CITY OF WAYLAND

ALLEGAN COUNTY, MICHIGAN

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

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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, 2015, 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, 2015, 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.

Emphasis of Matter

As described in Note 10 to the financial statements, during the year ended June 30, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of implementing this pronouncement, the City's net pension liability has been recognized on the government-wide and proprietary statements and, as discussed in Note 10, the 2014 financial statements have been restated. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, 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.

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, Michigan
December 18, 2015

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, 2015. 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 $11,031,777 (net position). Of this amount, $2,017,513 (about 18%) 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 $2,047,515, a decrease of $172,715 from the prior year's fund balance of $2,220,230. Approximately 40% of this amount ($820,677) 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 $820,677, or approximately 37% of total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

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

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

The component unit fund financial statements can be found on pages 54 – 55 of this report.

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

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

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

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

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

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

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

The City uses an internal service fund to account for equipment costs by allocating the cost to the funds that are using the resources. Because these services predominantly benefit governmental rather then 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 pension schedules.

Required supplementary information can be found on pages 46 - 48 of this report.

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

Combining and individual fund statements and schedules and the component unit financial statements can be found on pages 50 - 55 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 $11,031,777, at the close of the most recent fiscal year.

City of Wayland
Statement of Net Position as of June 30, 2015 and June 30, 2014

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current Assets						
Cash & Cash Equivalents	$ 2,148,835	$ 2,218,955	$ 1,747,702	$ 1,726,326	$ 3,896,537	$ 3,945,281
Taxes Receivable	41,242	42,387	-	-	41,242	42,387
Accounts Receivable	52,491	37,884	211,204	216,841	263,695	254,725
Due from State	113,345	108,131	-	-	113,345	108,131
Prepaid Items	-	15,380	-	1,815	-	17,195
Due from (to) Other Units	-	(16,327)	-	-	-	(16,327)
Total Current Assets	2,355,913	2,406,410	1,958,906	1,944,982	4,314,819	4,351,392
Noncurrent Assets						
Restricted Investments	-	158,021	-	-	-	158,021
Capital Assets, net	6,561,688	7,217,263	5,062,877	5,007,016	11,624,565	12,224,279
Total Assets	8,917,601	9,781,694	7,021,783	6,951,998	15,939,384	16,733,692
DEFERRED OUTFLOWS OF RESOURCES						
Pension	158,709	97,902	32,506	20,052	191,215	117,954
Total Deferred Outflows of Resources	158,709	97,902	32,506	20,052	191,215	117,954
LIABILITIES						
Current Liabilities						
Accounts Payable	45,361	97,300	15,878	35,492	61,239	132,792
Payroll Liabilities	67,961	55,525	8,728	5,608	76,689	61,133
Accrued Liabilities	-	4,523	-	-	-	4,523
Due to Other Governmental Units	25,401	-	-	-	25,401	-
Accrued Interest	9,718	15,718	8,613	9,754	18,331	25,472
Current Portion of Long-term Debt	230,434	241,738	269,047	248,469	499,481	490,207
Internal Balances	-	-	-	-	-	-
Total Current Liabilities	378,875	414,804	302,266	299,323	681,141	714,127
Noncurrent Liabilities						
Compensated Absences	33,326	27,304	21,762	22,540	55,088	49,844
Long-term Debt	886,040	1,090,872	1,890,089	2,177,397	2,776,129	3,268,269
Net Pension Liability	1,316,765	1,215,183	269,699	248,893	1,586,464	1,464,076
Total Liabilities	2,615,006	2,748,163	2,483,816	2,748,153	5,098,822	5,496,316
NET POSITION						
Net Investment in Capital Assets	5,445,214	5,289,414	2,903,741	2,968,995	8,348,955	8,258,409
Restricted	665,309	890,662	-	-	665,309	890,662
Unrestricted	350,781	951,357	1,666,732	1,254,902	2,017,513	2,206,259
Total Net Position	$ 6,461,304	$ 7,131,433	$ 4,570,473	$ 4,223,897	$ 11,031,777	$ 11,355,330

By far, the largest portion of the City's net position ($8,348,955, or 76%) 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 ($665,309, or 6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $2,017,513 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

The DDA component unit has a negative unrestricted fund balance on the government-wide statements due to the amount of long term debt that is recorded in this fund. The DDA component unit does have a positive unrestricted fund balance in the fund financials.

The government as a whole and all other governmental, business-type activities, and individual funds reports positive balances in all reported categories of net position, with the exception of the DDA component unit.

The City's overall net position decreased $323,553 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

City of Wayland
Change in Net Position for Fiscal Years Ended June 30, 2015 and June 30, 2014

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Revenue						
Program Revenues						
Charges for Services	$ 214,108	$ 161,717	$ 1,273,999	$ 1,195,228	$ 1,488,107	$ 1,356,945
Operating Grants & Contributions	524,430	514,079	-	-	524,430	514,079
Capital Grants & Contributions	78,899	-	-	75,750	78,899	75,750
Total Program Revenues	817,437	675,796	1,273,999	1,270,978	2,091,436	1,946,774
General Revenues						
Property Taxes	1,468,751	1,464,328	-	-	1,468,751	1,464,328
State Revenue Sharing	413,531	399,703	-	-	413,531	399,703
Other Revenue	72,260	66,731	-	-	72,260	66,731
Interest Income	15,653	31,622	17,827	19,931	33,480	51,553
Contributions to Component Unit	(26,334)	-	(63,286)	-	(89,620)	-
Total General Revenues & Transfers	1,943,861	1,962,384	(45,459)	19,931	1,898,402	1,982,315
Total Revenues	2,761,298	2,638,180	1,228,540	1,290,909	3,989,838	3,929,089
Expenses						
General Government	537,571	472,656	-	-	537,571	472,656
Public Safety	1,236,361	1,252,396	-	-	1,236,361	1,252,396
Public Works	1,529,924	1,534,649	-	-	1,529,924	1,534,649
Community & Economic Development	37,504	31,419	-	-	37,504	31,419
Recreation & Culture	44,749	19,074	-	-	44,749	19,074
Interest on Long-term Debt	45,318	90,601	-	-	45,318	90,601
Water & Sewer Operations	-	-	881,964	818,898	881,964	818,898
Total Expenses	3,431,427	3,400,795	881,964	818,898	4,313,391	4,219,693
Change in Net Position	(670,129)	(762,615)	346,576	472,011	(323,553)	(290,604)
Net Position at the Beginning of Period - Restated (Note 10)	7,131,433	7,894,048	4,223,897	3,751,886	11,355,330	11,645,934
Net Position at the End of Period	$ 6,461,304	$ 7,131,433	$ 4,570,473	$ 4,223,897	$ 11,031,777	$ 11,355,330

Governmental Activities. Governmental activities decreased the City's net position by $670,129 for the year ended June 30, 2015 compared to a decrease of $762,615 for the year ended June 30, 2014. Total expenses for the year are comparable to the prior year, increasing by $30,632. Total revenues increased by $123,198, which is mostly related to a $78,899 state capital grant for the sycamore street project in local streets and increase of $52,392 in charges for services (mostly related to a $51,616 increase in building permit revenue).

The unrestricted net position of the City's governmental activities decreased from $951,357 (restated) as of June 30, 2014 to $350,781 as of June 30, 2015. The most significant reason for the large decrease in unrestricted fund balance is the recognition of the net pension liability in the current year. The decline is also related to the City's non-cash depreciation expense of $943,273 being in excess of capital asset additions of $364,263.

Business-type Activities. Business-type activities increased the City's net position by $346,576 compared to an increase in the prior year of $472,011. The total increase was the result of close

monitoring of revenues and expenses during the year. Revenues from charges for services remained very consistent with the prior year. Total expenditures increased, which is the primary reason for the decline in increase of fund balance, noting increases in interest, personnel, and equipment rental expenses as well as contributions to the DDA component unit.

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, 2015, the City's governmental funds reported combined fund balances of $2,047,515, a decrease of $172,714 from the prior year fund balance of $2,220,230. Approximately 40% of this amount ($820,677) constitutes *unassigned fund balance,* which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, assigned, or restricted* to indicate that it is 1) not in spendable form or 2) restricted for particular purposes ($665,309 for major and local streets and special roads), or 3) assigned ($561,529 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 $820,677 and total fund balance increased to $1,452,343. 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, while total fund balance represents approximately 64 percent of that same amount.

The fund balance of the City's general fund increased by $43,572 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 had a $148,014 decrease in fund balance during the current fiscal year to a year end fund balance at $50,116. This decrease in fund balance is mostly associated with large expenses for debt service payments of $136,486, and capital outlay of $122,060 for the Sycamore street project.

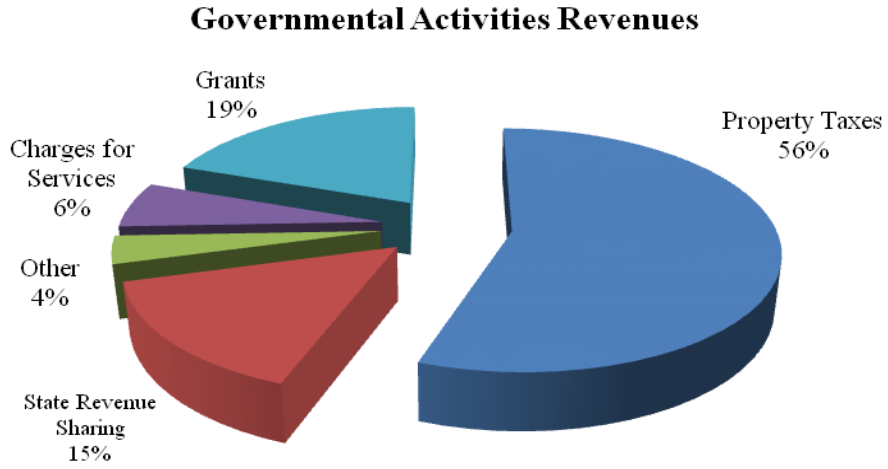
Similarly, the local streets fund has a $46,767 decrease in fund balance to a year end fund balance of $156,668. The decrease is due to expenses exceeding revenues during the year, most significantly capital outlay of $155,000 for the Hanlon Court street project.

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

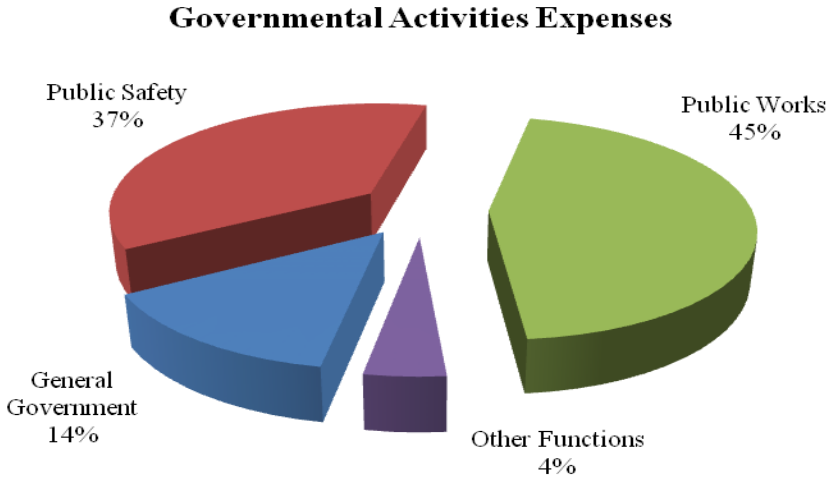
Unrestricted net position at the end of the year was $573,144 for the water fund and $1,093,588 for the sewer fund. The increases in net position were $86,107 for the water fund and $260,469 for the sewer fund. Operational revenues for charges for services were very consistent with the prior year. Revenues from connection fees nearly doubled, from $75,750 in 2014 to $149,433 in 2015. Operating expenses increased by $42,854 over the prior year, most notably from increases in personnel, utilities, and equipment rental expenses.

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 $2,446,998 from the originally budgeted expenditures of $2,172,021. This is a result of increased estimated expenditures in general administration of $79,050 (mostly related to wages), building inspects of $86,500 (which matches increased revenues from building expenses), and public works of $59,116 (mostly related to wages and increased project activity). All other budget amendments during the year were relatively minor.

Final budget compared to actual results. During the current fiscal year the City had no expenditures in excess of the appropriated amounts in the general fund.

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, 2015, amounts to $11,616,426 (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	491,313	-	491,313
Improvements	335,825	-	335,825
Equipment	118,987	-	118,987
Vehicles	516,178	-	516,178
Infrastructure	4,208,073	-	4,208,073
Water System	-	1,442,178	1,442,178
Sewer System	-	3,300,969	3,300,969
Subtotal	$ 6,561,688	$ 5,062,877	$ 11,624,565

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

Governmental:

- Hanlon Court Street Improvements $ 177,662
- Sycamore Street Project 122,060
- 2x 2015 Chevy Tahoe for Police Department 64,541

Business-Type:

- Hanlon Court Water Improvements $229,538
- System for locating water and sewer lines 16,278

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 $3,275,610 long-term debt at the end of the fiscal year. The City paid down $526,644 of its outstanding loans and bonds payable during the current fiscal year, and is scheduled to pay down another $499,481 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 $2,458,211 of revenues will be available for appropriation in the general fund in the upcoming budget. Total expenditures are budgeted to be $2,380,129. This is comparable to the current year's actual total revenues of $2,289,688 and total expenditures of $2,246,115. The City also has budgeted $615,000 in transfers out from the general fund to the major and local street funds in the upcoming year to support the ongoing capital projects and debt service payments in those funds.

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 2015, 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, 2015

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Current Assets				
Cash & Cash Equivalents	$ 2,148,835	$ 1,747,702	$ 3,896,537	$ 187,936
Taxes Receivable	41,242	--	41,242	--
Accounts Receivable	52,491	211,204	263,695	--
Due from State	113,345	--	113,345	--
Total Current Assets	2,355,913	1,958,906	4,314,819	187,936
Noncurrent Assets				
Capital Assets not being Depreciated	891,312	319,730	1,211,042	--
Capital Assets being Depreciated	5,670,376	4,743,147	10,413,523	--
Total Assets	8,917,601	7,021,783	15,939,384	187,936
DEFERRED OUTFLOWS OF RESOURCES				
Pension	158,709	32,506	191,215	--
Total Deferred Outflows of Resources	158,709	32,506	191,215	--
LIABILITIES				
Current Liabilities				
Accounts Payable	45,361	15,878	61,239	5,849
Payroll Liabilities	67,961	8,728	76,689	3,363
Due to Other Governmental Units	25,401	--	25,401	--
Accrued Interest	9,718	8,613	18,331	2,575
Current Portion of Long-term Debt	230,434	269,047	499,481	48,379
Total Current Liabilities	378,875	302,266	681,141	60,166
Noncurrent Liabilities				
Long-term Debt	886,040	1,890,089	2,776,129	812,762
Compensated Absences	33,326	21,762	55,088	--
Net Pension Liability	1,316,765	269,699	1,586,464	--
Total Liabilities	2,615,006	2,483,816	5,098,822	872,928
NET POSITION				
Net Investment in Capital Assets	5,445,214	2,903,741	8,348,955	--
Restricted for:				
Public Safety	2,286	--	2,286	--
Public Works	253,532	--	253,532	--
Recreation & Culture	341,640	--	341,640	--
Community & Economic Development	67,851	--	67,851	--
Unrestricted	350,781	1,666,732	2,017,513	(684,992)
Total Net Position	$ **6,461,304**	$ **4,570,473**	$ **11,031,777**	$ **(684,992)**

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, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue: Primary Government: Governmental Activities	Net (Expense) Revenue: Primary Government: Business-type Activities	Net (Expense) Revenue: Primary Government: Total	Component Unit
Primary Government								
Governmental Activities:								
General Government	$ 537,571	$ 109,652	$ 65,227	$ --	$ (362,692)	$ --	$ (362,692)	$ --
Public Safety	1,236,361	99,612	174,086	--	(962,663)	--	(962,663)	--
Public Works	1,529,924	3,332	283,327	78,899	(1,164,366)	--	(1,164,366)	--
Community & Economic Development	37,504	--	--	--	(37,504)	--	(37,504)	--
Recreation & Culture	44,749	1,512	1,790	--	(41,447)	--	(41,447)	--
Interest on Long-term Debt	45,318	--	--	--	(45,318)	--	(45,318)	--
Total Governmental Activities	3,431,427	214,108	524,430	78,899	(2,613,990)	--	(2,613,990)	--
Business-type Activities:								
Sewer	495,215	787,327	--	--	--	292,112	292,112	--
Water	386,749	486,672	--	--	--	99,923	99,923	--
Total Business-type Activities	881,964	1,273,999	--	--	--	392,035	392,035	--
Total Primary Government	$ 4,313,391	$ 1,488,107	$ 524,430	$ 78,899	$ (2,613,990)	$ 392,035	$ (2,221,955)	--
Component Units								
Downtown Development Authority	$ 302,085	$ --	$ --	$ --	--	--	--	(302,085)
Total Component Units	$ 302,085	$ --	$ --	$ --	--	--	--	(302,085)
General Purpose Revenues and Transfers:								
Revenues								
Property Taxes					1,468,751	--	1,468,751	290,945
State Revenue					413,531	--	413,531	--
Other					72,260	--	72,260	24,509
Interest and Investment Income					15,653	17,827	33,480	68
Contributions to Component Unit					(26,334)	(63,286)	(89,620)	89,620
Transfers					--	--	--	--
Total General Revenues and Transfers					1,943,861	(45,459)	1,898,402	405,142
Change in Net Position					**(670,129)**	**346,576**	**(323,553)**	**103,057**
Net Position at Beginning of Period - Restated (Note 10)					7,131,433	4,223,897	11,355,330	(788,049)
Net Position at End of Period					**$ 6,461,304**	**$ 4,570,473**	**$ 11,031,777**	**$ (684,992)**

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

City of Wayland
Balance Sheet
Governmental Funds
June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash & Cash Equivalents	$ 1,439,288	$ 538,260	$ 1,977,548
Taxes Receivable	41,242	--	41,242
Accounts Receivable	41,461	11,030	52,491
Due from State	61,721	51,624	113,345
Total Assets	$ **1,583,712**	$ **600,914**	$ **2,184,626**
LIABILITIES			
Accounts Payable	$ 39,928	$ 4,100	$ 44,028
Payroll Liabilities	66,040	1,642	67,682
Due to Other Governmental Units	25,401	--	25,401
Total Liabilities	131,369	5,742	137,111
FUND BALANCE			
Restricted	70,137	595,172	665,309
Assigned	561,529	--	561,529
Unassigned	820,677	--	820,677
Total Fund Balance	1,452,343	595,172	2,047,515
Total Liabilities and Fund Balance	$ **1,583,712**	$ **600,914**	$ **2,184,626**

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, 2015

Total Fund Balance - Governmental Funds	$	2,047,515
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.		562,525
General government capital assets of $20,582,746, net of accumulated depreciation of $14,441,813, are not financial resources, and accordingly are not reported in the funds.		6,140,933
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(1,116,474)
Compensated absences are not due in and payable in the current period, and therefore, are not reported in the funds.		(33,326)
In the Statement of Net Position, interest is accrued on outstanding bonds, whereas in the governmental funds, the interest expenditure id reported when due.		(9,718)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds.		154,885
Net pension liability is not due and payable in the current period and is not reported in the funds.		(1,285,036)
Total Net Position-Governmental Funds	$	**6,461,304**

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, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	$ 1,374,929	$ 93,822	$ 1,468,751
Licenses & permits	140,618	--	140,618
State Revenue	377,661	398,096	775,757
Local Revenue Sources	68,697	--	68,697
Charges for Services	210,811	3,332	214,143
Fine & Forfeitures	1,049	--	1,049
Rents	30,704	--	30,704
Other	71,654	606	72,260
Interest and Investment Income	13,564	2,089	15,653
Total Revenues	2,289,687	497,945	2,787,632
Expenditures			
General Government	500,811	--	500,811
Public Safety	1,140,668	--	1,140,668
Public Works	364,169	225,908	590,077
Community & Economic Development	37,504	--	37,504
Recreation & Culture	7,453	25,782	33,235
Capital Outlay	64,541	299,722	364,263
Debt Service - Principal	115,428	100,709	216,137
Debt Service - Interest	15,541	35,777	51,318
Total Expenditures	2,246,115	687,898	2,934,013
Excess of Revenues Over (Under) Expenditures	43,572	(189,953)	(146,381)
Other Financing Sources (Uses)			
Contributions to Component Unit	--	(26,334)	(26,334)
Net Other Financing Sources (Uses)	--	(26,334)	(26,334)
Net Change in Fund Balance	**43,572**	**(216,287)**	**(172,715)**
Fund Balance at Beginning of Period	1,408,771	811,459	2,220,230
Fund Balance at End of Period	$ **1,452,343**	$ **595,172**	$ **2,047,515**

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, 2015

Total Net Change in Fund Balances - Governmental Funds	$	(172,715)
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.		(94,726)
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 $943,273 is in excess of capital outlay expenditures of $364,263.		(579,010)
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.		216,137
Decrease in accrued interest.		6,000
Increase in compensated absences.		(6,022)
Changes to the net pension liability are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.		(39,793)
Changes in Net Position - Governmental Funds	$	**(670,129)**

City of Wayland
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total Enterprise Funds	Internal Service Fund
ASSETS				
Current Assets				
Cash & Cash Equivalents	$ 1,106,003	$ 641,699	$ 1,747,702	$ 171,287
Accounts Receivable	130,146	81,058	211,204	--
Total Current Assets	1,236,149	722,757	1,958,906	171,287
Noncurrent Assets				
Capital Assets not being Depreciated	275,730	44,000	319,730	--
Capital Assets being Depreciated	3,300,969	1,442,178	4,743,147	420,755
Total Assets	4,812,848	2,208,935	7,021,783	592,042
DEFERRED OUTFLOWS OF RESOURCES				
Pension	15,297	17,209	32,506	3,824
Total Deferred Outflows of Resources	15,297	17,209	32,506	3,824
LIABILITIES				
Current Liabilities				
Accounts Payable	8,242	7,636	15,878	1,333
Payroll Liabilities	4,435	4,293	8,728	279
Accrued Interest	7,383	1,230	8,613	--
Current Portion of Long-term Debt	231,559	37,488	269,047	--
Total Current Liabilities	251,619	50,647	302,266	1,612
Noncurrent Liabilities				
Long-term Debt	1,389,789	500,300	1,890,089	--
Compensated Absences	10,881	10,881	21,762	--
Net Pension Liability	126,917	142,782	269,699	31,729
Total Liabilities	1,779,206	704,610	2,483,816	33,341
NET POSITION				
Net Investment in Capital Assets	1,955,351	948,390	2,903,741	420,755
Unrestricted	1,093,588	573,144	1,666,732	141,770
Total Net Position	$ **3,048,939**	$ **1,521,534**	$ **4,570,473**	$ **562,525**

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, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total Enterprise Funds	Internal Service Fund
Operating Revenues				
Charges for Services	$ 697,219	$ 427,347	$ 1,124,566	$ 126,196
Total Operating Revenues	697,219	427,347	1,124,566	126,196
Operating Expenses				
Contractual Services	30,217	25,790	56,007	2,500
Personnel	135,353	178,658	314,011	24,431
Supplies	21,887	10,320	32,207	19,927
Utilities	114,813	34,042	148,855	--
Equipment Rental	19,874	42,959	62,833	73,768
Repair & Maintenance	7,398	5,551	12,949	23,731
Depreciation Expense	124,795	65,162	189,957	76,565
Total Operating Expenses	454,337	362,482	816,819	220,922
Operating Income (Loss)	242,882	64,865	307,747	(94,726)
Non-Operating Revenues (Expenses)				
Interest and Investment Income	--	17,827	17,827	--
Connection Fees	90,108	59,325	149,433	--
Interest Expense	(40,878)	(24,267)	(65,145)	--
Net Non-Operating Revenues (Expenses)	49,230	52,885	102,115	--
Income Before Contributions and Transfers	292,112	117,750	409,862	(94,726)
Contributions to Component Unit	(31,643)	(31,643)	(63,286)	--
Change In Net Position	**260,469**	**86,107**	**346,576**	**(94,726)**
Net Position at Beginning of Period - Restated (Note 10)	2,788,470	1,435,427	4,223,897	657,251
Net Position at End of Period	$ **3,048,939**	$ **1,521,534**	$ **4,570,473**	$ **562,525**

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, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total Enterprise Funds	Internal Service - Equipment Fund
Cash Flows From Operating Activities				
Cash Received from Customers	$ 702,017	$ 428,186	$ 1,130,203	$ 126,196
Cash Payments to Employees for Services and Fringe Benefits	(133,693)	(177,976)	(311,669)	(23,169)
Cash Payments to Suppliers for Goods and Services	(190,893)	(139,544)	(330,437)	(117,805)
Net Cash Provided by (Used in) Operating Activities	377,431	110,666	488,097	(14,778)
Cash Flows from Noncapital Financing Activities				
Contributions to Component Unit	(31,643)	(31,643)	(63,286)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	(31,643)	(31,643)	(63,286)	-
Cash Flows From Capital and Related Financing Activities				
Connection Fees	90,108	59,325	149,433	-
Interest Expense	(43,548)	(24,317)	(67,865)	-
Principal Payment on Long-term Debt	(233,296)	(31,855)	(265,151)	-
Purchase of Capital Assets	-	(237,679)	(237,679)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	(186,736)	(234,526)	(421,262)	-
Cash Flows From Investing Activities				
Interest on Investments	-	17,827	17,827	-
Total Cash Flows from Investing Activities	-	17,827	17,827	-
Net Increase (Decrease) in Cash and Equivalents	159,052	(137,676)	21,376	(14,778)
Cash and Equivalents - Beginning of Year	946,951	779,375	1,726,326	186,065
Cash and Equivalents - End of Year	$ 1,106,003	$ 641,699	$ 1,747,702	$ 171,287

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, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total Enterprise Funds	Internal Service - Equipment Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income	$ 234,743	$ 64,865	$ 299,608	$ (94,726)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	124,795	65,162	189,957	76,565
Pension Expense	3,930	4,422	8,352	983
Changes in Assets & Liabilities				
Accounts Receivable	4,798	839	5,637	-
Prepaids	1,731	84	1,815	1,857
Accounts Payable	5,774	(25,388)	(19,614)	264
Payroll Liabilities	2,049	1,071	3,120	279
Compensated Absences	(389)	(389)	(778)	-
Net Cash Provided (Used) by Operating Activities	$ 377,431	$ 110,666	$ 488,097	(14,778)

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, 2015

	Agency
	Agency
ASSETS	
Cash & Cash Equivalents	$ 16,487
Total Assets	16,487
LIABILITIES	
Due to Other Governmental Units	16,487
Total Liabilities	16,487
NET POSITION	
Held in Trust	$ --

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Discretely Presented Component Units

The ***Downtown Development Authority*** is presented as a component unit as it is fiscally dependent on the City. The Authority is unable to adopt its budget, levy taxes, or issue debt without approval from the City Council. In addition, the Authority's governing body is appointed by the City Council. The component unit is reported in separate columns in the government-wide financial statements to emphasize that it is legally separate from the City. Separate financial statements of the component unit have not been issued as management believes these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component unit.

Government-wide and Fund Financial Statements

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

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.

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 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.

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.

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

Receivables and Payables

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

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

Capital Assets

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

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

Deferred Outflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City had $191,215 of deferred outflows at June 30, 2015 relating to its pension plan. $70,688 for net investment earning deferral and another $120,527 for contributions made after the measurement date. Both amounts will be amortized to pension expense over five 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 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).

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.

Subsequent Events

Subsequent events have been evaluated through December 18, 2015, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would have a significant impact on the financial condition of the City.

Note 2 – Excess of Expenditures Over Budget

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

During the year ended June 30, 2015, the City had no significant expenditures in excess of the amounts appropriated at the functional level (the legal level of budgetary control adopted by the City Council).

Note 3 – Cash and Investments

Following is a reconciliation of deposit balances as of June 30, 2015:

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash & Cash Equivalents	$ 3,896,537	$ 187,936	$ 4,084,473
Statement of Fiduciary Net Position			
Cash & Cash Equivalents	16,487	-	16,487
Total Deposits and Investments	3,913,024	187,936	4,100,960

Deposits and Investments	
Cash & Cash Equivalents	$ 3,350,139
Certificates of Deposit	749,971
Cash on Hand	850
Total	$ 4,100,960

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end, $3,490,805 of the City's bank balance of $4,099,121 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the City believes it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the

list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk.

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All certificates of deposits of $749,971 are due within one year.

Note 4 – Capital Assets

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

Primary Government	June 30, 2014	Additions	Reductions	June 30, 2015
Capital assets not being depreciated				
Land	$ 891,312	$ -	$ -	$ 891,312
Total Capital assets not being depreciated	891,312	-	-	891,312
Capital assets being depreciated				
Buildings	982,641	-	-	982,641
Improvements	352,571	299,722	-	652,293
Equipment	567,314	-	-	567,314
Vehicles	581,386	64,541	-	645,927
Infrastructure	16,843,259	-	-	16,843,259
Total capital assets, being depreciated	19,326,541	364,263	-	19,691,434
Less accumulated depreciation				
Buildings	466,996	24,332	-	491,328
Improvements	307,848	8,620	-	316,468
Equipment	421,647	29,089	-	450,736
Vehicles	497,130	50,965	-	548,095
Infrastructure	11,804,919	830,267	-	12,635,186
Total accumulated depreciation	13,497,910	943,273	-	14,441,813
Internal Service Fund				
Equipment fund	497,320	-	76,565	420,755
Total capital assets	$ 7,217,263	$ (579,010)	$ 76,565	$ 6,561,688

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

Internal Service Fund	June 30, 2014	Additions	Reductions	June 30, 2015
Capital assets being depreciated				
Equipment	$ 428,618	$ -	$ -	$ 428,618
Vehicles	1,963,166	-	-	1,963,166
Total capital assets, being depreciated	2,391,784	-	-	2,391,784
Less accumulated depreciation				
Equipment	424,496	1,713	-	426,209
Vehicles	1,469,958	74,852	-	1,544,810
Total accumulated depreciation	1,894,454	76,565	-	1,971,019
Total capital assets	$ 497,320	$ (76,565)	$ -	$ 420,755

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

Business-type Activities	June 30, 2014	Additions	Reductions	June 30, 2015
Capital assets not being depreciated				
Land	$ 319,730	$ -	$ -	$ 319,730
Capital assets being depreciated				
Water System	2,605,836	237,679	-	2,843,515
Sewer System	6,085,934	8,139	-	6,094,073
Total capital assets, being depreciated	8,691,770	245,818	-	8,937,588
Less accumulated depreciation				
Water System	1,336,175	65,162	-	1,401,337
Sewer System	2,668,309	124,795	-	2,793,104
Total accumulated depreciation	4,004,484	189,957	-	4,194,441
Total capital assets	$ 5,007,016	$ 55,861	$ -	5,062,877

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

Governmental Activities	
General Government	$ 23,177
Public Safety	69,828
Public Works	838,764
Recreation & Culture	11,514
Depreciation Charged to the Internal Service Fund	76,574
Total Governmental Activities	$ 1,019,857
Business-type Activities	
Sewer Fund	$ 124,795
Water Fund	65,162
Total Business-type Activites	$ 189,957

Note 5 – Interfund Balances & Interfund Transfers

As of June 30, 2015, there were no interfund balances between the City's funds.

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

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.

There were no transfers occurring between funds of the City for the current year.

Note 6 – Long-term Debt

The following is a summary of long-term debt activity of the City for the year ended June 30, 2015:

	Interest Rate	Maturity	6/30/2014	Additions	Reductions	6/30/2015	Due Within One Year
Governmental Activities							
1998 MSF Loan	0.0%	2018	$ 199,757	$ -	$ 43,689	$ 156,068	$ 43,689
2001 MTF Bonds	4.0% - 5.3%	2016	155,000	-	75,000	80,000	80,000
2008 Capital Bonds	4.0% - 5.0%	2028	1,192,963	-	620,947	572,016	32,136
2009 IPA	4.0%	2018	380,129	-	71,739	308,390	74,609
Compensated Absences			27,304	6,022	-	33,326	-
Total Governmental Activities			1,955,153	6,022	811,375	1,149,800	230,434
Business-type Activities							
1998 MSF Loan	0.0%	2018	62,375	-	14,562	47,813	14,562
2008 Capital Bonds	4.0% - 5.0%	2028	439,586	387,845	35,588	791,843	44,485
2012 Refunding Bonds	2.0% - 2.5%	2020	1,525,000	-	215,000	1,310,000	210,000
Unamortized Deferred Refunding			(17,761)	-	2,537	(15,224)	-
Unamortized Premium			28,821	-	4,117	24,704	-
Compensated Absences			22,540	-	778	21,762	-
Total Business-type Activities			2,060,561	387,845	271,804	2,180,898	269,047
Total Primary Government Long-term Debt			$ 4,015,714	$ 393,867	$ 1,083,179	$ 3,330,698	$ 499,481
Component Unit - DDA							
2008 Capital Bonds	4.0% - 5.0%	2028	$ 692,451	$ 207,393	$ 38,703	$ 861,141	$ 48,379

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

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	$ 230,435	$ 43,583	$ 274,018	$ 269,047	$ 62,731	$ 333,645
2017	153,392	34,992	188,385	264,047	56,690	331,780
2018	162,950	30,524	193,474	292,945	50,500	320,739
2019	139,086	25,609	164,695	277,511	43,714	343,446
2020	38,565	20,517	59,082	268,383	36,693	321,219
2021-2025	224,963	74,771	411,562	546,398	106,437	305,076
2026-2030	167,083	17,033	304,467	231,325	23,577	421,473
Totals	$ 1,116,474	$ 247,029	$ 1,595,682	$ 2,149,656	$ 380,343	$ 2,529,999

	Component Unit		
	Principal	Interest	Total
2016	$ 48,379	$ 40,150	$ 88,528
2017	48,379	38,093	86,472
2018	58,054	36,037	94,092
2019	58,054	33,497	91,552
2020	58,054	30,885	88,939
2021-2025	338,651	126,994	465,645
2026-2030	251,569	42,089	293,659
Totals	$ 861,141	$ 347,746	$ 1,208,888

Note 7 – Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

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

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

Employees Covered by Benefit Terms

At the December 31, 2014 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	17
Inactive plan members entitled to but not yet receiving benefits	8
Active plan members	19
Total employees covered by MERS	44

Contributions

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

to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2015, employees did not contribute and the City's average contribution rate was 23.90% percent of annual payroll.

Net Pension Liability

The net pension liability reported at June 30, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

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

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2013	$ 6,178,268	$ 4,714,193	$ 1,464,075
Service cost	148,892	-	148,892
Interest	505,186	-	505,186
Contributions - Employer	-	243,231	(243,231)
Contributions - Employee	-	-	-
Net investment income	-	299,481	(299,481)
Benefit payments, including refunds	(258,462)	(258,462)	-
Administrative expenses	-	(11,023)	11,023
Net changes	395,616	273,227	122,389
Balance at December 31, 2014	$ 6,573,884	$ 4,987,420	$ 1,586,464

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

For the year ended June 30, 2015, the City recognized pension expense of $49,127.

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 70,688	$ -
Employer contributions to the plan subsequent to the measurement date	120,527	-
Total	$ 191,215	$ -

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

Years Ending June 30	Amount
2016	$ 17,672
2017	17,672
2018	17,672
2019	17,672

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 - 4%	
Salary increases	4.5%	In the long-term, 1 percent, 2 percent, and 3 percent for calendar years 2014, 2015, and 2016, respectively, including inflation
Investment rate of return	8.25%	Gross of pension plan investment expense, including inflation

Mortality rates were based on the 1994 Group Annuity Mortality Table of a 50 percent male and 50 percent female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of the most recent actuarial experience study in 2008.

Discount Rate

The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2014, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	58%	5.0%
Global fixed income	20%	2.2%
Real assets	12%	4.2%
Diversifying strategies	10%	6.6%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 8.25 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent) or one percentage point higher (9.25 percent) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Net pension liability of the City	$ 2,360,698	$ 1,586,464	$ 932,919

Pension Plan Fiduciary Net Position

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

Note 8 – Risk Management

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

Note 9 – Construction Code Fees

The City oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of theses 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	$ 88,754
Building Inspection Expense	(86,248)
Net Change in Fund Balance	2,506
Fund Balance at Beginning of Period	(16,132)
Fund Balance at End of Period	$ (13,626)

Note 10 – Prior Period Adjustments

During the current year, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the government-wide statements and the proprietary fund now include a liability for our unfunded legacy costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to the pension note for further details. This change does not impact the general fund or any other governmental fund.

The financial statements for the year ended June 30, 2014 have been restated in order to adopt GASB Statement No. 68. The effect of this new accounting standard was a decrease in net position to record the net pension liability at June 30, 2014.

Additional, the City transferred long-term debt payable from business-type and component unit activities to governmental activities properly reflect the unit responsible for payment of the long-term obligation.

As a result of implementing this statement, as well as the transfer of long-term debt, the beginning net position of both the governmental activities and business-type activities has been restated as indicated:

	Governmental Activities	Business-type Activities	Component Unit - DDA
Net position - June 30, 2014 - As previously reported	$ 7,653,475	$ 4,840,583	$ (580,656)
Adjustment for implementation of GASB Statement No. 68	(1,117,280)	(228,841)	-
Bond Allocation Adjustment	595,238	(387,845)	(207,393)
Net position - June 30, 2014 - As restated	$ 7,131,433	$ 4,223,897	$ (788,049)

REQUIRED SUPPLEMENTARY INFORMATION

City of Wayland
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Consolidated General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Property Taxes	$ 1,386,347	$ 1,376,074	$ 1,374,929	$ (1,145)
Licenses & permits	83,900	139,540	140,618	1,078
State Revenue	368,341	369,297	377,661	8,364
Local Revenue Sharing	31,250	65,462	68,697	3,235
Charges for Services	217,931	209,906	210,811	905
Fine & Forfeitures	3,000	1,049	1,049	--
Rents	21,600	28,905	30,704	1,799
Other	62,100	70,931	71,654	723
Interest	26,915	13,451	13,564	113
Total Revenues	2,201,384	2,274,615	2,289,687	15,072
Other Financing Sources				
Total Revenues and Other Financing Sources	2,201,384	2,274,615	2,289,687	15,072
Expenditures				
General Government				
Council	76,925	82,668	79,762	2,906
General Administration	231,500	310,550	309,309	1,241
Elections	24,850	30,350	25,721	4,629
Assessor	46,950	55,275	53,054	2,221
Building & Grounds	10,000	36,514	32,965	3,549
Total General Government	390,225	515,357	500,811	14,546
Public Safety				
Police	846,874	871,715	833,308	38,407
Fire	284,950	297,750	221,112	76,638
Building Inspections	35,750	86,500	86,248	252
Total Public Safety	1,167,574	1,255,965	1,140,668	115,297
Public Works				
Public Works	352,000	411,116	364,169	46,947
Community & Economic Development				
Planning	41,425	44,900	37,504	7,396
Recreation & Culture				
Parks	15,000	15,000	7,453	7,547
Other				
Debt Service	141,256	140,119	130,969	9,150
Capital Outlay	64,541	64,541	64,541	--
Total Expenditures	2,172,021	2,446,998	2,246,115	200,883
Other Financing Uses				
Total Expenditures and Other Financing Uses	2,172,021	2,446,998	2,246,115	200,883
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	29,363	(172,383)	43,572	215,955
Net Change in Fund Balance	**29,363**	**(172,383)**	**43,572**	**215,955**
Fund Balance at Beginning of Period	1,408,771	1,408,771	1,408,771	--
Fund Balance at End of Period	$ **1,438,134**	$ **1,236,388**	$ **1,452,343**	$ **215,955**

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

		2014
Total Pension Liability		
Service Cost	$	148,892
Interest		505,186
Benefit Payments, Including Refunds		(258,462)
Net Change in Pension Liability		395,616
Total Pension Liability - Beginning		6,178,268
Total Pension Liability - Ending (a)	$	6,573,884
Plan Fiduciary Net Position		
Contributions - Employer	$	243,231
Contributions - Member		-
Net Investment Income		299,481
Benefit Payments, Including Refunds		(258,462)
Administrative Expenses		(11,023)
Net Change in Plan Fiduciary Net Position		273,227
Plan Fiduciary Net Position - Beginning		4,714,193
Plan Fiduciary Net Position - Ending (b)	$	4,987,420
Net Pension Liability - Ending (a) - (b)	$	1,586,464
Plan Fiduciary Net Position as a Percentage of Total Pension Liability		75.87%
Covered Employee Payroll	$	1,030,137
Net Pension Liability as a Percentage of Covered Employee Payroll		154.01%

** Built prospectively upon implementation on GASB 68*

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially Determined Contribution	$ 245,804	$ 205,592	$ 157,108	$ 155,497	$ 178,396	$ 149,250	$ 179,091	$ 167,160	$ 163,954	$ 139,406
Contributions in Relation to the Actuarially Determined Contribution	245,804	205,592	157,108	155,497	178,396	149,250	179,091	167,160	163,954	139,406
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Employee Payroll	1,030,137	1,017,295	832,526	726,565	828,933	854,014	783,737	836,291	789,541	807,456
Contributions as a Percentage of Covered Employee Payroll	24%	20%	19%	21%	22%	17%	23%	20%	21%	17%

Notes

Valuation Date

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

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry-age Normal
Amortization method	Level percentage of pay, open
Remaining amortization period	15 Years
Asset valuation method	10-year smoothed
Inflation	3 - 4%
Salary increases	4.5%, including inflation
Investment rate of return	8.00%
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	50% Male - 50% Female blend of the 1994 Group Annuity Mortality Table

OTHER SUPPLEMENTARY INFORMATION

City of Wayland
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue				
	Major Streets	**Local Streets**	**Special Roads**	**Community Building & Park Improvement**	**Total Nonmajor Governmental Funds**
ASSETS					
Cash & Cash Equivalents	$ 15,903	$ 139,831	$ 37,237	$ 345,289	$ 538,260
Accounts Receivable	--	--	11,030	--	11,030
Due from State	34,517	17,107	--	--	51,624
Total Assets	**$ 50,420**	**$ 156,938**	**$ 48,267**	**$ 345,289**	**$ 600,914**
LIABILITIES					
Accounts Payable	$ --	$ --	$ 451	$ 3,649	$ 4,100
Payroll Liabilities	304	270	1,068	--	1,642
Total Liabilities	304	270	1,519	3,649	5,742
FUND BALANCE					
Restricted	50,116	156,668	46,748	341,640	595,172
Unassigned	--	--	--	--	--
Total Fund Balance	50,116	156,668	46,748	341,640	595,172
Total Liabilities and Fund Balance	**$ 50,420**	**$ 156,938**	**$ 48,267**	**$ 345,289**	**$ 600,914**

City of Wayland
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue				
	Major Streets	**Local Streets**	**Special Roads**	**Community Building & Park Improvement**	**Total Nonmajor Governmental Funds**
Revenues					
Property Taxes	$ --	$ --	$ 93,822	$ --	$ 93,822
State Revenue	224,042	163,024	11,030	--	398,096
Charges for Services	--	--	3,332	--	3,332
Other	606	--	--	--	606
Interest and Investment Income	--	633	--	1,456	2,089
Total Revenues	224,648	163,657	108,184	1,456	497,945
Expenditures					
Public Works	87,782	55,424	82,702	--	225,908
Recreation & Culture	--	--	--	25,782	25,782
Capital Outlay	122,060	155,000	22,662	--	299,722
Debt Service - Principal	100,709	--	--	--	100,709
Debt Service - Interest	35,777	--	--	--	35,777
Total Expenditures	346,328	210,424	105,364	25,782	687,898
Excess of Revenues Over (Under) Expenditures	(121,680)	(46,767)	2,820	(24,326)	(189,953)
Other Financing Sources (Uses)					
Contributions to Component Unit	(26,334)	--	--	--	(26,334)
Net Other Financing Sources (Uses)	(26,334)	--	--	--	(26,334)
Net Change in Fund Balance	**(148,014)**	**(46,767)**	**2,820**	**(24,326)**	**(216,287)**
Fund Balance at Beginning of Period	198,130	203,435	43,928	365,966	811,459
Fund Balance at End of Period	$ **50,116**	$ **156,668**	$ **46,748**	$ **341,640**	$ **595,172**

City of Wayland
General Fund Combining Balance Sheet
All Funds Treated as General
June 30, 2015

	General	Tribe Revenue Sharing	Drug Foreiture	Justice Training	WHIF	Total General Funds
ASSETS						
Cash & Cash Equivalents	$ 1,317,281	$ 51,870	$ 54	$ 2,232	$ 67,851	$ 1,439,288
Taxes Receivable	41,242	--	--	--	--	41,242
Accounts Receivable	27,800	13,661	--	--	--	41,461
Due from State	61,721	--	--	--	--	61,721
Total Assets	$ **1,448,044**	$ **65,531**	$ **54**	$ **2,232**	$ **67,851**	$ **1,583,712**
LIABILITIES						
Accounts Payable	$ 39,928	$ --	$ --	$ --	$ --	$ 39,928
Payroll Liabilities	66,040	--	--	--	--	66,040
Due to Other Governmental Units	25,401	--	--	--	--	25,401
Total Liabilities	131,369	--	--	--	--	131,369
FUND BALANCE						
Restricted	--	--	54	2,232	67,851	70,137
Assigned	561,529	--	--	--	--	561,529
Unassigned	755,146	65,531	--	--	--	820,677
Total Fund Balance	1,316,675	65,531	54	2,232	67,851	1,452,343
Total Liabilities and Fund Balance	$ **1,448,044**	$ **65,531**	$ **54**	$ **2,232**	$ **67,851**	$ **1,583,712**

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, 2015

	General	Tribe Revenue Sharing	Drug Foreiture	Justice Training	WHIF	Total General Funds
Revenues						
Property Taxes	$ 1,374,929	$ --	$ --	$ --	$ --	$ 1,374,929
Licenses & permits	140,618	--	--	--	--	140,618
State Revenue	376,732	--	--	929	--	377,661
Local Revenue Sources	41,348	27,349	--	--	--	68,697
Charges for Services	210,811	--	--	--	--	210,811
Fine & Forfeitures	1,049	--	--	--	--	1,049
Rents	30,704	--	--	--	--	30,704
Other	71,654	--	--	--	--	71,654
Interest and Investment Income	13,292	--	--	--	272	13,564
Total Revenues	2,261,137	27,349	--	929	272	2,289,687
Expenditures						
General Government	483,686	6,858	--	--	10,267	500,811
Public Safety	1,140,668	--	--	--	--	1,140,668
Public Works	364,169	--	--	--	--	364,169
Community & Economic Development	37,504	--	--	--	--	37,504
Recreation & Culture	7,453	--	--	--	--	7,453
Capital Outlay	64,541	--	--	--	--	64,541
Debt Service - Principal	115,428	--	--	--	--	115,428
Debt Service - Interest	15,541	--	--	--	--	15,541
Total Expenditures	2,228,990	6,858	--	--	10,267	2,246,115
Excess of Revenues Over (Under) Expenditures	32,147	20,491	--	929	(9,995)	43,572
Net Change in Fund Balance	**32,147**	**20,491**	**--**	**929**	**(9,995)**	**43,572**
Fund Balance at Beginning of Period	1,284,528	45,040	54	1,303	77,846	1,408,771
Fund Balance at End of Period	$ **1,316,675**	$ **65,531**	$ **54**	$ **2,232**	$ **67,851**	$ **1,452,343**

City of Wayland
Combining Statement of Net Position / Balance Sheet
Component Unit
June 30, 2015

	Component Unit		
	Downtown Development Authority	**Adjustments**	**Statement of Net Position**
ASSETS			
Current Assets			
Cash & Cash Equivalents	$ 187,936	$ --	$ 187,936
Total Assets	187,936	--	187,936
LIABILITIES			
Current Liabilities			
Accounts Payable	5,849	--	5,849
Payroll Liabilities	3,363	--	3,363
Accrued Interest	--	2,575	2,575
Current Portion of Long-term Debt	--	48,379	48,379
Total Current Liabilities	9,212	50,954	60,166
Noncurrent Liabilities			
Long-term Debt	--	812,762	812,762
Total Liabilities	9,212	863,716	872,928
NET POSITION / FUND BALANCE			
Unrestricted / Unassigned	178,724	(863,716)	(684,992)
Total Net Position / Fund Balance	**$ 178,724**	**$ (863,716)**	**$ (684,992)**

City of Wayland
Combining Statement of Activities / Statement of Revenues, Expenses and Changes in Fund Balance
Component Unit
For the Year Ended June 30, 2015

	Component Unit		
	Downtown Development Authority	**Adjustments**	**Statement of Net Position**
Expenses			
Community & Economic Development	$ 260,043	$ --	$ 260,043
Debt Service - Principal	38,703	(38,703)	--
Debt Service - Interest	42,147	(105)	42,042
Total Expenses	340,893	(38,808)	302,085
General Revenue			
Property Taxes	290,945	--	290,945
Investment Income	68	--	68
Other	24,509	--	24,509
Contributions to Component Unit	89,620	--	89,620
Total General Revenues	405,142	--	405,142
Change in Net Position / Fund Balnce	**64,249**	**38,808**	**103,057**
Net Position / Fund Balance at Beginning of Period - Restated (Note 10)	114,475	--	(788,049)
Net Position / Fund Balance at End of Period	$ **178,724**	$ **(863,716)**	$ **(684,992)**

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December 18, 2015

To the City Council
City of Wayland, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wayland, Michigan for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 17, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 10 to the financial statements, the City changed accounting policies related to unfunded pension obligations by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions*, in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities and Statement of Net Position.

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

- In the general fund, $232,647 was adjusted to remove an incorrect recognition of a cash transfer between bank balances.
- In the general fund, $79,419 was adjusted of entries incorrectly posted to cash.
- In the general fund, $62,456 was adjusted for state revenue sharing amounts.
- Payroll accruals needed to be posted in all funds, $76,689 in total.
- Entries needed to be posted to process transfers in and out between funds.
- Adjustments for the allocation of long term debt needed to be posted, along with a prior period adjustment.
- Adjustments to capital assets and depreciated needed to be prepared for all funds.
- Entries for the net pension liability and prior year adjustment needed to be prepared.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 18, 2015.

Management Consultations with Other Independent Accountants

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

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to management's discussion and analysis, pension schedules, and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI

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

December 18, 2015

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 discreetly 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 18, 2015.

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 comment 2015-1, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

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 note 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

Gabridge & Company, PLC
Grand Rapids, MI

Material Weaknesses

2015-1 – 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.