers are required to contribute amounts necessary to finance the coverage of their employees through periodic contributions at actuarially-determined rates. Administrative costs of the plan are financed through investment earnings.

Annual Pension Cost

For the year ended June 30, 2014, the City's annual pension cost of \$205,592 for its defined benefit pension plan was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2011, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a) an 8% investment rate of return, net of administrative expenses, b) projected salary increases of 4.5% per year, and c) no cost of living adjustments. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized over a closed period of 26 years as a level percentage of payroll.

Three-year trend information is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 155,497	100%	\$ -
2013	\$ 157,108	100%	\$ -
2014	\$ 205,592	100%	\$ -

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

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.

City of Wayland

Notes to the Financial Statements

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:

Building Department Activity	
Building Permit Revenue	\$ 37,138
Building Inspection Expense	<u>(44,336)</u>
<i>Net Change in Fund Balance</i>	(7,198)
<i>Fund Balance at Beginning of Period</i>	<u>(8,934)</u>
<i>Fund Balance at End of Period</i>	<u>\$ (16,132)</u>

Note 10 – Prior Period Adjustments

Net position of governmental activities was decreased by \$106,089 and net position of business-type activities was increased by \$106,089 to account for internal service fund activity that was previously recorded to both business-type and governmental activities.

Net position of the water and sewer fund was decreased by \$12,646 and \$55,936 respectively, to follow newly issued standard GASB 65 “Items previously reported as assets and liabilities” which does not allow deferring and amortizing the issuance costs associated with bond refundings.

Net position of the governmental activities was decreased by \$14,426 to follow newly issued standard GASB 65 “Items previously reported as assets and liabilities” which does not allow deferring and amortizing the issuance costs associated with bond refundings.

Net position of the downtown development authority was decreased by \$21,717 to follow newly issued standard GASB 65 “Items previously reported as assets and liabilities” which does not allow deferring and amortizing the issuance costs associated with bond refundings.

Fund balance and net position of the downtown development authority was decreased by \$167,820 to account for previous expenditures that went unrecognized.

Net position of the governmental activities was increased by \$9,740 to account for previous principal payments on long-term debt.

City of Wayland

Notes to the Financial Statements

Note 11 – Pending Accounting Pronouncement

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for periods beginning after June 15, 2014. This Statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded in the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the fiscal year beginning July 1, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

City of Wayland
MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	(Overfunded) Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2011	\$ 4,476,536	\$ 5,284,686	\$ 808,150	85%	\$ 726,565	111%
12/31/2012	4,650,178	5,697,508	1,047,330	82%	832,526	126%
12/31/2013	5,005,718	6,136,343	1,130,625	82%	1,017,295	111%

City of Wayland
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Consolidated General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Property Taxes	\$ 1,497,189	\$ 1,366,333	\$ 1,376,245	\$ 9,912
Licenses & permits	75,000	77,138	81,307	4,169
State Revenue	368,950	368,820	370,332	1,512
Local Revenue Sharing	24,000	30,000	31,023	1,023
Charges for Services	203,995	218,584	221,769	3,185
Fine & Forfeitures	3,000	2,294	2,449	155
Administrative Services	21,600	19,840	21,840	2,000
Other	2,500	42,260	66,731	24,471
Interest	14,500	28,109	28,211	102
Total Revenues	<u>2,210,734</u>	<u>2,153,378</u>	<u>2,199,907</u>	<u>46,529</u>
Other Financing Sources				
Transfers In	36,655	36,655	33,097	(3,558)
Total Revenues and Other Financing Sources	<u>2,247,389</u>	<u>2,190,033</u>	<u>2,233,004</u>	<u>42,971</u>
Expenditures				
General Government				
Council	73,300	73,910	64,585	9,325
General Administration	267,200	327,860	308,477	19,383
Elections	16,450	26,000	19,696	6,304
Assessor	41,900	51,775	50,778	997
Building & Grounds	5,250	5,250	4,123	1,127
Total General Government	<u>404,100</u>	<u>484,795</u>	<u>447,659</u>	<u>37,136</u>
Public Safety				
Police	725,078	806,785	814,134	(7,349)
Fire	252,250	271,422	258,110	13,312
Building Inspections	42,850	49,050	44,336	4,714
Total Public Safety	<u>1,020,178</u>	<u>1,127,257</u>	<u>1,116,580</u>	<u>10,677</u>
Public Works	371,500	389,431	380,720	8,711
Community & Economic Development - Planning	26,150	33,400	31,419	1,981
Recreation & Culture - Parks	10,000	15,000	12,526	2,474
Debt Service	133,000	120,047	120,047	--
Capital Outlay	26,722	88,634	88,276	358
Total Expenditures	<u>1,991,650</u>	<u>2,258,564</u>	<u>2,197,227</u>	<u>61,337</u>
Other Financing Uses				
Transfers Out	203,000	--	--	--
Total Expenditures and Other Financing Uses	<u>2,194,650</u>	<u>2,258,564</u>	<u>2,197,227</u>	<u>61,337</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>52,739</u>	<u>(68,531)</u>	<u>35,777</u>	<u>104,308</u>
Net Change in Fund Balance	<u>52,739</u>	<u>(68,531)</u>	<u>35,777</u>	<u>104,308</u>
Fund Balance at Beginning of Period	1,372,940	1,372,940	1,372,940	--
Fund Balance at End of Period	<u>\$ 1,425,679</u>	<u>\$ 1,304,409</u>	<u>\$ 1,408,717</u>	<u>\$ 104,308</u>

City of Wayland
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Major Streets
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
State Revenue	\$ 190,000	\$ 225,000	\$ 226,276	\$ 1,276
Interest	--	277	277	--
Total Revenues	<u>190,000</u>	<u>225,277</u>	<u>226,553</u>	<u>1,276</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>190,000</u>	<u>225,277</u>	<u>226,553</u>	<u>1,276</u>
Expenditures				
Routine Maintenance	121,400	111,800	105,571	6,229
Winter Maintenance	37,425	55,197	54,812	385
Administration	11,150	5,175	3,749	1,426
Debt Service	135,916	137,808	141,097	(3,290)
Total Expenditures	<u>305,891</u>	<u>309,979</u>	<u>305,229</u>	<u>4,750</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>305,891</u>	<u>309,979</u>	<u>305,229</u>	<u>4,750</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(115,891)</u>	<u>(84,702)</u>	<u>(78,676)</u>	<u>6,026</u>
Net Change in Fund Balance	<u>(115,891)</u>	<u>(84,702)</u>	<u>(78,676)</u>	<u>6,026</u>
<i>Fund Balance at Beginning of Period</i>	276,806	276,806	276,806	--
Fund Balance at End of Period	<u>\$ 160,915</u>	<u>\$ 192,104</u>	<u>\$ 198,130</u>	<u>\$ 6,026</u>

City of Wayland
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Special Roads
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
				Final to Actual
Revenues				
Property Taxes	\$ 80,000	\$ 85,908	\$ 85,908	\$ --
State Revenue	12,000	12,377	12,377	--
Local Revenue Sharing	--	2,175	2,175	--
Charges for Services	550	2,141	2,141	--
Interest	--	81	80	(1)
Total Revenues	<u>92,550</u>	<u>102,682</u>	<u>102,681</u>	<u>(1)</u>
Other Financing Sources				
Transfers In	--	2,500	2,500	--
Total Revenues and Other Financing Sources	<u>92,550</u>	<u>105,182</u>	<u>105,181</u>	<u>(1)</u>
Expenditures				
Public Works	256,500	320,100	323,866	(3,766)
Total Expenditures	<u>256,500</u>	<u>320,100</u>	<u>323,866</u>	<u>(3,766)</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>256,500</u>	<u>320,100</u>	<u>323,866</u>	<u>(3,766)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(163,950)</u>	<u>(214,918)</u>	<u>(218,685)</u>	<u>(3,767)</u>
Net Change in Fund Balance	<u>(163,950)</u>	<u>(214,918)</u>	<u>(218,685)</u>	<u>(3,767)</u>
<i>Fund Balance at Beginning of Period</i>	262,613	262,613	262,613	--
Fund Balance at End of Period	<u>\$ 98,663</u>	<u>\$ 47,695</u>	<u>\$ 43,928</u>	<u>\$ (3,767)</u>

OTHER SUPPLEMENTARY INFORMATION

**City of Wayland
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Local Streets</u>	<u>Community Building & Park Improvement</u>	
ASSETS			
Cash & Cash Equivalents	\$ 41,237	\$ 365,966	\$ 407,203
Due from State	10,960	--	10,960
Prepaid Expenditures	75	--	75
Due from (to) Other Units	(16,327)	--	(16,327)
Due from Other Funds	10,379	--	10,379
Restricted Investments	158,021	--	158,021
<i>Total Assets</i>	<u>\$ 204,345</u>	<u>\$ 365,966</u>	<u>\$ 570,311</u>
LIABILITIES			
Accounts Payable	\$ 910	\$ --	\$ 910
<i>Total Liabilities</i>	<u>910</u>	<u>--</u>	<u>910</u>
FUND BALANCE			
Nonspendable	75	--	75
Restricted	203,360	365,966	569,326
Unassigned	--	--	--
<i>Total Fund Balance</i>	<u>203,435</u>	<u>365,966</u>	<u>569,401</u>
<i>Total Liabilitie and Fund Balance</i>	<u>\$ 204,345</u>	<u>\$ 365,966</u>	<u>\$ 570,311</u>

City of Wayland
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Local Streets</u>	<u>Community Building & Park Improvement</u>	
Revenues			
State Revenue Sharing	\$ 68,271	\$ --	\$ 68,271
Investment Income	1,397	1,657	3,054
<i>Total Revenues</i>	<u>69,668</u>	<u>1,657</u>	<u>71,325</u>
Expenditures			
Public Works	70,443	--	70,443
Recreation & Culture	--	1,082	1,082
Debt Service - Principal	24,404	--	24,404
Debt Service - Interest	26,355	--	26,355
<i>Total Expenditures</i>	<u>121,202</u>	<u>1,082</u>	<u>122,284</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(51,534)</u>	<u>575</u>	<u>(50,959)</u>
Other Financing Sources (Uses)			
Transfers In	--	--	--
Transfers Out	--	--	--
<i>Net Other Financing Sources (Uses)</i>	<u>--</u>	<u>--</u>	<u>--</u>
<i>Net Change in Fund Balance</i>	<u>(51,534)</u>	<u>575</u>	<u>(50,959)</u>
<i>Fund Balance at Beginning of Period</i>	254,969	365,391	620,360
<i>Fund Balance at End of Period</i>	<u>\$ 203,435</u>	<u>\$ 365,966</u>	<u>\$ 569,401</u>

**City of Wayland
General Fund Combining Balance Sheet
All Funds Treated as General
June 30, 2014**

	<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	\$ 1,304,906	\$ 32,159	\$ 54	\$ 1,303	\$ 67,580	\$ 1,406,002
Taxes Receivable	42,387	--	--	--	--	42,387
Accounts Receivable	14,737	12,881	--	--	10,266	37,884
Due from State	62,456	--	--	--	--	62,456
Prepaid Expenditures	13,218	--	--	--	--	13,218
Total Assets	<u>\$ 1,437,704</u>	<u>\$ 45,040</u>	<u>\$ 54</u>	<u>\$ 1,303</u>	<u>\$ 77,846</u>	<u>\$ 1,561,947</u>
LIABILITIES						
Accounts Payable	\$ 82,749	\$ --	\$ --	\$ --	\$ --	\$ 82,749
Accrued Liabilities	4,523	--	--	--	--	4,523
Payroll Liabilities	55,525	--	--	--	--	55,525
Due to Other Funds	10,379	--	--	--	--	10,379
Total Liabilities	<u>153,176</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>153,176</u>
FUND BALANCE						
Nonspendable	13,218	--	--	--	--	13,218
Restricted	--	--	54	1,303	77,846	79,203
Assigned	493,070	--	--	--	--	493,070
Unassigned	778,240	45,040	--	--	--	823,280
Total Fund Balance	<u>1,284,528</u>	<u>45,040</u>	<u>54</u>	<u>1,303</u>	<u>77,846</u>	<u>1,408,771</u>
Total Liabilitie and Fund Balance	<u>\$ 1,437,704</u>	<u>\$ 45,040</u>	<u>\$ 54</u>	<u>\$ 1,303</u>	<u>\$ 77,846</u>	<u>\$ 1,561,947</u>

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, 2014

	<u>General</u>	<u>Tribe Revenue Sharing</u>	<u>Drug Foreiture</u>	<u>Justice Training</u>	<u>WHIF</u>	<u>Total General Funds</u>
Revenues						
Property Taxes	\$ 1,376,245	\$ --	\$ --	\$ --	\$ --	\$ 1,376,245
Licenses & permits	81,307	--	--	--	--	81,307
State Revenue Sharing	368,997	--	--	1,335	--	370,332
Local Revenue Sharing	37,497	26,623	--	--	--	64,120
Charges for Services	221,769	--	--	--	--	221,769
Fine & Forfeitures	2,449	--	--	--	--	2,449
Rents	21,840	--	--	--	--	21,840
Other	66,731	--	--	--	--	66,731
Investment Income	27,646	63	--	--	502	28,211
Total Revenues	<u>2,204,481</u>	<u>26,686</u>	<u>--</u>	<u>1,335</u>	<u>502</u>	<u>2,233,004</u>
Expenditures						
General Government	436,238	11,221	--	--	200	447,659
Public Safety	1,114,439	--	--	2,141	--	1,116,580
Public Works	380,720	--	--	--	--	380,720
Community & Economic Development	31,419	--	--	--	--	31,419
Recreation & Culture	12,526	--	--	--	--	12,526
Capital Outlay	66,855	21,421	--	--	--	88,276
Debt Service - Principal	100,410	--	--	--	--	100,410
Debt Service - Interest	19,637	--	--	--	--	19,637
Total Expenditures	<u>2,162,244</u>	<u>32,642</u>	<u>--</u>	<u>2,141</u>	<u>200</u>	<u>2,197,227</u>
Excess of Revenues Over (Under) Expenditures	<u>42,237</u>	<u>(5,956)</u>	<u>--</u>	<u>(806)</u>	<u>302</u>	<u>35,777</u>
Other Financing Sources (Uses)						
Transfers from other funds	--	--	--	--	--	--
Transfers to other funds	--	--	--	--	--	--
Net Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	<u>42,237</u>	<u>(5,956)</u>	<u>--</u>	<u>(806)</u>	<u>302</u>	<u>35,777</u>
<i>Fund Balance at Beginning of Period</i>	1,242,291	50,996	54	2,109	77,544	1,372,994
Fund Balance at End of Period	<u>\$ 1,284,528</u>	<u>\$ 45,040</u>	<u>\$ 54</u>	<u>\$ 1,303</u>	<u>\$ 77,846</u>	<u>\$ 1,408,771</u>

City of Wayland
Combining Statement of Net Position / Balance Sheet
Component Unit
June 30, 2014

	Component Unit		
	Downtown Development Authority	Adjustments	Statement of Net Position
ASSETS			
<i>Current Assets</i>			
Cash & Cash Equivalents	\$ 101,206	\$ --	\$ 101,206
Total Assets	101,206	--	101,206
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	1,881	--	1,881
Payroll Liabilities	1,177	--	1,177
Accrued Interest	--	2,680	2,680
Current Portion of Long-term Debt	--	29,783	29,783
Total Current Liabilities	3,058	32,463	35,521
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	662,668	662,668
Total Liabilities	3,058	695,131	698,189
NET POSITION / FUND BALANCE			
<i>Unrestricted / Unassigned</i>	114,475	(695,131)	(580,656)
Total Net Position / Fund Balance	\$ 114,475	\$ (695,131)	\$ (580,656)

City of Wayland
Combining Statement of Activities / Statement of Revenues, Expenses and Changes in Fund Balance
Component Unit
For the Year Ended June 30, 2014

	Component Unit		
	Downtown Development Authority	Adjustments	Statement of Net Position
Expenses			
Community & Economic Development	\$ 291,459	\$ --	\$ 291,459
Debt Service - Principal	29,783	(29,783)	--
Debt Service - Interest	33,308	(120)	33,188
Total Expenses	<u>354,550</u>	<u>(29,903)</u>	<u>324,647</u>
General Revenue			
Property Taxes	294,025	--	294,025
Investment Income	2,026	--	2,026
Other	33,161	--	33,161
Total General Revenues	<u>329,212</u>	<u>--</u>	<u>329,212</u>
Change in Net Position / Fund Balance	(25,338)	29,903	4,565
<i>Net Position / Fund Balance at Beginning of Period</i>	307,633	--	(395,684)
<i>Prior Period Adjustment (See Note 10)</i>	(167,820)	--	(189,537)
<i>Net Position / Fund Balance at Beginning of Period - Restated</i>	139,813	--	(585,221)
Net Position / Fund Balance at End of Period	<u>\$ 114,475</u>	<u>\$ (695,131)</u>	<u>\$ (580,656)</u>

October 31, 2014

To the City Council
City of Wayland

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, 2014. 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 August 15, 2014. 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. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2014. 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, 2014.
- Management's assumptions used to calculate the actuarial report and the net present value of pension benefits and pension assets.

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, \$120,334 was adjusted to reconcile to state revenue sharing receivable
- In the general fund, \$43,101 was adjusted to reconcile to accounts receivable
- In the water and sewer funds, \$254,829 was adjusted to account for the reduction of principal on long-term debt related to bond payments
- In the sewer fund, accumulated depreciation of capital assets was adjusted to include the current year depreciation expense of \$124,603
- In the water fund, accumulated depreciation of capital assets was adjusted to include the current year depreciation expense of \$61,802 and capital asset additions of \$ 94,089 were reclassified to assets

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 October 31, 2014.

Management Consultations with Other Independent Accountants

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

October 31, 2014

To 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 31, 2014.

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. However, as described in the accompanying Schedule of Findings and Responses in comments 2014-1 and 2014-2, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

City of Wayland

Schedule of Findings and Responses

Material Weaknesses

2014-1 – 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.

City of Wayland

Schedule of Findings and Responses

Material Weakness

2014-2 – Reconciliation of Key Balance Sheet Accounts

Criteria:	Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the City. A key element of internal control is the monitoring and reconciling of financial data within the accounting function.
Condition/Finding:	The City has not adequately designed a reconciliation process of key balance sheet accounts. These areas include certain receivables, payables, long-term debt, and capital assets. Accordingly, the City's ability to prepare financial statements with reconciled balance sheet accounts 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.
Cause:	This condition is a result of the lack of documented control policies and procedures at the City.
Effect:	As a result of this condition, the City is susceptible to misstatements that may occur and not be prevented or detected and corrected by management on a timely basis.
Recommendation:	We recommend developing policies and procedures for reconciling key balance sheet accounts to the general ledger. These policies and procedures should require involvement of a second responsible person as part of the review/monitoring process.
View of Responsible Officials:	It is the City's intent to improve upon the reconciling key balance sheet items so that the financial statements are prepared in accordance with GAAP. The City is working with the auditor to enable the City to reconcile the key balance sheet accounts.