

**City of DeWitt  
Clinton County, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2015**

City of DeWitt  
Clinton County, Michigan  
June 30, 2015

CITY COUNCIL AND ADMINISTRATION

Jim Rundborg	Mayor
Susan Leeming	Mayor Pro-Tem
Maria Ostrander	Council Member
Sheryl Landgraf	Council Member
Dave Hunsaker	Council Member
Tony Stoker	Council Member
Daniel Coss	City Administrator
Lisa Grysen	City Clerk - Treasurer

City of DeWitt

TABLE OF CONTENTS

June 30, 2015

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-viii
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balances	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	6
Proprietary Funds	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Net Position	8
Statement of Cash Flows	9
Notes to Financial Statements	10-31
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund	
Budgetary Comparison Schedule	32-37
Local Street Fund	
Budgetary Comparison Schedule	38
Schedule of Changes in Employer's Net Pension Liability	39
Schedule of Contributions	40
OPEB Schedules of Funding Progress and Employer Contributions	41
Note to Required Supplementary Information	42
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	43-44
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	45-46
Major Street Fund	
Budgetary Comparison Schedule	47
Drug Law Enforcement Fund	
Budgetary Comparison Schedule	48
Special Donation Fund	
Budgetary Comparison Schedule	49
Building Department Fund	
Budgetary Comparison Schedule	50
Schedule of Bonded Debt Outstanding	
2012 Michigan Transportation Fund Bonds	51

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council  
City of DeWitt, 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 DeWitt, 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. 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 DeWitt, 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.

## **Change in Accounting Principles**

As discussed in Note L to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year. As a result, the financial statements now recognize the City's unfunded defined pension benefit obligation as a liability for the first time and more comprehensively and comparably measures the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinions are not modified with respect to this matter.

Also as discussed in Note L to the financial statements, the City implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, during the year. As a result, the City recognized a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and the pension and OPEB schedules, as identified 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 accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

October 16, 2015

This section of the City of DeWitt's (the City) annual report presents our discussion and analysis of the City's financial performance during the year ended June 30, 2015. Please read it in conjunction with the City's financial statements, which immediately follow this section.

#### Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of DeWitt financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and longer-term view of the finances. The *Fund Financial Statements* provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds.

#### **Government-Wide Financial Statements**

One of the most important questions asked about the City is, "As a whole, what is the City's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the basic financial statements, report information on the City as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position (page 1) presents all of the City of DeWitt's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, recording the difference between them as "net position". Over time, increases or decreases in net position measure whether the City of DeWitt's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the City of DeWitt's net position changed during fiscal year 2015. All changes in net position are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods.

Both statements report the following activities:

- **Governmental Activities** - Most of the City of DeWitt's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. This also includes the activities such as the major and local street maintenance, and debt service.
- **Business-type Activities** - These activities operate like private businesses. The City of DeWitt charges fees to recover the cost of the services provided. The City of DeWitt Sewer System services is an example of such an activity.
- **Discretely Presented Component Unit** - Discretely Presented Component units are legally separate organizations for which the City of DeWitt Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the City of DeWitt. The City of DeWitt Downtown Development Authority (DDA) is a discretely presented component unit of the City.

As stated previously, the government-wide financial statements are full accrual basis statements. However, the governmental funds report on a modified accrual basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources. Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 4 and 6 present reconciliations between the two statement types.

### **Fund Financial Statements**

The fund level financial statements are reported on the modified accrual basis. Only those assets that are "measurable" and "available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City of DeWitt uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by bond or grant agreements. Funds are also utilized to track specific operations; these include the internal services fund (e.g., Motor pool) as well as enterprise funds such as the Water and Sewer Fund.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The City of DeWitt's funds are divided into two categories - governmental and proprietary - and use different accounting approaches:

- **Governmental Funds** - Most of the City of DeWitt's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year, and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City of DeWitt's programs. Governmental funds include the General Fund, as well as special revenue, capital projects, debt service, and permanent funds.
- **Proprietary Funds** - Services for which the City of DeWitt charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same accrual basis of accounting used in the government-wide financial statements and by private business. There are two types of proprietary funds. Enterprise funds report activities that provide supplies and/or services to the general public. Internal Service funds report activities that provide supplies or service to the City of DeWitt's other operations, such as the Motor Pool Fund. Internal Service funds are reported as governmental activities on the government-wide financial statements.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The notes can be found beginning on page 10 of this report.

**Required Supplementary Information**

Required supplementary information includes budgetary comparison schedules for the City's major governmental funds and schedules of funding progress related to the retirement and post-employment benefit plans.

**Other Supplementary Information**

Other supplementary information includes combining financial statements for nonmajor governmental funds. These funds are added together, by fund type, and are presented in a single aggregate column in the basic financial statements.

**Summary of Net Position:**

The following summarizes the net position as of June 30, 2015 and 2014.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current and other assets	\$ 3,651,410	\$ 3,221,557	\$ 3,646,759	\$ 3,539,679	\$ 7,298,169	\$ 6,761,236
Capital assets, net	4,799,188	4,753,812	3,105,696	3,253,754	7,904,884	8,007,566
Total assets	<u>8,450,598</u>	<u>7,975,369</u>	<u>6,752,455</u>	<u>6,793,433</u>	<u>15,203,053</u>	<u>14,768,802</u>
<b>Deferred Outflows</b>	210,086	-	-	-	210,086	-0-
<b>Liabilities</b>						
Current	156,367	191,535	14,213	18,671	170,580	210,206
Noncurrent	3,293,279	1,016,115	-	-	3,293,279	1,016,115
Total liabilities	<u>3,449,646</u>	<u>1,207,650</u>	<u>14,213</u>	<u>18,671</u>	<u>3,463,859</u>	<u>1,226,321</u>
<b>Net Position</b>						
Net investment in capital assets	4,452,659	4,423,812	3,105,696	3,253,754	7,558,355	7,677,566
Restricted	1,145,388	1,290,028	-	-	1,145,388	1,290,028
Unrestricted	(387,009)	1,053,879	3,632,546	3,521,008	3,245,537	4,574,887
Total net position	<u>\$ 5,211,038</u>	<u>\$ 6,767,719</u>	<u>\$ 6,738,242</u>	<u>\$ 6,774,762</u>	<u>\$ 11,949,280</u>	<u>\$ 13,542,481</u>

**Results of Operations:**

For the fiscal year ended June 30, 2015 and 2014, the government-wide results of operations were:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program revenue:						
Charges for services	\$ 501,280	\$ 508,694	\$ 554,663	\$ 548,243	\$ 1,055,943	\$ 1,056,937
Operating grants and contributions	297,392	290,262	-	-	297,392	290,262
Capital grants and contributions	73,386	68,354	48,200	96,404	121,586	164,758

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2015**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues - continued</b>						
General revenues:						
Property taxes	\$ 1,784,382	\$ 1,756,723	\$ -	\$ -	\$ 1,784,382	\$ 1,756,723
State Revenue Sharing	364,021	354,913	-	-	364,021	354,913
Investment earnings	22,919	16,890	6,285	11,006	29,204	27,896
Equity in joint ventures	61,151	-	70,745	48,141	131,896	48,141
Miscellaneous	285,678	270,141	5,381	3,161	291,059	273,302
<b>Total revenues</b>	<b>3,390,209</b>	<b>3,265,977</b>	<b>685,274</b>	<b>706,955</b>	<b>4,075,483</b>	<b>3,972,932</b>
<b>Expenses</b>						
General government	1,159,717	1,022,934	-	-	1,159,717	1,022,934
Public safety	1,021,620	1,026,916	-	-	1,021,620	1,026,916
Public works	905,425	1,011,380	-	-	905,425	1,011,380
Recreation and cultural	198,787	153,952	-	-	198,787	153,952
Water & Sewer	-	-	721,794	710,113	721,794	710,113
Interest on long-term debt	4,605	9,509	-	-	4,605	9,509
<b>Total expenses</b>	<b>3,290,154</b>	<b>3,224,691</b>	<b>721,794</b>	<b>710,113</b>	<b>4,011,948</b>	<b>3,934,804</b>
Change in net position	100,055	41,286	(36,520)	(3,158)	63,535	38,128
Net position, beginning of year	5,110,983	6,726,433	6,774,762	6,777,920	11,885,745	13,504,353
Net position, end of year	<b>\$ 5,211,038</b>	<b>\$ 6,767,719</b>	<b>\$ 6,738,242</b>	<b>\$ 6,774,762</b>	<b>\$ 11,949,280</b>	<b>\$ 13,542,481</b>

**Analysis of Results of Operations:**

During fiscal year ended June 30, 2015, the City's net position increased by \$63,535. Several factors which contributed to this increase are discussed in the following sections.

**A. Governmental Activities Operating Results**

The City's revenues from governmental activities operations exceeded expenses by \$100,055 for the fiscal year ended June 30, 2015. Total revenues increased \$124,232, or 4%, primarily due to increases in property taxes and equity interest in joint ventures. Total expenses increased \$65,463 or 2% due to increases in general government, public safety, and recreation and cultural related expenses, due in part to abnormally harsh winter storms.

**B. Business-type Activities Operating Results**

The City's expenses from business-type activities operations exceeded revenues by \$36,520 for the fiscal year ended June 30, 2015. Total revenues decreased \$21,681, or 3%, due to less revenue received as capital contributions. Total expenses increased \$11,681, or 1.6%.

**C. Financial Analysis of the Government's 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 spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,904,371, an increase of \$36,458 in comparison with the prior year. Approximately 39% of this (\$1,128,862) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable, restricted, or committed* to indicate that it is not available for new spending because it has already been restricted or obligated to pay for specific debt services or for a variety of other purposes.

The General Fund is the chief operating fund of the City. The fund balance of the City's General Fund increased by \$126,396 during the current fiscal year to \$1,758,983. \$1,008,862 of which was unassigned, \$276,740 was assigned for subsequent year's expenditures, and \$240,000 was committed for bridge improvements. The remaining \$233,381 was nonspendable as it related to prepaids and property held for sale. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to the total fund expenditures. Unassigned fund balance at June 30, 2015, represents 36% of the total General Fund expenditures and other financing uses. Total revenues increased by \$105,548, or 3.7%, while expenditures and other financing uses increased by \$140,043, or 5.3%.

Budgetary-basis revenues and other financing sources for the General Fund were increased from the original budget by \$105,755 with the most significant adjustments relating to property taxes and State grant revenue. Actual revenues came in \$45,143 more than the amended budget, primarily due to increases in refuse services. Budgetary basis expenditures and other financing uses were increased by \$171,479 from the original budget primarily due to recreation and culture services. Expenditures and other financing uses came in \$96,108 below the amended budget due to controlled spending across all functions. The variances combined to result in the favorable variance of \$141,251.

The Local Street Fund (major governmental fund) had a fund balance of \$419,080 at the close of the fiscal year. This was a decrease of \$152,355, or 27%, from the prior year. This decrease was primarily due to increases in construction expenses due to the timing of road improvements.

*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 of the Water and Sewer Fund at the end of the year amounted to \$3,632,546. The most recent fiscal year's activities decreased the net position of the Water and Sewer Fund by \$36,520. The causes for these variances were discussed previously.

#### **D. Long-Term Debt Activities**

The City reduced its long-term debt obligation during 2014-2015 by making principal payments of \$51,982. This makes the ending long-term debt \$346,529 for 2014-2015 fiscal year. See Note F to the financial statements for more information on long-term debt.

The City made principal payments on long-term debt obligations that reduced the amount of the City's long-term liabilities as follows:

	Principal Balance June 30, 2014	Debt Proceeds	Principal Payments	Principal Balance June 30, 2015
2012 Transportation Bonds	\$ 330,000	\$ -	\$ 30,000	\$ 300,000
Equipment Lease/Purchase Agreement	68,511	-	21,982	46,529
<b>Total Long-Term Obligations</b>	<b>\$ 398,511</b>	<b>\$ -0-</b>	<b>\$ 51,982</b>	<b>\$ 346,529</b>

The City has accumulated a long-term liability for absences that have been earned by employees but not yet redeemed. The balance of compensated absences as of June 30, 2015, is \$41,170.

**E. Net Investment in Capital Assets**

The City's net investment in capital assets (Primary Government) decreased by \$186,494 during the fiscal year. During the year the City purchased a vehicle, made investments in infrastructure improvements, as well as recognizing depreciation on assets owned by the City. See Note E in the notes to the financial statements for more information on capital assets. This can be summarized as follows:

	Balance June 30, 2014	Net Additions/ Deletions	Balance June 30, 2015
Capital assets	\$ 14,842,991	\$ 435,440	\$ 15,278,431
Less: accumulated depreciation	(7,632,483)	(584,410)	(8,216,893)
	7,210,508	(148,970)	7,061,538
Add: Capital assets not being depreciated	880,870	(37,524)	843,346
<b>Net investment in capital assets</b>	<b>\$ 8,091,378</b>	<b>\$ (186,494)</b>	<b>\$ 7,904,884</b>

**Economic Factors and Next Year's Budgets and Rates**

There are several economic factors that will challenge the City in the next several years. These include the continued changes in health insurance for employees, pension costs, street improvements, and sanitary sewer infrastructure improvements. These factors were considered in the preparation of the City's fiscal year 2014-15 budget. In addition, the City Council is currently monitoring, and will evaluate and respond as necessary, to various State and Federal legislation regarding pension plans, employer provided health coverage and other changes. The City Council will also continue to pursue grant funding to help offset the costs of necessary street improvements.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the City's finances. If you have questions about this report or need additional information, contact Lisa Grysen, City Treasurer, City of DeWitt, 414 E. Main Street, DeWitt, Michigan 48820.

## **BASIC FINANCIAL STATEMENTS**

City of DeWitt

STATEMENT OF NET POSITION

June 30, 2015

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 156,162	\$ 22,497	\$ 178,659	\$ 52,103
Investments	592,915	270,000	862,915	136,720
Receivables	121,377	63,947	185,324	500
Property held for sale	209,246	-	209,246	-
Internal balances	(1,651)	1,651	-0-	-
Due from other governmental units	122,790	-	122,790	-
Prepays	24,135	-	24,135	-
<b>Total current assets</b>	<b>1,224,974</b>	<b>358,095</b>	<b>1,583,069</b>	<b>189,323</b>
Noncurrent assets				
Investments	1,970,000	1,761,678	3,731,678	-
Equity interest in joint ventures	456,436	1,526,986	1,983,422	-
Capital assets not being depreciated	803,253	40,093	843,346	110,549
Capital assets, net of accumulated depreciation	3,995,935	3,065,603	7,061,538	189,278
<b>Total noncurrent assets</b>	<b>7,225,624</b>	<b>6,394,360</b>	<b>13,619,984</b>	<b>299,827</b>
<b>TOTAL ASSETS</b>	<b>8,450,598</b>	<b>6,752,455</b>	<b>15,203,053</b>	<b>489,150</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to pensions	210,086	-	210,086	-
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	23,350	14,138	37,488	8,914
Accrued liabilities	36,109	75	36,184	-
Accrued interest payable	2,912	-	2,912	-
Current portion of compensated absences	41,170	-	41,170	-
Current portion of long-term debt	52,826	-	52,826	-
<b>Total current liabilities</b>	<b>156,367</b>	<b>14,213</b>	<b>170,580</b>	<b>8,914</b>
Noncurrent liabilities				
Noncurrent portion of long-term debt	293,703	-	293,703	-
Net pension liability	2,251,433	-	2,251,433	-
Net other post-employment benefits obligation	748,143	-	748,143	-
<b>Total noncurrent liabilities</b>	<b>3,293,279</b>	<b>-0-</b>	<b>3,293,279</b>	<b>-0-</b>
<b>TOTAL LIABILITIES</b>	<b>3,449,646</b>	<b>14,213</b>	<b>3,463,859</b>	<b>8,914</b>
<b>NET POSITION</b>				
Net investment in capital assets	4,452,659	3,105,696	7,558,355	299,827
Restricted				
Streets and highways	864,244	-	864,244	-
Other purposes	281,144	-	281,144	-
Unrestricted	(387,009)	3,632,546	3,245,537	180,409
<b>TOTAL NET POSITION</b>	<b>\$ 5,211,038</b>	<b>\$ 6,738,242</b>	<b>\$ 11,949,280</b>	<b>\$ 480,236</b>

See accompanying notes to financial statements.

City of DeWitt

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit (DDA)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 1,159,717	\$ 239,123	\$ 1,265	\$ -	\$ (919,329)	\$ -	\$ (919,329)	\$ -
Public safety	1,021,620	12,620	3,717	5,000	(1,000,283)	-	(1,000,283)	-
Public works	905,425	244,841	292,410	-	(368,174)	-	(368,174)	-
Community and economic development	-	1,235	-	-	1,235	-	1,235	-
Recreation and culture	198,787	3,461	-	68,386	(126,940)	-	(126,940)	-
Interest on long-term debt	4,605	-	-	-	(4,605)	-	(4,605)	-
Total governmental activities	3,290,154	501,280	297,392	73,386	(2,418,096)	-0-	(2,418,096)	-0-
Business-type activities								
Water and Sewer	721,794	554,663	-	48,200	-	(118,931)	(118,931)	-
Total primary government	<u>\$ 4,011,948</u>	<u>\$ 1,055,943</u>	<u>\$ 297,392</u>	<u>\$ 121,586</u>	(2,418,096)	(118,931)	(2,537,027)	-0-
Component unit								
Downtown Development Authority	<u>\$ 109,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-	-	-0-	(109,802)
General revenues								
Property taxes					1,784,382	-	1,784,382	104,910
State shared revenues					364,021	-	364,021	-
Investment earnings					22,919	6,285	29,204	333
Change in equity interest in joint ventures					61,151	70,745	131,896	-
Miscellaneous					285,678	5,381	291,059	22,846
Total general revenues					<u>2,518,151</u>	<u>82,411</u>	<u>2,600,562</u>	<u>128,089</u>
Change in net position					100,055	(36,520)	63,535	18,287
Restated net position, beginning of the year					<u>5,110,983</u>	<u>6,774,762</u>	<u>11,885,745</u>	<u>461,949</u>
Net position, end of the year					<u>\$ 5,211,038</u>	<u>\$ 6,738,242</u>	<u>\$ 11,949,280</u>	<u>\$ 480,236</u>

See accompanying notes to financial statements.

City of DeWitt  
Governmental Funds  
BALANCE SHEET  
June 30, 2015

	<u>Special Revenue</u>			Total
	General	Local Street	Nonmajor Governmental Funds	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 53,030	\$ 21,222	\$ 58,639	\$ 132,891
Investments	1,359,915	390,000	626,000	2,375,915
Receivables				
Accounts	114,726	-	-	114,726
Special assessments	-	5,248	1,313	6,561
Interest	90	-	-	90
Property held for sale	209,246	-	-	209,246
Due from other funds	-	-	7,238	7,238
Due from other governmental units				
Local	1,126	-	-	1,126
State	68,386	15,637	37,641	121,664
Prepays	24,135	-	-	24,135
<b>TOTAL ASSETS</b>	<b><u>\$ 1,830,654</u></b>	<b><u>\$ 432,107</u></b>	<b><u>\$ 730,831</u></b>	<b><u>\$ 2,993,592</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 21,250	\$ -	\$ 2,100	\$ 23,350
Accrued liabilities	36,109	-	-	36,109
Due to other funds	-	7,779	1,110	8,889
<b>TOTAL LIABILITIES</b>	<b>57,359</b>	<b>7,779</b>	<b>3,210</b>	<b>68,348</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	14,312	5,248	1,313	20,873
<b>FUND BALANCES</b>				
Nonspendable	233,381	-	176,146	409,527
Restricted	-	419,080	550,162	969,242
Committed	240,000	-	-	240,000
Assigned	276,740	-	-	276,740
Unassigned	1,008,862	-	-	1,008,862
<b>TOTAL FUND BALANCES</b>	<b><u>1,758,983</u></b>	<b><u>419,080</u></b>	<b><u>726,308</u></b>	<b><u>2,904,371</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 1,830,654</u></b>	<b><u>\$ 432,107</u></b>	<b><u>\$ 730,831</u></b>	<b><u>\$ 2,993,592</u></b>

See accompanying notes to financial statements.

City of DeWitt

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

June 30, 2015

**Total fund balances - governmental funds** \$ 2,904,371

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 8,077,403	
Accumulated depreciation is	<u>(3,615,119)</u>	
Capital assets, net		4,462,284

An Internal Service Fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the statement of net position.

Net position of the governmental activities accounted for in the Internal Service Fund		498,859
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Long-term receivables are not available to pay for current period expenditures and are therefore unavailable in the funds.		20,873
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Equity interests in joint ventures are not current financial resources and therefore are not reported as assets in the governmental funds.

DeWitt Area Emergency Services Authority	435,455	
DeWitt Area Recreation Authority	<u>20,981</u>	
		456,436

Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions		210,086
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

Bonds payable	300,000	
Accrued interest payable	1,125	
Net other post-employment benefits obligation	748,143	
Net pension liability	2,251,433	
Compensated absences	<u>41,170</u>	
		<u>(3,341,871)</u>

**Net position of governmental activities** \$ 5,211,038

See accompanying notes to financial statements.

City of DeWitt

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	General	Special Revenue		Total
		Local Street	Nonmajor Governmental Funds	
<b>REVENUES</b>				
Taxes	\$ 1,860,140	\$ -	\$ -	\$ 1,860,140
Licenses and permits	50,450	-	60,948	111,398
Intergovernmental	460,139	95,295	224,587	780,021
Charges for services	287,275	-	13,700	300,975
Fines and forfeits	670	-	-	670
Interest and rents	30,480	1,102	3,723	35,305
Other	240,205	1,587	250	242,042
<b>TOTAL REVENUES</b>	<b>2,929,359</b>	<b>97,984</b>	<b>303,208</b>	<b>3,330,551</b>
<b>EXPENDITURES</b>				
Current				
General government	1,065,536	-	112	1,065,648
Public safety	953,800	-	58,974	1,012,774
Public works	550,859	375,339	96,987	1,023,185
Recreation and culture	157,768	-	-	157,768
Debt service	-	-	34,718	34,718
<b>TOTAL EXPENDITURES</b>	<b>2,727,963</b>	<b>375,339</b>	<b>190,791</b>	<b>3,294,093</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>201,396</b>	<b>(277,355)</b>	<b>112,417</b>	<b>36,458</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	125,000	-	125,000
Transfers out	(75,000)	-	(50,000)	(125,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(75,000)</b>	<b>125,000</b>	<b>(50,000)</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>126,396</b>	<b>(152,355)</b>	<b>62,417</b>	<b>36,458</b>
Fund balances, beginning of year	1,632,587	571,435	663,891	2,867,913
Fund balances, end of year	\$ 1,758,983	\$ 419,080	\$ 726,308	\$ 2,904,371

See accompanying notes to financial statements.

City of DeWitt

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

**Net change in fund balances - total governmental funds** \$ 36,458

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 379,022
Depreciation expense	<u>(377,443)</u>

Excess of capital outlay over depreciation expense	1,579
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Internal service funds are used by management to charge the costs of certain activities to individual funds.

Change in net position of the Internal Service Fund	(23,013)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue	(1,493)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in equity interest in joint ventures	61,151
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Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Repayment of long-term debt	30,000
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in net pension liability	(56,121)
Increase in deferred outflows of resources related to pensions	79,465
Decrease in accrued interest payable	113
(Increase) in net other post-employment benefits obligation	(32,028)
Decrease in compensated absences	<u>3,944</u>

(4,627)

**Change in net position of governmental activities** \$ 100,055

City of DeWitt  
Proprietary Funds  
STATEMENT OF NET POSITION  
June 30, 2015

	Business-type Activities	Governmental Activities
	Enterprise (Water and Sewer)	Internal Service (Motor Pool)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 22,497	\$ 23,271
Investments	270,000	-
Accounts receivable	63,567	-
Due from other funds	1,651	-
Accrued interest receivable	380	-
Total current assets	358,095	23,271
Noncurrent assets		
Investments	1,761,678	187,000
Investment in sewage treatment plant	1,526,986	-
Capital assets not being depreciated	40,093	-
Capital assets, net of accumulated depreciation	3,065,603	336,904
Total noncurrent assets	6,394,360	523,904
<b>TOTAL ASSETS</b>	<b>6,752,455</b>	<b>547,175</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	14,138	-
Accrued liabilities	75	-
Accrued interest payable	-	1,787
Current portion of lease payable	-	22,826
Total current liabilities	14,213	24,613
Noncurrent liabilities		
Noncurrent portion of lease payable	-	23,703
<b>TOTAL LIABILITIES</b>	<b>14,213</b>	<b>48,316</b>
<b>NET POSITION</b>		
Net investment in capital assets	3,105,696	290,375
Unrestricted	3,632,546	208,484
<b>TOTAL NET POSITION</b>	<b>\$ 6,738,242</b>	<b>\$ 498,859</b>

See accompanying notes to financial statements.

City of DeWitt

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2015

	Business-type Activities	Governmental Activities
	Enterprise (Water and Sewer)	Internal Service (Motor Pool)
<b>OPERATING REVENUES</b>		
Charges for services	\$ 554,663	\$ -
Equipment rental	-	181,745
Other	5,381	-
<b>TOTAL OPERATING REVENUES</b>	<b>560,044</b>	<b>181,745</b>
<b>OPERATING EXPENSES</b>		
Salaries and wages	61,144	-
Fringe benefits	41,387	-
Personal services	-	41,579
Contractual services	357,621	691
Supplies	7,583	46,853
Insurance	-	9,653
Repairs and maintenance	11,364	33,614
Equipment rental	91,784	-
Depreciation	148,058	71,507
Other	2,853	269
<b>TOTAL OPERATING EXPENSES</b>	<b>721,794</b>	<b>204,166</b>
<b>OPERATING (LOSS)</b>	<b>(161,750)</b>	<b>(22,421)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Tap in fees	48,200	-
Interest revenue	6,285	1,195
Interest expense	-	(1,787)
Change in equity interest in SCCMUA operations	70,745	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>125,230</b>	<b>(592)</b>
<b>CHANGE IN NET POSITION</b>	<b>(36,520)</b>	<b>(23,013)</b>
Restated net position, beginning of year	6,774,762	521,872
Net position, end of year	<u>\$ 6,738,242</u>	<u>\$ 498,859</u>

See accompanying notes to financial statements.

City of DeWitt  
Proprietary Funds  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2015

	<u>Business-type Activities Enterprise (Water and Sewer)</u>	<u>Governmental Activities Internal Service (Motor Pool)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 555,707	\$ 25
Cash receipts from interfund activities	-	181,745
Cash paid to employees	(61,144)	-
Cash paid to vendors	<u>(517,050)</u>	<u>(136,490)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(22,487)	45,280
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Tap in fees	48,200	-
Capital acquisitions	-	(31,492)
Payments of borrowings	-	(21,982)
Interest paid	-	(2,631)
Special assessments received	<u>5,660</u>	<u>-</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	53,860	(56,105)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(2,031,678)	(187,000)
Maturity of investments	1,661,000	99,975
Interest received	<u>10,669</u>	<u>1,195</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(360,009)</u>	<u>(85,830)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(328,636)	(96,655)
Cash and cash equivalents, beginning of year	<u>351,133</u>	<u>119,926</u>
Cash and cash equivalents, end of year	<u>\$ 22,497</u>	<u>\$ 23,271</u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities		
Operating (loss)	\$ (161,750)	\$ (22,421)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities		
Depreciation	148,058	71,507
(Increase) decrease in:		
Accounts receivable	(4,402)	25
Due from other funds	65	-
(Decrease) in:		
Accounts payable	<u>(4,458)</u>	<u>(3,831)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (22,487)</u>	<u>\$ 45,280</u>

NOTE: The City adjusted its equity interest in the sewage treatment plant, Southern Clinton County Municipal Utilities Authority (SCCMUA), operations by \$70,745 to reflect the current year change in its investment in the Authority.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of DeWitt, Michigan (the City), operates under an elected City Council, which consists of the Mayor and six (6) council members, with daily activities operated by the City Administrator and City Clerk/Treasurer. The City provides services to its more than 4,500 residents in many areas including law enforcement, fire protection, sewer, transportation, and parks and recreation.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the City of DeWitt (primary government), and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influences on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and the general available to its citizens.

2. Blended Component Unit

The Building Authority is governed by a five (5) member board appointed by the City Council. Its purpose is to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities, and the necessary site or sites therefore for the use of the City.

3. Discretely Presented Component Unit

The Downtown Development Authority (component unit) is reported in a separate column to emphasize that, while legally separate, the City of DeWitt remains financially accountable for this entity or the nature and significance of the relationship between this entity and the City is such that exclusion of this entity would render the financial statements misleading or incomplete.

The governing body of the Downtown Development Authority (DDA) is appointed by the City Council, the Authority's budget is subject to the approval of the City Council, the City temporarily relinquishes part of its tax base to the Authority (tax increment revenues), and the City has pledged its full faith and credit toward payment of the Authority's debt. This component unit is audited individually and complete financial statements may be obtained from the City's administrative office.

City of DeWitt

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Joint Ventures

The City of DeWitt is a member of the Southern Clinton County Municipal Utilities Authority (SCCMUA). The purpose of the Authority is to operate, maintain, administer, and manage a sewage disposal system for the benefit of the constituent municipalities.

The governing body of the Authority is appointed by the constituent municipalities, and representation is based upon the purchased capacity of each municipality. The City of DeWitt currently is represented by one (1) of the ten (10) members of the Authority board. The annual budget of the Authority is submitted to the constituent municipalities and must be approved by a 2/3 vote of the members-elect of the Authority. A copy of SCCMUA's audited financial statements can be obtained at their administrative offices.

The members of the Authority and approximate percentage of responsibility are as follows:

City of DeWitt	11.3131%
DeWitt Charter Township	55.7576%
Watertown Charter Township	16.2020%
Bath Charter Township	16.7273%

For the year ended June 30, 2015, the City of DeWitt contributed \$336,749 to cover its share of operational costs and reserve activities.

Additionally, an investment in SCCMUA is recorded to reflect the current carrying value at June 30, 2015, of the cumulative effect of SCCMUA operations relating to the City's equity share in the joint venture from inception-to-date. The City of DeWitt had recorded their portion of the initial cost of construction of the Authority facilities as capital assets in the Sewer and Water System (Enterprise) Fund, however, the portion of those costs relating to the Water System has been eliminated as the City of DeWitt transferred ownership of its water system to the Lansing Board of Water & Light during the fiscal year ended June 30, 2000.

The City of DeWitt is a member of the DeWitt Area Recreation Authority, which is a joint venture between the City of DeWitt and DeWitt Charter Township. The Authority was established in 2003 to provide recreation services. The Authority's activities are overseen by a six (6) member board of Directors, with each municipality appointing three (3) members. Each municipality provides annual appropriations to subsidize operations. The current funding formula approved by the Authority requires DeWitt Charter Township and the City of DeWitt to provide approximately 68 and 32 percent, respectively. In 2015 the City contributed \$27,997. As of June 30, 2015, the City of DeWitt's equity interest in the Authority was \$20,981. A copy of the DeWitt Area Recreation Authority's audited financial statements can be obtained from DeWitt Charter Township's administrative offices.

The DeWitt Area Emergency Services Authority was created in 2001 by a joint venture agreement between the Townships of Olive and Riley and the City of DeWitt. Each municipality appoints two (2) members to the Board. The Fire Chief oversees the day-to-day operations of the Authority. During the year ended June 30, 2015, the City contributed \$162,805 to the Authority. As of June 30, 2015, the City of DeWitt's equity interest in the Authority was \$435,455. A copy of the DeWitt Area Emergency Services Authority's audited financial statements can be obtained from the City of DeWitt's administrative offices.

5. Jointly Governed Organizations

The City participates in the following activity which is considered to be a jointly governed organization in relation to the City, due to there being no ongoing financial interest or responsibility:

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Jointly Governed Organizations - continued

Under Public Act 24 of 1989, the City of DeWitt, in conjunction with DeWitt Charter Township, created the DeWitt Public Library which is considered a District Library. The DeWitt Public Library board is composed of three (3) members appointed by each municipality. The City has no financial responsibility to the Library.

6. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Local Street Fund is used to account for the financial resources that are used for repairs and maintenance of the City's local streets.

The City reports the following major enterprise fund:

- a. The Water and Sewer Fund is used to account for the operations required to provide water and sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

The City maintains fiduciary funds during the year to account for assets held in an agency capacity, however, these funds did not have any assets at year-end and therefore there are no financial statements to report.

Additionally, the City reports an internal service fund to account for the management of a motor pool provided to other departments of the City on a cost reimbursement basis.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

7. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for agency funds since assets equal liabilities.

8. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and unavailable revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

9. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown as required and other supplementary information were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

9. Budgets and Budgetary Accounting - continued

- a. The City Administrator submits to Mayor and City Council the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to July 1, the budget is legally enacted through passage of resolution.
- d. The budget is legally adopted at the total expenditure level for the General Fund and the Special Revenue Funds; however, they are maintained at the account level for control purposes. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
- e. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were appropriately approved by the City Council as required.

10. Cash, Cash Equivalents, and Investments

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and pooled investment accounts. Cash consists of checking, savings, and money market accounts. Cash equivalents consist of temporary investments in certificates of deposit with original maturities of 90 days or less.

Investments include government securities and certificates of deposit with original maturities of greater than 90 days from the date of purchase. Investments are stated at cost, which approximates fair value.

11. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the City from special assessments, and interest.

12. Prepays

Prepaid expenditures in the governmental funds, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by nonspendable fund balance, which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

13. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities, business-type activities, and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. In accordance with the provisions of GASB Statement No. 34, the City has only capitalized infrastructure assets acquired or constructed since 1980.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

13. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 40 years
Land improvements	40 years
Machinery and equipment	5 - 20 years
Vehicles	2 - 10 years
Infrastructure	20 - 25 years
Utility systems	25 - 100 years

14. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. Compensated Absences

Substantially all City employees are granted vacation hours up to a maximum of 160 hours at the employee's anniversary date. In the event of termination, an employee is paid for accumulated vacation hours up to the maximum.

Substantially all City employees are allowed to accrue sick hours up to a maximum of 480 hours. Fifty percent of unused sick time for the preceding 12 months may be paid on or about December 1 of each year. Employees are not paid for accumulated sick time in the event of termination.

The cost of the accumulated vacation, including related payroll taxes, is recorded entirely in the government-wide financial statements.

16. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the government-wide financial statements.

17. Unavailable Revenue

Governmental funds report unavailable revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period.

18. Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet and the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of fund balance/net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure/expense) until then.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

18. Deferred Outflows/Inflows of Resources - continued

In addition to liabilities, the balance sheet and the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance/net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City reports deferred inflows of resources in certain funds in connection with long-term receivables that are not considered available to liquidate liabilities of the current period. The City also reports deferred outflows of resources which correspond to the City's net pension liability and are related to differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow of resources in the period to which they apply.

19. Property Tax

The City of DeWitt bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied by the City of DeWitt on July 1 and December 1 and are payable without penalty through September 30 and February 14, respectively. The July 1 levy is composed of the City's millage, County's millage, ½ of the DeWitt Public School's millage, Lansing Community College's millage, Clinton County RESA's millage, special assessments, and school taxes. The December 1 levy is composed of ½ of the DeWitt Public School's millage, Clinton Area Transit's millage and DeWitt Public library's millage. All real property taxes not paid to the City by March 1 are turned over to the Clinton County Treasurer for collection. The Clinton County Treasurer remits pay-off payments to all taxing districts on any delinquent real property taxes. Delinquent personal property taxes receivable are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collection Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by ordinance to levy taxes up to 17.2113 mills (\$17.2113 per \$1,000 of taxable valuation) for general governmental services. For the year ended June 30, 2015, the City levied 13.0000 mills per \$1,000 of taxable valuation. The total taxable value for the 2014 levy for the property within the City was \$141,592,253.

20. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers.

The Internal Service Fund (Motor Pool) records charges for services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

21. Restricted Net Position

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which preclude their use for unrestricted purposes.

22. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

City of DeWitt

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The City deposits consist of a common checking account and various savings accounts, checking accounts, pooled investment accounts, and certificates of deposit maintained by individual funds and are reported as cash and investments on the basic financial statements.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State of the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Deposits

As of June 30, 2015, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
<b>PRIMARY GOVERNMENT</b>		
Checking and savings	\$ 177,495	\$ 290,087
Certificates of deposit	<u>1,957,915</u>	<u>1,957,915</u>
Total Primary Government	2,135,410	2,248,002
<b>COMPONENT UNIT</b>		
Checking and savings	52,003	62,493
Certificates of deposit	<u>136,720</u>	<u>136,720</u>
Total Component Unit	<u>188,723</u>	<u>199,213</u>
<b>TOTAL REPORTING ENTITY</b>	<u><u>\$ 2,324,133</u></u>	<u><u>\$ 2,447,215</u></u>

The primary government and component unit cash captions on the basic financial statements included \$1,175 and \$100 of imprest cash, respectively.

City of DeWitt

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Deposits - continued

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2015, the City accounts were insured by the Federal Deposit Insurance Corporation (FDIC) for \$2,407,001 and the amount of \$40,214 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and investments increased significantly. As a result, the amount of uninsured and uncollateralized deposits was substantially higher at these peak periods than at year-end.

Investments

As of June 30, 2015, the carrying amounts and market values of investments were as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying/ Market Value</u>	<u>Weighted Average Maturity</u>	<u>Moody's Rating</u>
Insured or registered for which the securities are held by the City's agent in the City's Name			
Federal Home Loan Bank	\$ 721,667	1.79 years	Aaa/P-1
Federal Farm Credit Bank	1,165,000	1.54 years	Aaa/P-1
Federal National Mortgage Association	750,000	1.87 years	Aaa/P-1
Total	<u>\$ 2,636,667</u>		

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). All of the City's investments comply with its policy regarding the types of investments it may hold.

Interest rate risk

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

Concentration of credit risk

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

Custodial credit risk

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

City of DeWitt

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Custodial credit risk - continued

The cash, cash equivalents, and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the basic financial statements, based on criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2015.

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 178,659	\$ 52,103	\$ 230,762
Investments - current	862,915	136,720	999,635
Investments - noncurrent	<u>3,731,678</u>	<u>-</u>	<u>3,731,678</u>
	<u>\$ 4,773,252</u>	<u>\$ 188,823</u>	<u>\$ 4,962,075</u>

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The following schedule details interfund receivables and payables between funds of the primary government at June 30, 2015:

Due to Water and Sewer Fund from:	
Local Street Fund	\$ 541
Nonmajor governmental funds	<u>1,110</u>
	<u>\$ 1,651</u>
Due to nonmajor governmental funds from:	
Local Street Fund	<u>\$ 7,238</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**NOTE D: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to Local Street Fund from:	
General Fund	\$ 75,000
Nonmajor governmental funds	<u>50,000</u>
	<u>\$ 125,000</u>

The transfers to the Local Street Fund were to cover construction costs.

City of DeWitt

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE E: CAPITAL ASSETS**

**Primary Government**

	Restated Balance July 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2015
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 803,253	\$ -	\$ -	\$ 803,253
Construction in progress	37,524	362,990	(400,514)	-0-
Total capital assets not being depreciated	840,777	362,990	(400,514)	803,253
Capital assets being depreciated				
Buildings and improvements	1,140,234	-	-	1,140,234
Vehicles	1,017,865	31,492	(12,598)	1,036,759
Machinery and equipment	668,136	-	-	668,136
Infrastructure	5,049,234	416,546	-	5,465,780
Total capital assets being depreciated	7,875,469	448,038	(12,598)	8,310,909
Less accumulated depreciation				
Buildings and improvements	(597,379)	(28,349)	-	(625,728)
Vehicles	(640,946)	(71,507)	12,598	(699,855)
Machinery and equipment	(518,705)	(32,453)	-	(551,158)
Infrastructure	(2,121,592)	(316,641)	-	(2,438,233)
Total accumulated depreciation	(3,878,622)	(448,950)	12,598	(4,314,974)
Net capital assets being depreciated	3,996,847	(912)	-0-	3,995,935
Capital assets, net	<u>\$ 4,837,624</u>	<u>\$ 362,078</u>	<u>\$ (400,514)</u>	<u>\$ 4,799,188</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

General government	\$ 84,696
Public safety	19,760
Public works	239,814
Recreation and culture	104,680
Total depreciation expense	<u>\$ 448,950</u>

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 40,093	\$ -	\$ -	\$ 40,093
Capital assets being depreciated				
Buildings	1,526,994	-	-	1,526,994
Machinery and equipment	780,798	-	-	780,798
Utility systems	4,659,730	-	-	4,659,730
Total capital assets being depreciated	6,967,522	-0-	-0-	6,967,522

City of DeWitt

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Primary Government - continued**

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b>Business-type activities - continued</b>				
Less accumulated depreciation				
Buildings	\$ (998,160)	\$ (29,270)	\$ -	\$ (1,027,430)
Machinery and equipment	(267,817)	(17,900)	-	(285,717)
Utility systems	(2,487,884)	(100,888)	-	(2,588,772)
Total accumulated depreciation	(3,753,861)	(148,058)	-0-	(3,901,919)
Net capital assets being depreciated	3,213,661	(148,058)	-0-	3,065,603
Capital assets, net	<u>\$ 3,253,754</u>	<u>\$ (148,058)</u>	<u>\$ -0-</u>	<u>\$ 3,105,696</u>

**Component Unit**

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b>Downtown Development Authority</b>				
Capital assets not being depreciated				
Land	\$ 110,549	\$ -	\$ -	\$ 110,549
Capital assets being depreciated				
Land improvements	210,310	-	-	210,310
Accumulated depreciation				
Land improvements	(10,516)	(10,516)	-	(21,032)
Net capital assets being depreciated	199,794	(10,516)	-0-	189,278
Capital assets, net	<u>\$ 310,343</u>	<u>\$ (10,516)</u>	<u>\$ -0-</u>	<u>\$ 299,827</u>

**NOTE F: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2015.

**Primary Government**

	Restated Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
<b>Governmental Activities</b>					
2012 Transportation Bonds	\$ 330,000	\$ -	\$ (30,000)	\$ 300,000	\$ 30,000
Equipment Lease/Purchase Agreement	68,511	-	(21,982)	46,529	22,826
Compensated absences	45,114	68,083	(72,027)	41,170	41,170
	<u>\$ 443,625</u>	<u>\$ 68,083</u>	<u>\$ (124,009)</u>	<u>\$ 387,699</u>	<u>\$ 93,996</u>

City of DeWitt

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE F: LONG-TERM DEBT - CONTINUED**

Significant details regarding outstanding long-term debt (including current portion) are presented below:

General Obligation Bonds

\$330,000 2012 Michigan Transportation Fund Bonds dated May 8, 2012, due in annual installments ranging from \$30,000 to \$45,000 through October 1, 2022, with interest of 1.50 percent, payable semi-annually. \$ 300,000

Equipment Lease/Purchase Agreement

\$93,124 Equipment lease/purchase agreement dated June 26, 2013, due in annual installments of \$24,613 including interest, through July 1, 2016, for the purchase of a bucket truck. \$ 46,529

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused vacation. The dollar amounts of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$41,170 at June 30, 2015.

The General, Major Street, Local Street, and Building Department Funds are typically used to liquidate the liabilities of compensated absences. These funds liquidate vacation, compensated absences, and normal sick leave as a direct payout.

Annual Debt Service Requirements

The annual requirements to pay the debt principal and interest outstanding are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2016	\$ 52,826	\$ 6,062
2017	58,703	4,698
2018	35,000	3,263
2019	35,000	2,738
2020	40,000	2,175
2021-2023	125,000	2,888
	<u>\$ 346,529</u>	<u>\$ 21,824</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE G: RESTRICTED NET POSITION**

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net position restrictions as of June 30, 2015:

Governmental activities	
Restricted for streets and highways	\$ 864,244
Restricted for other purposes	
Capital projects	26,441
Public safety	72,792
Perpetual care	
Expendable	5,765
Nonexpendable	176,146
	<u>\$ 1,145,388</u>

**NOTE H: RETIREMENT PLAN**

Plan Description

The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan's Legislature under Public Act 135 of 1945 and administered by a nine (9) member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at [www.mersofmich.com](http://www.mersofmich.com).

Summary of Significant Accounting Policies

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

Benefits Provided

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. Public Act 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 general employees, police union, and Department of Public Services 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 a reduced benefit at age 50 with 25 years of service or age 55 with 15 years of service. Deferred retirement benefits vest after 6 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 6 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately and if duty-related without an actuarial reduction for retirement before age 60 is not applied. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

City of DeWitt

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE H: RETIREMENT PLAN - CONTINUED**

Benefits Provided - continued

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.

At the December 31<sup>st</sup>, 2014 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>16</u>
Total employees covered by MERS	<u><u>42</u></u>

Contributions

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

Employer contributions range from 19.19% to 30.91% based on annual payroll for open divisions.

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:

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> (a)	<u>Plan Fiduciary Net Position</u> (b)	<u>Net Pension Liability</u> (a)-(b)
Balances at December 31, 2013	\$ 4,384,052	\$ 2,188,740	\$ 2,195,312
Service cost	99,860	-	99,860
Interest on total pension liability	342,941	-	342,941
Employer contributions	-	226,800	(226,800)
Employee contributions	-	38,383	(38,383)
Net investment income	-	137,276	(137,276)
Benefit payments, including employee refunds	(294,428)	(294,428)	-0-
Administrative expense	-	(5,062)	5,062
Other changes	10,717	-	10,717
Net changes	<u>159,090</u>	<u>102,969</u>	<u>56,121</u>
Balances at December 31, 2014	<u><u>\$ 4,543,142</u></u>	<u><u>\$ 2,291,709</u></u>	<u><u>\$ 2,251,433</u></u>

City of DeWitt

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE H: RETIREMENT PLAN - CONTINUED**

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 expenses of \$271,455. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 36,451	\$ -
Contributions subsequent to the measurement date*	<u>173,635</u>	<u>-</u>
Total	<u>\$ 210,086</u>	<u>\$ -0-</u>

\* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2016.

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

<u>Year Ending December 31,</u>	<u>Pension Expense</u>
2015	\$ 9,113
2016	9,113
2017	9,113
2018	9,112

Actuarial assumptions

The total pension liability in the December 31, 2014 annual 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%, 2%, and 3% for calendar years 2014, 2015, and 2016, respectively)

Investment rate of return: 8.0%, net of investment expenses, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% 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 valuation were based on the results of the most recent actuarial experience study in 2008.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE H: RETIREMENT PLAN - CONTINUED**

Discount Rate

The discount rate used to measure the total pension liability is 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers.

Projected Cash Flows

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.50%	5.02%
Global Fixed Income	20.00%	2.18%
Real Assets	12.50%	4.23%
Diversifying Strategies	10.00%	6.56%

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability of the City	\$ 2,782,753	\$ 2,251,433	\$ 1,804,270

**NOTE I: OTHER POST-EMPLOYMENT BENEFITS**

Plan Description

The City of DeWitt Other Post-Employment Benefits Plan (the "Plan") is a single-employer defined benefit other post-employment benefit plan administered by the City of DeWitt. The City provides certain retiree health care benefits as other post-employment benefits (OPEB) to all eligible retired employees. Plan benefit provisions were established and may be amended under the authority of City ordinances. Currently, the City is paying the health care premium for two (2) retirees. The City records the cost of providing these benefits as expenses when paid. The following are the Governmental Accounting Standards Board Statement No. 45 (GASB Statement 45) required disclosures and these disclosures have been implemented prospectively by the City.

The plan does not issue a separate stand-alone financial statement.

City of DeWitt

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

Funding Policy

The City's annual other post-employment benefit (OPEB) cost is calculated based on the *annual required contribution of the employer* (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The City has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a "pay-as-you-go" basis). The contributions made for the year ended June 30, 2015, were to pay the actual current premiums of the retirees and an additional \$50,000 contribution. These amounts were more than the annual required contribution and are reflected in the schedule that follows. Administrative costs of the plan are paid for by the City.

Funding Progress

For the year ended June 30, 2015, the City has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of June 30, 2014. The calculation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed 30 years.

The City's computed contribution and actual funding is summarized as follows:

Annual required contribution (ARC)	\$ 120,247
Interest on net OPEB obligation	7,161
Adjustment to ARC	<u>(16,393)</u>
Annual OPEB cost (expense)	111,015
Amounts contributed:	
Payments of current premiums (gross of employee reimbursement)	28,987
Additional contributions	<u>50,000</u>
Total amounts contributed	<u>78,987</u>
Increase in net OPEB obligation	32,028
OPEB obligation - Beginning of year	<u>716,115</u>
OPEB obligation - End of year	<u><u>\$ 748,143</u></u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation were as follows:

	Year Ended June 30,		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Annual OPEB cost	\$ 197,004	\$ 196,176	\$ 111,015
Percentage contributed	63%	37%	71%
Net OPEB obligation	\$ 593,390	\$ 716,115	\$ 748,143

City of DeWitt

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

The current funding progress of the plan is as follows:

	2009	Year Ended June 30, 2011	2014
Estimated value of assets	\$ -	\$ -	\$ 158,153
Estimated accrued liability	1,456,002	1,360,353	1,078,216
Unfunded estimated accrued liability	1,456,002	1,360,353	920,063
Funded ratio	0%	0%	15%

This trend information was obtained from the most recent alternative measurement calculations available.

**Methods and Assumptions**

Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revisions as actual results are compared with past expectations and new estimates and assumptions are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014, alternative measurement calculation, the projected entry age cost method was used. The assumptions include a discount rate of 1.0% and an inflationary rate assumption factored into the calculation. Per the calculation, the assumed premium inflation rate of 5.1% graded up to 8% over 6 years was used.

**NOTE J: RISK MANAGEMENT**

The City participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

The City also participates in a pool, the Michigan Municipal League Liability and Property Pool, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

**NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

City of DeWitt

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED**

*Nonspendable* - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

*Restricted* - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

*Committed* - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

*Assigned* - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

*Unassigned* - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the City of DeWitt's highest level of decision-making authority is the City Council. Formal action that is required to be taken to establish a fund balance commitment is a resolution of the City Council.

For assigned fund balance, the City Council has not approved a policy indicating who is authorized to assign amount to a specific purpose. As a result, this authority is retained by the City Council.

The City of DeWitt has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absences of such a policy, resources with the highest level of restriction will be used first.

	General	Local Street	Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>				
<i>Nonspendable</i>				
Perpetual care	\$ -	\$ -	\$ 176,146	\$ 176,146
Prepays	24,135	-	-	24,135
Property held for sale	209,246	-	-	209,246
<i>Restricted</i>				
Streets and highways	-	419,080	445,164	864,244
Capital projects	-	-	26,441	26,441
Public safety	-	-	72,792	72,792
Perpetual care	-	-	5,765	5,765
<i>Committed</i>				
Bridge improvements	240,000	-	-	240,000
Assigned	276,740	-	-	276,740
Unassigned	1,008,862	-	-	1,008,862
<b>TOTAL FUND BALANCES</b>	<b>\$ 1,758,983</b>	<b>\$ 419,080</b>	<b>\$ 726,308</b>	<b>\$ 2,904,371</b>

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE L: CHANGES IN ACCOUNTING PRINCIPLES**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented during the year. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, was implemented during the year as it is required to be applied simultaneously with the provisions of GASB Statement No. 68. The statement addresses and issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

**NOTE M: UPCOMING ACCOUNTING PRONOUNCEMENTS**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the 2015-2016 fiscal year.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligations as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017-2018 fiscal year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE M: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONTINUED**

In June 2015, the GASB issues Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. The City is currently evaluating the impact this standard will have on the financial statements when adopted. This statement will be effective for the 2015-2016 fiscal year.

In August 2015, the GASB issues Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

**NOTE N: RESTATEMENT OF BEGINNING NET POSITION**

Beginning net position has been restated for governmental activities and the internal service fund due to a change in accounting principles and correction of errors in the prior year.

	<u>Governmental Activities</u>	<u>Internal Service Fund</u>
Beginning net position	\$ 6,767,719	\$ 509,202
Deferred outflows of contributions	130,621	-
Net pension liability	(2,195,312)	-
Equity interest in joint ventures	395,285	-
Understated capital assets, net	83,812	83,812
Understated long-term debt	(68,511)	(68,511)
Understated accrued interest payable	<u>(2,631)</u>	<u>(2,631)</u>
Restated beginning net position	<u>\$ 5,110,983</u>	<u>\$ 521,872</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

City of DeWitt

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 1,723,959	\$ 1,784,139	\$ 1,784,382	\$ 243
Penalties and interest	12,500	4,500	4,640	140
Administration fees	68,225	71,115	71,118	3
Total taxes	1,804,684	1,859,754	1,860,140	386
Licenses and permits				
Franchise fees	49,735	34,735	49,690	14,955
Other permits	1,000	760	760	-0-
Total licenses and permits	50,735	35,495	50,450	14,955
Intergovernmental				
State				
State shared revenue	351,166	368,666	369,021	355
State recreation grant	-	68,385	68,386	1
State liquor license	1,175	1,265	1,265	-0-
Michigan justice training	1,500	3,400	3,467	67
Local	-	18,000	18,000	-0-
Total intergovernmental	353,841	459,716	460,139	423
Charges for services				
Sewer inspections	500	700	700	-0-
Refuse service	236,922	226,622	244,046	17,424
Site plan reviews	500	1,235	1,235	-0-
Park and recreation fees	3,000	2,200	3,076	876
Cemetery	33,500	37,250	37,997	747
Other fees	900	200	221	21
Total charges for services	275,322	268,207	287,275	19,068
Fines and forfeits				
Parking	1,150	640	670	30
Interest and rents				
Interest	13,000	15,100	18,095	2,995
Rents	13,100	13,100	12,385	(715)
Total interest and rents	26,100	28,200	30,480	2,280
Other				
Reimbursements	226,629	199,579	207,052	7,473
Other	40,000	32,625	33,153	528
Total other	266,629	232,204	240,205	8,001
<b>TOTAL REVENUES</b>	<b>2,778,461</b>	<b>2,884,216</b>	<b>2,929,359</b>	<b>45,143</b>

City of DeWitt

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2015

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Current				
General government				
Legislative				
Salaries	\$ 12,000	\$ 12,000	\$ 11,391	\$ 609
Social security	960	960	871	89
Sister city	1,500	1,500	888	612
Conference and travel	3,000	4,300	4,298	2
Memberships and dues	8,056	11,781	11,759	22
Miscellaneous	12,400	5,404	4,741	663
Total legislative	37,916	35,945	33,948	1,997
Administrator				
Salaries	130,550	129,850	131,073	(1,223)
Social security	10,444	10,444	10,467	(23)
Health/Dental	19,145	17,645	17,554	91
Life insurance	1,881	1,381	1,308	73
Retirement	23,740	25,740	25,412	328
Deferred compensation	4,500	8,000	7,500	500
Conference and travel	1,000	1,000	849	151
Memberships and dues	1,607	1,607	1,053	554
Miscellaneous	3,120	2,410	2,400	10
Total administrator	195,987	198,077	197,616	461
Elections				
Salaries	5,150	5,150	4,898	252
Supplies	2,732	2,807	2,780	27
Miscellaneous	600	1,250	1,220	30
Capital outlay	500	500	338	162
Total elections	8,982	9,707	9,236	471
Clerk/Treasurer				
Salaries	101,234	106,234	106,471	(237)
Social security	8,099	8,499	8,030	469
Health insurance	33,527	15,527	14,803	724
Life insurance	1,167	1,167	1,091	76
Retirement	18,516	20,516	20,432	84
Deferred compensation	-	4,500	4,223	277
Conference and travel	788	88	28	60
Memberships and dues	676	676	575	101
Total clerk/treasurer	164,007	157,207	155,653	1,554

City of DeWitt

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2015

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES - CONTINUED				
Current - continued				
General government - continued				
City Hall and Grounds				
Worker's compensation	\$ 20,400	\$ 31,200	\$ 31,200	\$ -0-
Unemployment compensation	6,304	304	151	153
Supplies	21,500	22,500	20,485	2,015
Professional services	34,882	30,882	21,352	9,530
Refuse contract	154,653	162,653	163,155	(502)
Liability insurance	17,276	15,776	15,308	468
Recycling program	84,048	85,048	83,292	1,756
Telephone	3,900	9,900	8,506	1,394
Printing and publishing	8,657	8,657	7,228	1,429
Utilities	92,387	95,387	91,161	4,226
Repairs and maintenance	37,019	22,019	17,089	4,930
Equipment rental	720	720	720	-0-
Capital outlay	5,500	17,000	16,391	609
	<u>487,246</u>	<u>502,046</u>	<u>476,038</u>	<u>26,008</u>
Total city hall and grounds				
Cable Television				
Miscellaneous	700	-	-	-0-
Tree Commission				
Tree maintenance	10,300	10,000	7,745	2,255
Capital outlay	1,000	-	-	-0-
	<u>11,300</u>	<u>10,000</u>	<u>7,745</u>	<u>2,255</u>
Total tree commission				
Assessor				
Assessing services	34,382	34,382	34,194	188
Miscellaneous	1,775	7,300	6,853	447
	<u>36,157</u>	<u>41,682</u>	<u>41,047</u>	<u>635</u>
Total assessor				
Retiree Benefits				
Health insurance	64,141	73,441	69,253	4,188
Pension	75,000	75,000	75,000	-0-
	<u>139,141</u>	<u>148,441</u>	<u>144,253</u>	<u>4,188</u>
Total retiree benefits				
Total general government	1,081,436	1,103,105	1,065,536	37,569

City of DeWitt

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2015

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES - CONTINUED</b>				
Current - continued				
Public safety				
Police Department				
Salaries	\$ 468,731	\$ 493,731	\$ 486,130	\$ 7,601
Social security	37,499	37,499	37,091	408
Health insurance	85,060	77,060	71,677	5,383
Life insurance	4,355	4,455	4,390	65
Retirement	71,298	75,298	74,655	643
Deferred compensation	9,000	9,010	9,000	10
Uniforms	7,000	7,000	5,556	1,444
Operating supplies	5,000	5,000	4,503	497
Liability insurance	11,082	11,082	10,914	168
Telephone	3,787	4,587	4,701	(114)
Radio	9,560	7,560	7,257	303
Equipment rental	43,285	43,285	43,285	-0-
Conference and travel	950	1,050	250	800
Repairs and maintenance	525	525	601	(76)
Memberships and dues	450	500	482	18
Police training	2,500	2,500	1,522	978
Miscellaneous	12,220	20,320	19,709	611
Capital outlay	3,000	3,000	1,731	1,269
<b>Total police department</b>	<b>775,302</b>	<b>803,462</b>	<b>783,454</b>	<b>20,008</b>
Fire Department				
Professional services	162,805	162,805	162,805	-0-
Utilities	472	472	399	73
Repairs and maintenance	600	-	-	-0-
Capital outlay	1,000	-	-	-0-
<b>Total fire department</b>	<b>164,877</b>	<b>163,277</b>	<b>163,204</b>	<b>73</b>
Safety/Training				
Operating supplies	850	50	10	40
Conference and travel	150	150	35	115
<b>Total safety/training</b>	<b>1,000</b>	<b>200</b>	<b>45</b>	<b>155</b>
Planning Commission				
Professional services	15,000	10,000	7,097	2,903
Conference training	300	-	-	-0-
Miscellaneous	450	200	-	200
<b>Total planning commission</b>	<b>15,750</b>	<b>10,200</b>	<b>7,097</b>	<b>3,103</b>
<b>Total public safety</b>	<b>956,929</b>	<b>977,139</b>	<b>953,800</b>	<b>23,339</b>

City of DeWitt

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2015

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES - CONTINUED</b>				
Current - continued				
Public Works				
Salaries	\$ 286,113	\$ 302,613	\$ 294,169	\$ 8,444
Social security	22,569	24,069	21,730	2,339
Health insurance	16,459	16,959	14,743	2,216
Life insurance	4,029	4,129	3,950	179
Retirement	68,045	73,345	76,484	(3,139)
Deferred compensation	13,500	13,500	9,000	4,500
Uniforms	1,600	1,600	1,600	-0-
Supplies	9,879	10,879	11,251	(372)
Telephone	4,869	4,869	3,814	1,055
Equipment rental	63,036	63,036	63,036	-0-
Conference and travel	500	550	520	30
Utilities	5,158	7,158	6,260	898
Repairs and maintenance	8,930	14,930	14,226	704
Membership	400	400	-	400
Miscellaneous	3,500	11,500	10,777	723
Capital outlay	3,000	20,000	19,299	701
	<u>511,587</u>	<u>569,537</u>	<u>550,859</u>	<u>18,678</u>
Total public works				
Recreation and Culture				
Parks				
Salaries	9,400	11,400	10,664	736
Social security	752	952	830	122
Insurance	920	920	615	305
Operating supplies	7,000	7,000	5,970	1,030
Professional services	5,000	5,000	785	4,215
Utilities	7,720	7,720	4,613	3,107
Repairs and maintenance	9,657	13,657	12,645	1,012
Miscellaneous	-	450	450	-0-
Capital outlay	30,000	95,000	93,199	1,801
	<u>70,449</u>	<u>142,099</u>	<u>129,771</u>	<u>12,328</u>
Total parks				

City of DeWitt

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2015

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES - CONTINUED				
Current - continued				
Recreation and Culture - continued				
Recreation				
Professional services	\$ 31,191	\$ 31,191	\$ 27,997	\$ 3,194
Projects and programs	1,000	1,000	-	1,000
Total recreation	<u>32,191</u>	<u>32,191</u>	<u>27,997</u>	<u>4,194</u>
Total recreation and culture	<u>102,640</u>	<u>174,290</u>	<u>157,768</u>	<u>16,522</u>
TOTAL EXPENDITURES	<u>2,652,592</u>	<u>2,824,071</u>	<u>2,727,963</u>	<u>96,108</u>
EXCESS OF REVENUES OVER EXPENDITURES	125,869	60,145	201,396	141,251
OTHER FINANCING (USES)				
Transfers out	<u>(75,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	50,869	(14,855)	126,396	141,251
Fund balance, beginning of year	<u>1,632,587</u>	<u>1,632,587</u>	<u>1,632,587</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 1,683,456</u>	<u>\$ 1,617,732</u>	<u>\$ 1,758,983</u>	<u>\$ 141,251</u>

City of DeWitt

Local Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental - State	\$ 77,500	\$ 90,100	\$ 95,295	\$ 5,195
Interest	2,500	400	1,102	702
Special assessments	-	1,580	1,587	7
<b>TOTAL REVENUES</b>	<b>80,000</b>	<b>92,080</b>	<b>97,984</b>	<b>5,904</b>
<b>EXPENDITURES</b>				
Current				
Public works				
Salaries	17,000	17,500	19,218	(1,718)
Fringe benefits	10,200	10,200	11,531	(1,331)
Supplies	17,963	13,463	12,664	799
Professional services	40,000	44,000	43,650	350
Construction	160,000	269,000	268,724	276
Equipment rental	25,886	16,886	19,056	(2,170)
Miscellaneous	562	562	496	66
<b>TOTAL EXPENDITURES</b>	<b>271,611</b>	<b>371,611</b>	<b>375,339</b>	<b>(3,728)</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(191,611)</b>	<b>(279,531)</b>	<b>(277,355)</b>	<b>2,176</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	125,000	125,000	125,000	-0-
<b>NET CHANGE IN FUND BALANCE</b>	<b>(66,611)</b>	<b>(154,531)</b>	<b>(152,355)</b>	<b>2,176</b>
Fund balance, beginning of year	571,435	571,435	571,435	-0-
Fund balance, end of year	<u>\$ 504,824</u>	<u>\$ 416,904</u>	<u>\$ 419,080</u>	<u>\$ 2,176</u>

City of DeWitt

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY

Last Fiscal Year (Ultimately ten fiscal years will be displayed)  
 (Amounts were determined as of 12/31 of each fiscal year)

	<u>2015</u>
Total Pension Liability	
Service Cost	\$ 99,860
Interest	342,941
Benefit payments, including employee refunds	(294,428)
Other	<u>10,717</u>
Net change in total pension liability	159,090
Total Pension Liability, beginning	<u>4,384,052</u>
Total Pension Liability, ending	<u><u>\$ 4,543,142</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 226,800
Contributions - employee	38,383
Net investment income	137,276
Benefit payments, including employee refunds	(294,428)
Administrative expenses	<u>(5,062)</u>
Net change in plan fiduciary net position	102,969
Plan Fiduciary Net Position, beginning	<u>2,188,740</u>
Plan Fiduciary Net Position, ending	<u><u>\$ 2,291,709</u></u>
City's Net Pension Liability	<u><u>\$ 2,251,433</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	50%
Covered Employee Payroll	\$ 872,791
City's Net Pension Liability as a percentage of Covered Employee Payroll	258%

City of DeWitt

SCHEDULE OF CONTRIBUTIONS

Last Fiscal Year (Ultimately ten fiscal years will be displayed)  
(Amounts were determined as of 6/30 of each fiscal year)

	<u>2015</u>
Actuarial determined contributions	\$ 186,708
Contributions in relation to the actuarially determined contribution	<u>271,455</u>
Contribution deficiency (excess)	<u>\$ (84,747)</u>
Covered Employee Payroll	\$ 890,637
Contributions as a percentage of covered employee payroll	30%

City of DeWitt

OTHER POST EMPLOYMENT BENEFITS (OPEB)

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

SCHEDULE OF FUNDING PROGRESS

<u>Valuation Date</u>	<u>Fair Value of Assets</u>	<u>Estimated Accrued Liability (EAL) Entry Age</u>	<u>Unfunded EAL (UEAL)</u>	<u>Funded Ratio</u>
6/30/2014	\$ 158,153	\$ 1,078,216	\$ 920,063	15%
6/30/2011	-	1,360,353	1,360,353	0%
6/30/2009	-	1,456,002	1,456,002	0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 111,015	71%	\$ 748,143
2014	196,176	37%	716,115
2013	197,004	63%	593,390

City of DeWitt

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2015

**NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The City's budgeted expenditures in the General Fund and Special Revenue Funds have been shown at the activity level. The approved budgets of the City have been adopted at the total expenditure level for the General Fund and Special Revenue Funds. Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

During the year ended June 30, 2015, the City incurred expenditures in one (1) Special Revenue Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Local Street Fund	\$ 371,611	\$ 375,339	\$ 3,728

## **OTHER SUPPLEMENTARY INFORMATION**

City of DeWitt  
 Nonmajor Governmental Funds  
 COMBINING BALANCE SHEET  
 June 30, 2015

	Special		
	Major Street	Drug Law Enforcement	Special Donations
<b>ASSETS</b>			
Cash and cash equivalents	\$ 29,995	\$ 985	\$ 4,926
Investments	373,500	-	10,000
Special assessment receivable	1,313	-	-
Due from other funds	7,238	-	-
Due from other governmental units - State	37,641	-	-
<b>TOTAL ASSETS</b>	<b>\$ 449,687</b>	<b>\$ 985</b>	<b>\$ 14,926</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,100	\$ -	\$ -
Due to other funds	1,110	-	-
<b>TOTAL LIABILITIES</b>	<b>3,210</b>	<b>-0-</b>	<b>-0-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	1,313	-	-
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	445,164	985	14,926
<b>TOTAL FUND BALANCES</b>	<b>445,164</b>	<b>985</b>	<b>14,926</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 449,687</b>	<b>\$ 985</b>	<b>\$ 14,926</b>

<u>Revenue</u>	<u>Capital Projects</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
Building Department	Public Improvement		
\$ 1,381	\$ 6,441	\$ 14,911	\$ 58,639
55,500	20,000	167,000	626,000
-	-	-	1,313
-	-	-	7,238
-	-	-	37,641
<u>\$ 56,881</u>	<u>\$ 26,441</u>	<u>\$ 181,911</u>	<u>\$ 730,831</u>
\$ -	\$ -	\$ -	\$ 2,100
-	-	-	1,110
-0-	-0-	-0-	3,210
-	-	-	1,313
-	-	176,146	176,146
56,881	26,441	5,765	550,162
<u>56,881</u>	<u>26,441</u>	<u>181,911</u>	<u>726,308</u>
<u>\$ 56,881</u>	<u>\$ 26,441</u>	<u>\$ 181,911</u>	<u>\$ 730,831</u>

City of DeWitt

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	Special		
	Major Street	Drug Law Enforcement	Special Donations
REVENUES			
Licenses and permits	\$ -	\$ -	\$ -
Intergovernmental - State	224,587	-	-
Charges for services	-	-	-
Interest	2,823	2	74
Other			
Donations	-	-	250
	<u>227,410</u>	<u>2</u>	<u>324</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	5	23
Public works	96,149	-	-
Debt service	34,718	-	-
	<u>130,867</u>	<u>5</u>	<u>23</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	96,543	(3)	301
OTHER FINANCING (USES)			
Transfers out	(50,000)	-	-
NET CHANGE IN FUND BALANCES	46,543	(3)	301
Fund balances, beginning of year	<u>398,621</u>	<u>988</u>	<u>14,625</u>
Fund balances, end of year	<u>\$ 445,164</u>	<u>\$ 985</u>	<u>\$ 14,926</u>

<u>Revenue</u>	<u>Capital Projects</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
Building Department	Public Improvement		
\$ 60,948	\$ -	\$ -	\$ 60,948
-	-	-	224,587
-	-	13,700	13,700
177	16	631	3,723
-	-	-	250
61,125	16	14,331	303,208
-	-	112	112
58,946	-	-	58,974
-	838	-	96,987
-	-	-	34,718
58,946	838	112	190,791
2,179	(822)	14,219	112,417
-	-	-	(50,000)
2,179	(822)	14,219	62,417
54,702	27,263	167,692	663,891
<u>\$ 56,881</u>	<u>\$ 26,441</u>	<u>\$ 181,911</u>	<u>\$ 726,308</u>

City of DeWitt

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental - State	\$ 190,000	\$ 217,500	\$ 224,587	\$ 7,087
Interest	1,961	2,400	2,823	423
Other				
Special assessments	1,961	-	-	-0-
<b>TOTAL REVENUES</b>	<b>193,922</b>	<b>219,900</b>	<b>227,410</b>	<b>7,510</b>
<b>EXPENDITURES</b>				
Current				
Public works				
Salaries	17,000	16,000	12,080	3,920
Fringe benefits	10,200	9,700	7,278	2,422
Supplies	15,776	14,715	14,041	674
Professional services	562	562	500	62
Repairs and maintenance	35,000	35,000	9,565	25,435
Construction	40,000	40,000	36,508	3,492
Equipment rental	24,198	21,198	15,850	5,348
Miscellaneous	250	450	327	123
Total public works	142,986	137,625	96,149	41,476
Debt service				
Principal	30,000	30,000	30,000	-0-
Interest and fiscal charges	4,725	7,225	4,718	2,507
Total debt service	34,725	37,225	34,718	2,507
<b>TOTAL EXPENDITURES</b>	<b>177,711</b>	<b>174,850</b>	<b>130,867</b>	<b>43,983</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>16,211</b>	<b>45,050</b>	<b>96,543</b>	<b>51,493</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	2,242	-	(2,242)
Transfers out	(50,000)	(50,000)	(50,000)	-0-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(50,000)</b>	<b>(47,758)</b>	<b>(50,000)</b>	<b>(2,242)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(33,789)</b>	<b>(2,708)</b>	<b>46,543</b>	<b>49,251</b>
Fund balance, beginning of year	398,621	398,621	398,621	-0-
Fund balance, end of year	<u>\$ 364,832</u>	<u>\$ 395,913</u>	<u>\$ 445,164</u>	<u>\$ 49,251</u>

City of DeWitt

Drug Law Enforcement Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest	\$ -	\$ 1	\$ 2	\$ 1
EXPENDITURES				
Current				
Public safety	<u>-</u>	<u>5</u>	<u>5</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	-0-	(4)	(3)	1
Fund balance, beginning of year	<u>988</u>	<u>988</u>	<u>988</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 988</u>	<u>\$ 984</u>	<u>\$ 985</u>	<u>\$ 1</u>

City of DeWitt

Special Donations Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Interest	\$ 30	\$ 56	\$ 74	\$ 18
Other Donations	250	250	250	-0-
TOTAL REVENUES	280	306	324	18
EXPENDITURES				
Current Public safety	250	275	23	252
NET CHANGE IN FUND BALANCE	30	31	301	270
Fund balance, beginning of year	14,625	14,625	14,625	-0-
Fund balance, end of year	<u>\$ 14,655</u>	<u>\$ 14,656</u>	<u>\$ 14,926</u>	<u>\$ 270</u>

City of DeWitt

Building Department Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Licenses and permits	\$ 51,600	\$ 59,100	\$ 60,948	\$ 1,848
Interest	85	40	177	137
<b>TOTAL REVENUES</b>	<b>51,685</b>	<b>59,140</b>	<b>61,125</b>	<b>1,985</b>
<b>EXPENDITURES</b>				
Current				
Public safety				
Salaries	7,800	7,800	7,800	-0-
Fringe benefits	4,680	4,680	4,680	-0-
Supplies	300	150	119	31
Professional services	37,000	47,000	44,795	2,205
Memberships and dues	300	300	300	-0-
Administration costs	100	100	100	-0-
Miscellaneous	1,100	1,160	1,152	8
<b>TOTAL EXPENDITURES</b>	<b>51,280</b>	<b>61,190</b>	<b>58,946</b>	<b>2,244</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>405</b>	<b>(2,050)</b>	<b>2,179</b>	<b>4,229</b>
Fund balance, beginning of year	54,702	54,702	54,702	-0-
Fund balance, end of year	<u>\$ 55,107</u>	<u>\$ 52,652</u>	<u>\$ 56,881</u>	<u>\$ 4,229</u>

City of DeWitt

SCHEDULE OF BONDED DEBT OUTSTANDING

June 30, 2015

2012 Michigan Transportation Fund Bonds

Issue: \$ 330,000

Issue date: May 8, 2012

<u>Due Date</u>	<u>Interest Rate</u>	<u>Bonds Maturing</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
10/1/2015	1.50 %	\$ 30,000	\$ 4,275	\$ 34,275
10/1/2016	1.50	35,000	3,788	38,788
10/1/2017	1.50	35,000	3,263	38,263
10/1/2018	1.50	35,000	2,738	37,738
10/1/2019	1.50	40,000	2,174	42,174
10/1/2020	1.50	40,000	1,575	41,575
10/1/2021	1.50	40,000	975	40,975
10/1/2022	1.50	45,000	337	45,337
		<u>\$ 300,000</u>	<u>\$ 19,125</u>	<u>\$ 319,125</u>