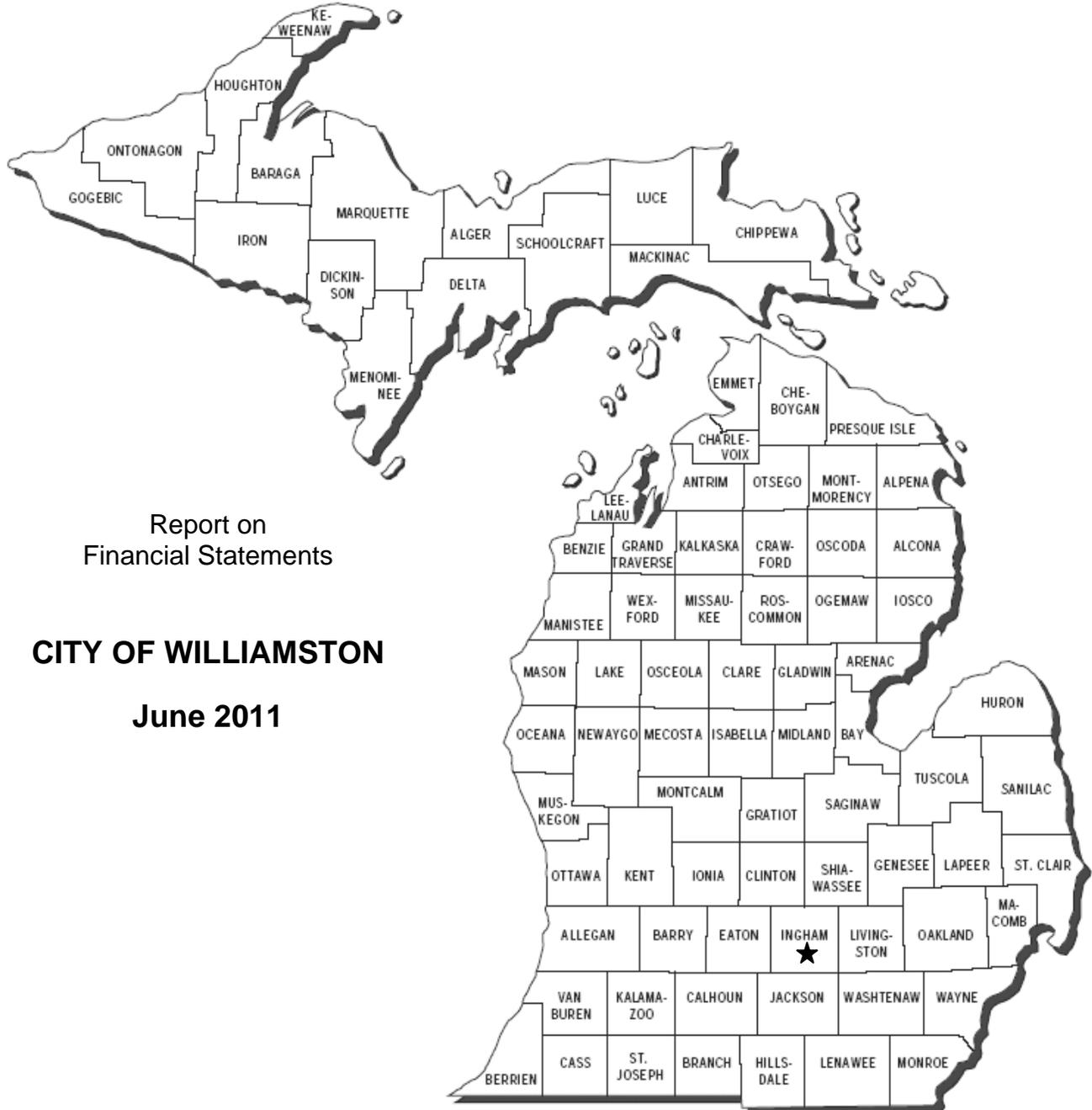


# STATE OF MICHIGAN

Rick Snyder, Governor

## DEPARTMENT OF TREASURY

Andy Dillon, State Treasurer



Report on  
Financial Statements

**CITY OF WILLIAMSTON**

**June 2011**

**Local Audit and Finance Division  
Bureau of Local Government Services**



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

ANDY DILLON  
STATE TREASURER

December 19, 2011

Honorable Mayor and City Council  
City of Williamston  
161 East Grand River Avenue  
Williamston, Michigan 48895

Independent Auditor's Report

Dear Council Members:

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Williamston, Michigan, as of and for the fiscal year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, and the changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing

of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information (Exhibits K through M) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining and individual non-major fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining, individual non-major fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit is fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

CITY OF WILLIAMSTON

TABLE OF CONTENTS

	<u>Page</u>
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	1
<b><u>BASIC FINANCIAL STATEMENTS</u></b>	
EXHIBIT A--Government-Wide Statement of Net Assets .....	9
EXHIBIT B--Government-Wide Statement of Activities .....	11
EXHIBIT C--Balance Sheet--Governmental Funds .....	13
EXHIBIT C-1--Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets .....	14
EXHIBIT D--Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds .....	15
EXHIBIT D-1--Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities.....	16
EXHIBIT E--Statement of Net Assets--Proprietary Funds .....	17
EXHIBIT F--Statement of Revenues, Expenses and Changes in Net Assets Proprietary Funds.....	18
EXHIBIT G--Statement of Cash Flows--Proprietary Funds .....	19
EXHIBIT H--Statement of Net Assets--Fiduciary Funds.....	20
EXHIBIT I--Combining Statement of Net Assets--Major Component Units .....	21
EXHIBIT J--Combining Statement of Activities--Major Component Units.....	22
NOTES TO FINANCIAL STATEMENTS	
A--Summary of Significant Accounting Policies .....	23
B--Stewardship, Compliance and Accountability .....	29
C--Deposits and Investments .....	30
D--Property Taxes.....	33
E--Receivables .....	33
F--Interfund Receivables, Payables, Advances and Transfers .....	34
G--Capital Assets.....	36

CITY OF WILLIAMSTON

TABLE OF CONTENTS  
(Continued)

	<u>Page</u>
NOTES TO FINANCIAL STATEMENTS (Continued)	
H--Long-Term Debt.....	42
I--Compensated Absences .....	53
J--Employees' Retirement System.....	54
K--Deferred Compensation Plan.....	56
L--Other Post-Employment Benefits .....	56
M--Risk Management/Self-Insurance Programs .....	59
N--Federal Grants .....	60
O--Fund Balance-GASB 54.....	60
P--Change in Accounting Principle .....	62

**REQUIRED SUPPLEMENTARY INFORMATION**

EXHIBIT K--Budgetary Comparison Schedule--General Fund .....	63
EXHIBIT L--Budgetary Comparison Schedule--Major Street Major Special Revenue Fund .....	64
EXHIBIT M--Budgetary Comparison Schedule--Local Street Major Special Revenue Fund .....	65

**SUPPLEMENTARY INFORMATION AND SCHEDULES**

EXHIBIT N--Combining Balance Sheet--Non-Major Governmental Funds.....	66
EXHIBIT O--Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Non-Major Governmental Funds .....	67
EXHIBIT P--Schedule of Revenues and Other Financing Sources Budget and Actual--General Fund.....	68
EXHIBIT Q--Schedule of Expenditures and Other Uses--By Activity Budget and Actual--General Fund .....	70
EXHIBIT R--Governmental Fund Balance Sheet--Statement of Net Assets Economic Development Corporation .....	71
EXHIBIT S--Statement of Governmental Fund Revenue, Expenditures and Changes in Fund Balance--Statement of Activities Economic Development Corporation .....	72

CITY OF WILLIAMSTON

TABLE OF CONTENTS  
(Continued)

	<u>Page</u>
EXHIBIT T--Governmental Fund Balance Sheet--Statement of Net Assets Tax Increment Finance Authority 2A .....	73
EXHIBIT U--Statement of Governmental Fund Revenue, Expenditures and Changes in Fund Balance--Statement of Activities Tax Increment Finance Authority 2A .....	74
EXHIBIT V--Governmental Fund Balance Sheet--Statement of Net Assets Tax Increment Finance Authority 2B.....	75
EXHIBIT W--Statement of Governmental Fund Revenue, Expenditures and Changes in Fund Balance--Statement of Activities Tax Increment Finance Authority 2B.....	76
EXHIBIT X--Governmental Fund Balance Sheet--Statement of Net Assets Downtown Development Authority .....	77
EXHIBIT Y--Statement of Governmental Fund Revenue, Expenditures and Changes in Fund Balance--Statement of Activities Downtown Development Authority.....	78
SCHEDULE 1--Expenditures of Federal Awards.....	79
Notes to Schedule of Expenditures of Federal Awards .....	80
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <u>Government Auditing Standards</u> .....	81
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	83
Report to Those Charged With Governance.....	85
Schedule of Findings and Questioned Costs.....	88

The following is a discussion and analysis of the City of Williamston's financial performance and position, providing an overview of the activities for the fiscal year ended June 30, 2011. This analysis should be read in conjunction with the Independent Auditors Report, our letter of transmittal, and with the City's financial statements, which follows this section.

### **Financial Highlights**

The following represent the most significant financial highlights for the fiscal year ended June 30, 2011:

- State Equalized Values (SEV) decreased from \$134,150,400 to \$120,989,990 which is a decrease of approximately 9.81%. This decrease can be linked to the declining property values in the commercial, residential and industrial market. The Taxable Value (TV) decreased from \$122,807,853 to \$113,748,087 which is approximately 7.4%. The SEV & TV on many properties are currently at the same level. If property values continue to decline the City will see continued tax revenue declines.
- The Major Street Fund was awarded a grant from the United States Department of Commerce in the amount of \$400,000. On June 30, 2011, an amount of \$375,201 had been submitted for refund. The City received \$333,063 from the United States Department of Commerce on September 23, 2011. The remainder will be paid upon close-out of the grant.
- State-shared revenue, a major source of revenue for the City's General Fund, decreased from \$267,206 in the previous year to \$265,071 this fiscal year. Statutory Revenue Sharing has been eliminated and replaced with the Economic Vitality Incentive Program. This program allows qualified Michigan communities to earn back some of the lost revenues if qualifying papers are filed in three (3) categories. The three categories are Accountability and Transparency, Consolidation of Services, and Employee Compensation. The City of Williamston is in the process of filing the second set of requirements – Consolidation of Services.

### **Using this Annual Report**

The annual financial report of the City consists of the following components: 1) Independent Auditor's Report; 2) Management's Discussion and Analysis; 3) the Basic Financial Statements (government-wide financial statements, fund financial statements, notes to the financial statements); 4) Required Supplementary Information, such as budget-to-actual comparisons for the General Fund and Major Special Revenue Funds; and 5) Supplementary Information, including combining financial statements for all nonmajor governmental and proprietary funds.

### **Government-Wide Financial Statements (Reporting the City as a Whole)**

The Statement of Net Assets and the Statement of Activities provide information about the City, as a whole, and present a longer-term view of the City's finances. Their purpose is to assist in answering the question, "Is the City of Williamston, in its entirety, better or worse off as a result of this fiscal year's activities?" These statements are reported on the accrual basis of accounting, similar to a private business. This means revenues are accounted for when they are earned and expenses are accounted for when incurred regardless of when the actual cash is received or disbursed.

The Statement of Net Assets presents all of the City's assets and liabilities, recording the difference between the two as "net assets." Over time, increases or decreases in net assets measure whether the City's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during fiscal year 2011. All changes in net assets 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, such as uncollected taxes and earned but unused employee personal leave.

### **Fund Financial Statements (Reporting the City's Major Funds)**

The governmental funds financial statements are reported on a modified accrual basis of accounting. 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. The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending.

Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. Fund financial statements are utilized to track specific operations, these include: the General, Major Street, Local Street, Water and Sewer Funds.

The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### **Comparison of Government-Wide and Fund Financial Statements**

Both statements report governmental activities and business-type activities. Governmental activities include the General Fund, Special Revenue Funds and Debt Service Funds. Business-type activities include the Water and Sewer Funds.

Because of the different basis of accounting between the fund statements and the government-wide statements, reconciliations between the two statement types are also presented in this report. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds. However, depreciation expense is reported on the government-wide statements.

- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Long-term liabilities, such as reserves for personal leave (compensated absences), etc., appear as liabilities on the government-wide statements. However, they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, the government-wide financial statements include the net value of the City's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

### **Governmental Activities/Governmental Funds**

Most of the City's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City's general government departments such as police, public works, recreation programs, and Major and Local Street maintenance are reported under these activities.

### **Business-Type Activities/Proprietary Funds**

Business-type activities are those that are financed primarily by charges for services or user fees. The City's business-type activities consist of the Water and Sewer Funds; these types of operations are most similar to private businesses.

### **Discretely Presented Component Units/Fiduciary Funds**

Discretely presented component units are legally separate organizations for which the City Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the City. Organizations included as component units: Downtown Development Authority (DDA), Economic Development Corporation (EDC), TIFA 2A and TIFA 2B. The government-wide statements exclude the fiduciary fund activities and balances because these assets are not available to the City to fund its operations.

**The City of Williamston as a Whole**

Listed below is a summary of the changes in net assets from 2010 as compared to 2011 for the governmental activities and the business-type activities:

<b><u>GOVERNMENTAL ACTIVITIES</u></b>	<u>2010</u>	<u>2011</u>	<u>Amount Difference</u>	<u>Percent Difference</u>
Current and Other Assets	\$ 2,195,150	\$ 1,655,445	\$ (539,705)	-25%
Capital Assets	<u>5,844,748</u>	<u>7,039,197</u>	<u>1,194,449</u>	<u>20%</u>
Total Assets	<u>8,039,898</u>	<u>8,694,642</u>	<u>654,744</u>	<u>8%</u>
Other Liabilities	190,539	163,062	(27,477)	-14%
Long-Term Liabilities	<u>2,064,829</u>	<u>1,985,078</u>	<u>(79,751)</u>	<u>-4%</u>
Total Liabilities	<u>2,255,368</u>	<u>2,148,140</u>	<u>(107,228)</u>	<u>-5%</u>
Net Assets				
Invested in Capital Assets				
Net of Related Debt	5,844,748	7,039,197	1,194,449	20%
Restricted	267,448	(83,552)	(351,000)	-131%
Unrestricted (Deficit)	<u>(327,666)</u>	<u>(409,143)</u>	<u>(81,477)</u>	<u>25%</u>
Total Net Assets	<u>\$ 5,784,530</u>	<u>\$ 6,546,502</u>	<u>\$ 761,972</u>	<u>13%</u>
<b><u>BUSINESS-TYPE ACTIVITIES</u></b>				
Current and Other Assets	\$ 1,635,298	\$ 1,641,512	\$ 6,214	0%
Capital Assets	<u>14,176,205</u>	<u>16,971,836</u>	<u>2,795,631</u>	<u>20%</u>
Total Assets	<u>15,811,503</u>	<u>18,613,348</u>	<u>2,801,845</u>	<u>18%</u>
Current Liabilities	122,903	999,173	876,270	713%
Long-Term Liabilities	<u>4,517,618</u>	<u>6,353,543</u>	<u>1,835,925</u>	<u>41%</u>
Total Liabilities	<u>4,640,521</u>	<u>7,352,716</u>	<u>2,712,195</u>	<u>58%</u>
Net Assets				
Invested in Capital Assets				
Net of Related Debt	9,375,727	10,345,708	969,981	10%
Restricted	247,745	259,629	11,884	5%
Unrestricted	<u>1,547,510</u>	<u>655,295</u>	<u>(892,215)</u>	<u>-58%</u>
Total Net Assets	<u>\$11,170,982</u>	<u>\$11,260,632</u>	<u>\$ 89,650</u>	<u>1%</u>

The City's combined net assets for both governmental and business-type activities total approximately \$17.8 million for fiscal year 2011.

The following tables of condensed financial information were derived from the government-wide Statement of Activities and reflect how the City and its component units' net assets changed during the fiscal year, as compared to the prior fiscal year.

<b><u>GOVERNMENTAL ACTIVITIES</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>Amount Difference</u></b>	<b><u>Percent Difference</u></b>
Revenue				
Program Revenue				
Charges for Services	\$ 975,148	\$ 555,252	\$ (419,896)	-43%
Operating Grants and Contributions	318,342	207,131	(111,211)	-35%
Capital Grants and Contributions	891,105	825,016	(66,089)	-7%
General Revenue				
Property Taxes	1,649,781	1,531,941	(117,840)	-7%
State-Shared Revenue	267,206	265,071	(2,135)	-1%
Unrestricted Investment Earnings	6,962	3,156	(3,806)	-55%
Special Item--Gain or (Loss) on Disposal of Capital Assets	<u>111,767</u>	<u>13,567</u>	<u>(98,200)</u>	<u>-88%</u>
Total Revenue	<u>4,220,311</u>	<u>3,401,134</u>	<u>(819,177)</u>	<u>-19%</u>
Expenses				
General Government	933,241	957,370	24,129	3%
Public Safety	636,455	629,128	(7,327)	-1%
Public Works	764,192	795,163	30,971	4%
Community and Economic Development	134,223	80,714	(53,509)	-40%
Recreation and Culture	112,560	82,183	(30,377)	-27%
Interest on Long-Term Debt	66,572	63,841	(2,731)	-4%
Other Post-Employment Benefits	<u>29,205</u>	<u>30,763</u>	<u>1,558</u>	<u>5%</u>
Total Expenses	<u>2,676,448</u>	<u>2,639,162</u>	<u>(37,286)</u>	<u>-1%</u>
Change in Net Assets	1,543,863	761,972	(781,891)	-51%
Net Assets--Beginning of Year	<u>4,240,667</u>	<u>5,784,530</u>	<u>1,543,863</u>	<u>36%</u>
Net Assets--End of Year	<u>\$5,784,530</u>	<u>\$ 6,546,502</u>	<u>\$ 761,972</u>	<u>13%</u>

**Management's Discussion and Analysis**  
**Fiscal Year Ended June 30, 2011**

<u>BUSINESS-TYPE ACTIVITIES</u>	<u>2010</u>	<u>2011</u>	<u>Amount Difference</u>	<u>Percent Difference</u>
Revenue				
Program Revenue				
Charges for Services	\$ 1,573,050	\$ 1,621,457	\$ 48,407	3%
Operating Grants and Contributions		11,982	11,982	100%
General Revenue				
Unrestricted Investment Earnings	11,381	6,031	(5,350)	-47%
Total Revenue	<u>1,584,431</u>	<u>1,639,470</u>	<u>55,039</u>	<u>3%</u>
Expenses				
Water and Sewer	<u>1,464,361</u>	<u>1,562,461</u>	<u>98,100</u>	<u>7%</u>
Total Expenses	<u>1,464,361</u>	<u>1,562,461</u>	<u>98,100</u>	<u>7%</u>
Increase (Decrease) in Net Assets				
Before Transfers	120,070	77,009	(43,061)	-36%
Transfers	<u>13,120</u>	<u>12,640</u>	<u>(480)</u>	<u>-4%</u>
Change in Net Assets	133,190	89,649	(43,541)	-33%
Net Assets--Beginning of Year	<u>11,037,793</u>	<u>11,170,983</u>	<u>133,190</u>	<u>1%</u>
Net Assets--End of Year	<u>\$ 11,170,983</u>	<u>\$ 11,260,632</u>	<u>\$ 89,649</u>	<u>1%</u>

Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2011

<u>COMPONENT UNITS</u>	<u>2010</u>	<u>2011</u>	<u>Amount Difference</u>	<u>Percent Difference</u>
Revenue				
Program Revenue				
Charges for Services	\$ 67,594	\$ 70,222	\$ 2,628	4%
Operating Grants and Contributions	20,934	2,237	(18,697)	-89%
General Revenue				
Property Taxes	819,377	742,562	(76,815)	-9%
Special Item--Gain on Disposal of Capital Assets	1,875	1,720	(155)	-8%
Total Revenue	<u>909,780</u>	<u>816,741</u>	<u>(93,039)</u>	<u>-10%</u>
Expenses				
Economic Development Corporation	58,562	48,433	(10,129)	-17%
Tax Increment Finance Authority 2A	3,238	3,767	529	16%
Tax Increment Finance Authority 2B	163,795	149,462	(14,333)	-9%
Downtown Development Authority	305,875	284,646	(21,229)	-7%
Total Expenses	<u>531,470</u>	<u>486,308</u>	<u>(45,162)</u>	<u>-8%</u>
Increase (Decrease) in Net Assets				
Before Transfers	378,310	330,433	(47,877)	-13%
Transfers	<u>(13,120)</u>	<u>(12,640)</u>	<u>480</u>	<u>-4%</u>
Change in Net Assets	365,190	317,793	(47,397)	-13%
Net Assets--Beginning of Year	<u>744,659</u>	<u>1,109,849</u>	<u>365,190</u>	<u>49%</u>
Net Assets--End of Year	<u>\$1,109,849</u>	<u>\$1,427,642</u>	<u>\$ 317,793</u>	<u>29%</u>

**Budgetary Highlights**

The City's budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is occasionally amended during the course of the fiscal year to reflect changing operational demands. The treasurer submits a budget statement to the council each month.

The General Fund budget continues to benefit from a strong fund balance which allows for the delivery of services that make this such a pleasant community. This fund balance needs to be maintained during financially strong years to help in the lean years that lie ahead if the current economy in the State of Michigan continues in its current downward trend.

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

The current housing market slump, uncertain fuel and energy costs, the loss of many factory jobs in the auto industry, and supporting markets could have a devastating affect on available funds that the State passes on to local communities. With the stagnation or reduction in property values the City could see taxable values decreasing. This would lead to reduced tax dollars available to operate the City at current levels. Fuel costs continue to fluctuate and may become a factor in increasing costs to provide City services, such as snow removal, leaf/branch collection, and police patrols.

Water/Sewer rates for 2010/11 have been increased by 4% and will be raised 4% in each of the following 2 years. These rate increases are being made in conjunction with the issuance of \$8.3 million dollars in 40 year Rural Development Bonds. These bonds will allow the City to make much needed improvements to the Water and Sewer systems. Some of these improvements include a water treatment facility that would assist in lowering the radium and iron levels associated with the city water supply. A new municipal water well will also be developed so that 2 older wells can be removed from service. The Sewer System will see the replacement of a major sewer line that crosses the Red Cedar River and enters the sewer plant. Improvements at the plant will be made so that the old inefficient screw pumps can be replaced with higher performing lift pumps that will supply the raw sewage to the beginning of the treatment process.

**Contacting the City of Williamston**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Treasurer's Office at (517) 655-2774 or 161 East Grand River Avenue, Williamston, Michigan 48895.

**CITY OF WILLIAMSTON**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**June 30, 2011**

**EXHIBIT A**

	<b>PRIMARY GOVERNMENT</b>			Major Component Units
	Governmental Activities	Business-Type Activities	Total	
<b><u>ASSETS</u></b>				
Current Assets				
Cash	\$ 397,806	\$ 821,053	\$ 1,218,859	\$ 674,130
Investments	150,444	612,447	762,891	112,218
Accounts Receivable	60,116	287,257	347,373	
Due From Other Funds--Primary Government			-	5,134
Due From Other Funds--Component Units	319,415		319,415	
Internal Balances	79,245	(79,245)	-	
Due From State	134,810		134,810	
Due From Federal	475,201		475,201	
Prepaid Expense	38,408		38,408	
Total Current Assets	<u>1,655,445</u>	<u>1,641,512</u>	<u>3,296,957</u>	<u>791,482</u>
Noncurrent Assets				
Restricted Cash		259,629	259,629	7,012
Special Assessments Receivable		21,921	21,921	
Capital Assets--Net of Accumulated Depreciation	7,039,197	16,690,286	23,729,483	2,866,547
Total Noncurrent Assets	<u>7,039,197</u>	<u>16,971,836</u>	<u>24,011,033</u>	<u>2,873,559</u>
Total Assets	<u>8,694,642</u>	<u>18,613,348</u>	<u>27,307,990</u>	<u>3,665,041</u>
<b><u>LIABILITIES</u></b>				
Current Liabilities				
Accounts Payable	97,739	991,528	1,089,267	99
Due to Other Funds--Primary Government			-	319,415
Due to Other Funds--Component Units	655		655	
Due to Other Agencies	9,680	856	10,536	
Due to State	1,298		1,298	
Contract Retainage Payable	22,132		22,132	
Accrued Liabilities	31,558	6,789	38,347	584
Total Current Liabilities	<u>163,062</u>	<u>999,173</u>	<u>1,162,235</u>	<u>320,098</u>
Noncurrent Liabilities				
Customer Deposits Payable		8,965	8,965	
Bonds Payable--Due Within One Year	75,000	504,000	579,000	100,000
Bonds Payable--Due in More Than One year	1,190,000	5,840,578	7,030,578	1,625,000
Notes Payable--Due Within One Year			-	52,372
Notes Payable--Due in More Than One year			-	139,929
Special Assessments Payable--Due Within One Year	49,162		49,162	
Special Assessments Payable--Due in More Than One Year	491,618		491,618	
Vested Employee Benefits Payable	66,828		66,828	
Other Post-Employment Benefits Payable	112,470		112,470	
Total Noncurrent Liabilities	<u>1,985,078</u>	<u>6,353,543</u>	<u>8,338,621</u>	<u>1,917,301</u>
Total Liabilities	<u>2,148,140</u>	<u>7,352,716</u>	<u>9,500,856</u>	<u>2,237,399</u>

**CITY OF WILLIAMSTON  
 GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
 June 30, 2011**

**EXHIBIT A  
 (CONTINUED)**

	<b>PRIMARY GOVERNMENT</b>			Major Component Units
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<b><u>NET ASSETS</u></b>				
Investment in Capital Assets--Net of Related Debt	7,039,197	10,345,708	17,384,905	2,674,246
Restricted for				
Debt Service	45		45	
Major and Local Streets	(130,644)		(130,644)	
Building Permits	47,047		47,047	
Economic Development Programs			-	16,641
Downtown Development Activities			-	(1,537,480)
Tax Increment Finance Plans			-	274,235
Sewer and Water Improvements		259,629	259,629	
Unrestricted	<u>(409,143)</u>	<u>655,295</u>	<u>246,152</u>	
Total Net Assets	<u>\$ 6,546,502</u>	<u>\$ 11,260,632</u>	<u>\$ 17,807,134</u>	<u>\$ 1,427,642</u>

**The Notes to Financial Statements are an integral part of this statement.**

**CITY OF WILLIAMSTON**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2011**

**EXHIBIT B**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities				
General Government	\$ 957,370	\$ 333,023		
Public Safety	629,128	39,281	\$ 1,164	
Public Works	795,163	182,948	205,967	\$ 429,252
Community and Economic Development	80,714			86,872
Recreation and Culture	82,183			308,892
Interest on Long-Term Debt	63,841			
Other Post-Employment Benefits	30,763			
Total Governmental Activities	<u>2,639,162</u>	<u>555,252</u>	<u>207,131</u>	<u>825,016</u>
Business-Type Activities				
Sewer	1,035,058	930,104		
Water	527,403	691,353	11,982	
Total Business-Type Activities	<u>1,562,461</u>	<u>1,621,457</u>	<u>11,982</u>	<u>-</u>
Total Primary Government	<u>\$4,201,623</u>	<u>\$ 2,176,709</u>	<u>\$ 219,113</u>	<u>\$ 825,016</u>
Component Units				
Economic Development Corporation	\$ 48,433	\$ 67,877	\$ 623	
Tax Increment Finance Authority 2A	3,767		188	
Tax Increment Finance Authority 2B	149,462		770	
Downtown Development Authority	284,646	2,345	656	
Total Component Units	<u>\$ 486,308</u>	<u>\$ 70,222</u>	<u>\$ 2,237</u>	<u>\$ -</u>

**CITY OF WILLIAMSTON**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2011**

**EXHIBIT B**  
**(CONTINUED)**

<b>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</b>				
<u>Functions/Programs</u>	<b>PRIMARY GOVERNMENT</b>			Major Component Units
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Primary Government				
Governmental Activities				
General Government	\$ (624,347)		\$ (624,347)	
Public Safety	(588,683)		(588,683)	
Public Works	23,004		23,004	
Community and Economic Development	6,158		6,158	
Recreation and Culture	226,709		226,709	
Interest on Long-Term Debt	(63,841)		(63,841)	
Other Post-Employment Benefits	(30,763)		(30,763)	
Total Governmental Activities	<u>(1,051,763)</u>	\$ -	<u>(1,051,763)</u>	
Business-Type Activities				
Sewer		(104,954)	(104,954)	
Water		175,932	175,932	
Total Business-Type Activities	<u>-</u>	<u>70,978</u>	<u>70,978</u>	
Total Primary Government	<u>\$ (1,051,763)</u>	<u>\$ 70,978</u>	<u>\$ (980,785)</u>	
Component Units				
Economic Development Corporation				\$ 20,067
Tax Increment Finance Authority 2A				(3,579)
Tax Increment Finance Authority 2B				(148,692)
Downtown Development Authority				(281,645)
Total Component Units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (413,849)</u>
General Revenues				
Property Taxes	\$ 1,531,941		\$ 1,531,941	\$ 742,562
State-Shared Revenues	265,071		265,071	
Unrestricted Investment Earnings	3,156	\$ 6,031	9,187	
Special Item--Gain on Disposal of Capital Assets	13,567		13,567	1,720
Transfers				
Transfers In From Component Units		12,640	12,640	
Transfers (Out) to Primary Government			-	(12,640)
Total General Revenues--Special Items and Transfers	<u>1,813,735</u>	<u>18,671</u>	<u>1,832,406</u>	<u>731,642</u>
Change in Net Assets	761,972	89,649	851,621	317,793
Net Assets--Beginning	<u>5,784,530</u>	<u>11,170,983</u>	<u>16,955,513</u>	<u>1,109,849</u>
Net Assets--Ending	<u>\$ 6,546,502</u>	<u>\$ 11,260,632</u>	<u>\$ 17,807,134</u>	<u>\$ 1,427,642</u>

**The Notes to Financial Statements are an integral part of this statement.**

**CITY OF WILLIAMSTON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011**

**EXHIBIT C**

**MAJOR GOVERNMENTAL FUNDS**

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>					
Cash	\$ 266,639	\$ 74,712	\$ 56,455		\$ 397,806
Investments	39,265	831	110,348		150,444
Accounts Receivables	1,381	58,109		\$ 626	60,116
Due From State	103,176	23,491	8,143		134,810
Due From Federal	100,000	375,201			475,201
Due From Other Funds--Primary Government	499,100			48,493	547,593
Due From Other Funds--Component Units	319,415				319,415
Prepaid Expenses	38,408				38,408
Total Assets	<u>\$ 1,367,384</u>	<u>\$ 532,344</u>	<u>\$ 174,946</u>	<u>\$ 49,119</u>	<u>\$ 2,123,793</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>					
Liabilities					
Accounts Payable	\$ 74,794	\$ 20,008	\$ 910	\$ 2,027	\$ 97,739
Due to Other Funds--Primary Government	58,174	325,643	94,211		478,028
Due to Other Funds--Component Units	655				655
Due to State		1,298			1,298
Contract Retainage Payable		19,933			19,933
Accrued Liabilities	30,828	472	258		31,558
Escrow Deposits Payable	2,199				2,199
Deferred Revenue	116,736	375,201			491,937
Total Liabilities	<u>283,386</u>	<u>742,555</u>	<u>95,379</u>	<u>2,027</u>	<u>1,123,347</u>
Fund Balances					
Nonspendable	38,408				38,408
Restricted for					
Major and Local Streets			79,567		79,567
Building and Zoning				47,047	47,047
Debt Service				45	45
Unassigned	1,045,590	(210,211)			835,379
Total Fund Equity	<u>1,083,998</u>	<u>(210,211)</u>	<u>79,567</u>	<u>47,092</u>	<u>1,000,446</u>
Total Liabilities and Fund Equity	<u>\$ 1,367,384</u>	<u>\$ 532,344</u>	<u>\$ 174,946</u>	<u>\$ 49,119</u>	<u>\$ 2,123,793</u>

**The Notes to Financial Statements are an integral part of this statement.**

**CITY OF WILLIAMSTON  
RECONCILIATION OF FUND BALANCES ON  
THE BALANCE SHEET FOR GOVERNMENTAL  
FUNDS TO NET ASSETS OF GOVERNMENTAL  
ACTIVITIES ON THE STATEMENT OF NET ASSETS  
June 30, 2011**

**EXHIBIT C-1**

Fund Balances--Total Governmental Funds \$ 1,000,446

Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Add--Capital Assets	9,239,648
Deduct--Accumulated Depreciation	<u>(2,200,451)</u>

Net Capital Asset Addition	<u>7,039,197</u>
----------------------------	------------------

Revenues that do not provide current financial resources are not reported as revenue in the funds.	491,937
--	---------

Certain liabilities, such as compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.

Deduct--Long-Term Debt	(1,805,780)
Deduct--Compensated Absences and Other Post-Employment Benefits	<u>(179,298)</u>

Net Assets--Governmental Activities	<u><u>\$ 6,546,502</u></u>
-------------------------------------	----------------------------

**The Notes to Financial Statements are an integral part of this statement.**

**CITY OF WILLIAMSTON  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2011**

**EXHIBIT D**

	<b>MAJOR GOVERNMENTAL FUNDS</b>				
	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes and Penalties	\$ 1,531,941				\$ 1,531,941
Licenses and Permits	30,327			\$ 21,162	51,489
Federal Grants		\$ 365,158			365,158
State Grants	591,869	154,747	\$ 50,472		797,088
Charges for Services	10,549			960	11,509
Fines and Forfeits	8,337				8,337
Interest and Rentals	182,059	97	201		182,357
Other Revenue	326,014	64,094	450		390,558
Total Revenues	<u>2,681,096</u>	<u>584,096</u>	<u>51,123</u>	<u>22,122</u>	<u>3,338,437</u>
Expenditures					
Current					
General Government	943,544				943,544
Public Safety	543,917			51,877	595,794
Public Works	342,177	102,037	94,519		538,733
Community and Economic Development	65,048				65,048
Recreation and Culture	74,668				74,668
Capital Outlay	957,801	611,366			1,569,167
Debt Service					
Principal				70,000	70,000
Interest and Fiscal Fees				63,841	63,841
Total Expenditures	<u>2,927,155</u>	<u>713,403</u>	<u>94,519</u>	<u>185,718</u>	<u>3,920,795</u>
Excess of Revenues Over (Under) Expenditures	(246,059)	(129,307)	(43,396)	(163,596)	(582,358)
Other Financing Sources (Uses)					
Interfund Transfers In					
Primary Government		182,500	113,000	198,845	494,345
Interfund Transfers (Out)--Primary Government	(360,500)		(133,845)		(494,345)
Total Other Financing Sources (Uses)	<u>(360,500)</u>	<u>182,500</u>	<u>(20,845)</u>	<u>198,845</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(606,559)	53,193	(64,241)	35,249	(582,358)
Fund Balance--July 1, 2010	<u>1,690,557</u>	<u>(263,404)</u>	<u>143,808</u>	<u>11,843</u>	<u>1,582,804</u>
Fund Balance--June 30, 2011	<u>\$ 1,083,998</u>	<u>\$ (210,211)</u>	<u>\$ 79,567</u>	<u>\$ 47,092</u>	<u>\$ 1,000,446</u>

The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGE IN FUND BALANCES OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 For the Fiscal Year Ended June 30, 2011**

**EXHIBIT D-1**

NET CHANGE IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS \$ (582,358)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add--Capital Outlay	1,569,167
Deduct--Depreciation Expense	(367,285)
Deduct--Capital Asset Disposal	(7,433)

Revenues earned but not available for current resources are not reported in the funds. State and Federal Grants	70,130
--	--------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Add--Principal Payments on Long-Term Liabilities	119,162
--	---------

Long-term liabilities are not due and payable in the current period and are not reported in the funds.	(8,648)
--	---------

Other Post-Employment Benefit which is not shown in the funds	<u>(30,763)</u>
---	-----------------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 761,972</u></u>
---	--------------------------

**The Notes to Financial Statements are an integral part of this statement.**

**CITY OF WILLIAMSTON  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2011**

**EXHIBIT E**

	<b>BUSINESS-TYPE ACTIVITIES</b>		Total Enterprise Funds
	Sewer	Water	
<b><u>ASSETS</u></b>			
Current Assets			
Cash	\$ 450,709	\$ 370,344	\$ 821,053
Investments	291,379	321,068	612,447
Customer Accounts Receivable	167,793	119,464	287,257
Total Current Assets	909,881	810,876	1,720,757
Noncurrent Assets			
Restricted Cash	162,830	96,799	259,629
Special Assessments Receivable	21,921		21,921
Capital Assets--Net of Accumulated Depreciation	11,169,348	5,520,938	16,690,286
Total Noncurrent Assets	11,354,099	5,617,737	16,971,836
Total Assets	12,263,980	6,428,613	18,692,593
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Accounts Payable	563,392	428,136	991,528
Due to Other Funds--Primary Government	3,548	76,553	80,101
Accrued Liabilities	3,636	3,153	6,789
Total Current Liabilities	570,576	507,842	1,078,418
Noncurrent Liabilities			
Customer Deposits Payable		8,965	8,965
Bonds Payable--Due Within One Year	399,000	105,000	504,000
Bonds Payable--Net of Unamortized Discounts Due in More Than One Year	3,895,358	1,945,220	5,840,578
Total Noncurrent Liabilities	4,294,358	2,059,185	6,353,543
Total Liabilities	4,864,934	2,567,027	7,431,961
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets--Net of Related Debt	6,874,990	3,470,718	10,345,708
Restricted for Sewer and Water Improvements	162,830	96,799	259,629
Unrestricted	361,226	294,069	655,295
Total Net Assets	\$ 7,399,046	\$ 3,861,586	\$ 11,260,632

**The Notes to Financial Statements are an integral part of this statement.**

**CITY OF WILLIAMSTON**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET ASSETS--PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2011**

**EXHIBIT F**

	<u>BUSINESS-TYPE ACTIVITIES</u>		Total Enterprise Funds
	<u>Sewer</u>	<u>Water</u>	
Operating Revenues			
Water Sales		\$ 691,353	\$ 691,353
Sewage Disposal Services	\$ 930,104		930,104
Total Operating Revenues	<u>930,104</u>	<u>691,353</u>	<u>1,621,457</u>
Operating Expenses			
Salaries and Wages	196,823	120,974	317,797
Fringe Benefits	97,362	60,076	157,438
Administrative Expenses	50,000	45,000	95,000
Contractual Services	46,044	24,580	70,624
Equipment Repair and Maintenance	48,277	42	48,319
Utilities	87,511	19,690	107,201
Insurance	6,754	3,393	10,147
Other Supplies and Expenses	40,307	94,261	134,568
Depreciation	306,641	112,709	419,350
Total Operating Expenses	<u>879,719</u>	<u>480,725</u>	<u>1,360,444</u>
Operating Income (Loss)	<u>50,385</u>	<u>210,628</u>	<u>261,013</u>
Nonoperating Revenues (Expenses)			
Federal Grant		11,982	11,982
Interest and Investment Revenue	1,952	1,217	3,169
Interest on Special Assessments	2,862		2,862
Interest Expense	(139,745)	(45,248)	(184,993)
Bond Amortization Expense	(15,594)	(1,430)	(17,024)
Total Nonoperating Revenues (Expenses)	<u>(150,525)</u>	<u>(33,479)</u>	<u>(184,004)</u>
Income (Loss) Before Contributions and Transfers	<u>(100,140)</u>	<u>177,149</u>	<u>77,009</u>
Interfund Transfers			
Transfers In	132,570		132,570
Transfers (Out)		(119,930)	(119,930)
Change in Net Assets	32,430	57,219	89,649
Total Net Assets--July 1, 2010	<u>7,366,616</u>	<u>3,804,367</u>	<u>11,170,983</u>
Total Net Assets--June 30, 2011	<u>\$7,399,046</u>	<u>\$ 3,861,586</u>	<u>\$11,260,632</u>

**CITY OF WILLIAMSTON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2011**

**EXHIBIT G**

	<b>BUSINESS-TYPE ACTIVITIES</b>		Total Enterprise Funds
	Sewer	Water	
Cash Flows From Operating Activities			
Charges for Services	\$ 930,080	\$ 688,948	\$ 1,619,028
Goods and Services Purchased	(309,595)	(208,417)	(518,012)
Salaries and Fringes	(296,120)	(180,727)	(476,847)
Net Cash Provided by Operating Activities	<u>324,365</u>	<u>299,804</u>	<u>624,169</u>
Cash Flows From Noncapital Financing Activities			
Customer Deposits		70	70
Federal Grants		11,982	
Operating Transfers In From Other Funds	119,930		119,930
Operating Transfers In From Component Units	12,640		12,640
Operating Transfers (Out) to Other Funds		(119,930)	(119,930)
Due to Other Funds	(77,666)	18,787	(58,879)
Net Cash Flows From Noncapital Financing Activities	<u>54,904</u>	<u>(89,091)</u>	<u>(46,169)</u>
Cash Flows From Capital and Related Financing Activities			
Collection of Customer Assessments	22,089		22,089
Interest on Special Assessments	2,862		2,862
Acquisition of Capital Assets	(1,405,520)	(841,432)	(2,246,952)
Proceeds From Issuance of Bonds	1,386,141	800,220	2,186,361
Principal Paid on Debt	(310,506)	(40,000)	(350,506)
Interest Paid on Debt	(168,451)	(64,739)	(233,190)
Bond Amortization Expense	(15,594)	(1,430)	(17,024)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(488,979)</u>	<u>(147,381)</u>	<u>(636,360)</u>
Cash Flows From Investing Activities			
Interest on Cash	1,952	1,217	3,169
Sale (Purchase) of Investments	(530)	(624)	(1,154)
Net Cash Provided by Investing Activities	<u>1,422</u>	<u>593</u>	<u>2,015</u>
Net Increase in Cash and Cash Equivalents	(108,288)	63,925	(56,345)
Cash at Beginning of the Year	<u>721,827</u>	<u>403,218</u>	<u>1,125,045</u>
Cash at End of the Year	<u>\$ 613,539</u>	<u>\$ 467,143</u>	<u>\$ 1,080,682</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 50,385	\$ 210,628	\$ 261,013
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	306,641	112,709	419,350
Changes in Assets and Liabilities			
Decrease (Increase) in Accounts Receivable	(24)	(2,405)	(2,429)
Increase (Decrease) in Accounts Payable	(30,702)	(21,451)	(52,153)
Increase (Decrease) in Accrued Liabilities	(1,935)	323	(1,612)
Net Cash Provided by Operating Activities	<u>\$ 324,365</u>	<u>\$ 299,804</u>	<u>\$ 624,169</u>

**The Notes to Financial Statements are an integral part of this statement.**

**CITY OF WILLIAMSTON  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2011**

**EXHIBIT H**

	<u>Agency Fund</u>
<b><u>ASSETS</u></b>	
Cash	\$ 32,627
Due From Other Funds--Primary Government	<u>10,537</u>
Total Assets	<u><u>\$ 43,164</u></u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>	
Liabilities	
Due to Other Funds--Component Unit	\$ 4,479
Due to Other Governmental Units	38,471
Tax Overpayments	<u>214</u>
Total Liabilities	<u><u>\$ 43,164</u></u>

**CITY OF WILLIAMSTON**  
**COMBINING STATEMENT OF NET ASSETS**  
**MAJOR COMPONENT UNITS**  
**June 30, 2011**

**EXHIBIT I**

	<u>Economic Development Corporation</u>	<u>Tax Increment Finance Authority 2A</u>	<u>Tax Increment Finance Authority 2B</u>	<u>Downtown Development Authority</u>	<u>Total</u>
<b><u>ASSETS</u></b>					
Current Assets					
Cash	\$ 68,230	\$ 71,412	\$ 159,910	\$ 374,578	\$ 674,130
Investments	10,037		55,128	47,053	112,218
Due From Other Funds--Primary Government			2,832	2,302	5,134
Total Current Assets	<u>78,267</u>	<u>71,412</u>	<u>217,870</u>	<u>423,933</u>	<u>791,482</u>
Noncurrent Assets					
Restricted Cash				7,012	7,012
Capital Assets (Net of Accumulated Depreciation)	<u>659,437</u>	<u>105,712</u>	<u>820,389</u>	<u>1,281,009</u>	<u>2,866,547</u>
Total Noncurrent Assets	<u>659,437</u>	<u>105,712</u>	<u>820,389</u>	<u>1,288,021</u>	<u>2,873,559</u>
Total Assets	<u>737,704</u>	<u>177,124</u>	<u>1,038,259</u>	<u>1,711,954</u>	<u>3,665,041</u>
<b><u>LIABILITIES</u></b>					
Current Liabilities					
Accounts Payable				99	99
Accrued Liabilities				584	584
Due to Other Funds--Primary Government	<u>61,626</u>	<u>15,047</u>		<u>242,742</u>	<u>319,415</u>
Total Current Liabilities	<u>61,626</u>	<u>15,047</u>	<u>-</u>	<u>243,425</u>	<u>320,098</u>
Noncurrent Liabilities					
Bonds Payable--Due Within One Year				100,000	100,000
Bonds Payable--Due in More Than One Year				1,625,000	1,625,000
Notes Payable--Due Within One Year	<u>52,372</u>				<u>52,372</u>
Notes Payable--Due in More Than One Year	<u>139,929</u>				<u>139,929</u>
Total Noncurrent Liabilities	<u>192,301</u>	<u>-</u>	<u>-</u>	<u>1,725,000</u>	<u>1,917,301</u>
Total Liabilities	<u>253,927</u>	<u>15,047</u>	<u>-</u>	<u>1,968,425</u>	<u>2,237,399</u>
<b><u>NET ASSETS</u></b>					
Invested in Capital Assets--Net of Related Debt Restricted for	467,136	105,712	820,389	1,281,009	2,674,246
Economic Development Programs	16,641				16,641
Downtown Development Plan				(1,537,480)	(1,537,480)
Tax Increment Finance Plans		<u>56,365</u>	<u>217,870</u>		<u>274,235</u>
Total Net Assets	<u>\$ 483,777</u>	<u>\$ 162,077</u>	<u>\$ 1,038,259</u>	<u>\$ (256,471)</u>	<u>\$ 1,427,642</u>

**The Notes to Financial Statements are an integral part of this statement.**

**CITY OF WILLIAMSTON  
COMBINING STATEMENT OF ACTIVITIES  
MAJOR COMPONENT UNITS  
For the Fiscal Year Ended June 30, 2011**

**EXHIBIT J**

Functions/Programs	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
	Expenses	Charge for Services	Operating Grants and Contributions	Economic Development Corporation	Tax Increment Finance Authority 2A	Tax Increment Finance Authority 2B	Downtown Development Authority	Total
Economic Development Corporation								
Community and Economic Development	\$ 35,148	\$ 67,877	\$ 623	\$ 33,352				\$ 33,352
Interest on Related Debt	13,285			(13,285)				(13,285)
Total Economic Development Corporation	48,433	67,877	623	20,067	\$ -	\$ -	\$ -	20,067
Tax Increment Finance Authority 2A								
Community and Economic Development	3,767		188		(3,579)			(3,579)
Total Tax Increment Finance Authority 2A	3,767	-	188	-	(3,579)	-	-	(3,579)
Tax Increment Finance Authority 2B								
Community and Economic Development	149,462		770			(148,692)		(148,692)
Total Tax Increment Finance Authority 2B	149,462	-	770	-	-	(148,692)	-	(148,692)
Downtown Development Authority								
Community and Economic Development	201,141	2,345	656				(198,140)	(198,140)
Interest and Other Expenses on Related Debt	83,505						(83,505)	(83,505)
Total Downtown Development Authority	\$ 284,646	\$ 2,345	\$ 656	-	-	-	(281,645)	(281,645)
General Revenues								
Property Taxes						311,945	430,617	742,562
Special Item--Gain on Sale of Capital Assets						1,720		1,720
Transfers					(12,640)			(12,640)
Total General Revenues						313,665	430,617	731,642
Property Taxes and Transfers				-	(12,640)	313,665	430,617	731,642
Change in Net Assets				20,067	(16,219)	164,973	148,972	317,793
Net Assets--Beginning of Year				463,710	178,296	873,286	(405,443)	1,109,849
Net Assets--End of Year				\$ 483,777	\$ 162,077	\$ 1,038,259	\$ (256,471)	\$ 1,427,642

The Notes to Financial Statements are an integral part of this statement.

## CITY OF WILLIAMSTON

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2011

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### Reporting Entity

The City encompasses an area of approximately 2.6 square miles and is located approximately 20 miles east of Lansing and 65 miles west of Detroit.

The City was incorporated in 1963 as a home rule city under the council/manager form of government. The City council consists of seven council members who are elected at large. Every two years four council members are elected. The mayor, who is recognized as the chief executive officer of the City, and the mayor pro-tem are elected by the council from among its members. The City manager is the administrative agent of the council and is appointed by the council to serve at its pleasure. All other City administrative officers are appointed by the City manager.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria established by Government Accounting Standards Board (GASB) for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the data was not included. The component units total is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description of each component unit).

#### DISCRETELY PRESENTED COMPONENT UNITS

##### Downtown Development Authority

The Downtown Development Authority was created under the provisions of Public Act 197 of 1975, as amended, to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The authority's governing body, which consists of nine individuals, is selected by the City council. In addition, the authority's budget is subject to approval by the City council.

##### Economic Development Corporation

The Economic Development Corporation was created under the provisions of Public Act 338 of 1974, as amended, to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City to provide needed services and facilities to the residents of the City. The corporation's governing body, which consists of nine individuals, is selected by the City council.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Increment Finance Authorities (2A and 2B)

The Tax Increment Finance Authorities (2A and 2B) were created under the provisions of Public Act 450 of 1980, as amended, to prevent urban deterioration, to encourage development and activity, and to encourage neighborhood revitalization and historic preservation. The authorities' governing body is the same as the Economic Development Corporation that is selected by the City council and consists of nine individuals.

Complete financial statements of the individual component units can be obtained from their respective administrative offices located in City Hall:

Administrative Offices

City of Williamston  
161 East Grand River Avenue  
Williamston, MI 48895

JOINTLY GOVERNED ORGANIZATIONS

The City is a member of the Northeast Ingham Emergency Service Authority (NIESA) which provides emergency services to the residents of northeast Ingham County. The participating communities provided funding for its operations until December 1998, at which time a millage was levied to provide annual funding. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the authority can be obtained from the Community Fire Board offices at 1296 West Grand River, Williamston, Michigan 48895.

BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

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

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major governmental funds:

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

The Major Street Fund accounts for revenues and expenditures for the construction and maintenance of the major street system.

The Local Street Fund accounts for revenues and expenditures for the construction and maintenance of the local street system.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the revenues and expenses for the operation of the sewer system.

The Water Fund accounts for the revenues and expenses for the operation of the water system.

Additionally, the City reports the following fund type:

Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected to consistently apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued subsequent to November 30, 1989, in accounting and reporting for its proprietary operation.

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

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenue includes all taxes.

## CITY OF WILLIAMSTON

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2011

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 needed.

#### Deposits and Investments

Cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

#### Receivables and Payables

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

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not available expendable financial resources.

#### Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

#### Inventories and Prepaid Items

No inventory is maintained. Payments for supplies are recorded as expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets for the primary government, component units and enterprise funds, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of two years. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant, equipment and infrastructure are depreciated using the straight-line method over the following useful lives:

Land Improvements	10 to 30 Years
Buildings	10 to 50 Years
Office Equipment	4 to 10 Years
Machinery and Equipment	7 to 10 Years
Vehicles	4 to 7 Years
Infrastructure--Roads	8 to 30 Years
Infrastructure--Bridges	12 to 50 Years

Compensated Absences (Vacation and Sick Leave)

It is the City's policy to permit employees to accumulate earned sick and vacation pay benefits for all of the employees. The liability for unpaid accumulated sick leave is 50% of the time available according to the City's union contracts and personnel policy. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported only in governmental funds for employee terminations as of year end.

Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Other Financing Sources (Uses)

Transfers of cash between the various City funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Pursuant to statute, prior to the commencement of the fiscal year, the budget is legally enacted through adoption by the City Council. Budgets are adopted for the General Fund and Special Revenue Funds as required by statute. Budgets are adopted on a basis consistent with the accounting principles followed in recording transactions. The City's annual budget is adopted on a departmental basis at the activity level. The City Council monitors and amends the budgets as necessary.

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Expenditures were incurred in excess of the amount appropriated in the amended budget for the activities of the General Fund and special revenue funds as follows:

	Final Amended Budget	Actual	Variance (Unfavorable)
General Fund			
General Government			
City Manager	\$ 178,700	\$ 180,982	\$ (2,282)
Attorney	100,000	110,029	(10,029)

Fund Deficits

The Major Street Fund reported an unassigned deficit fund balance of \$210,211. The Downtown Development Authority reported a net assets deficit of \$256,471.

NOTE C--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the City to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States Banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Deposits are carried at cost. The City Council has designated four banks for the deposit of City funds. The investment policy adopted by the council in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The City's deposits and investment policy are in accordance with statutory authority.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

The risk disclosures for the City's deposits at June 30, 2011, as required by the Governmental Accounting Standards Board (GASB) Statement No. 40, are as follows:

	<b>PRIMARY GOVERNMENT</b>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Fund</u>	<u>Total Primary Government</u>
Cash	\$ 397,806	\$ 821,053	\$32,627	\$ 1,251,486
Restricted Cash		259,629		259,629
Investments	<u>150,444</u>	<u>612,447</u>		<u>762,891</u>
Total	<u>\$ 548,250</u>	<u>\$1,693,129</u>	<u>\$32,627</u>	<u>\$ 2,274,006</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 1,510,485	\$ 681,142
Investments in Securities, Mutual Funds and Similar Vehicles	762,891	112,218
Petty Cash and Cash on Hand	<u>630</u>	
Total	<u>\$ 2,274,006</u>	<u>\$ 793,360</u>

The bank balance of the primary government's deposits is \$1,595,828, of which \$1,595,828 is covered by Federal depository insurance. The bank balance of the component units' deposits is \$681,142, of which \$381,624 is covered by Federal depository insurance and \$299,517 was uncollateralized with securities held by the City's agent in the City's name.

From December 31, 2010 through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the account balance and the ownership capacity of the funds. This coverage is available to all depositors, including consumers, businesses, and government entities. The unlimited coverage is separate from, and in addition to, the insurance coverage provided for a depositor's other accounts held at an FDIC-insured bank. As of June 30, 2011, all accounts held in the name of the City at Independent Bank totaling \$1,727,452 for both primary and component unit accounts are noninterest bearing and fully insured.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

Investments Authorized by the City's Investment Policy

The City's investment policy only authorizes investment in all those that are authorized by law. The City has limited their investments to money markets. The City's investment policy contains provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk. The board has a GASB Statement No. 40 compliant investment policy.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by participating in two money markets which hold diverse investments that local units of government are authorized by law for direct investment.

As of June 30, 2011, the City had the following investments:

	<u>REPORTED AMOUNT (FAIR VALUE)</u>	
	<u>Primary Government</u>	<u>Component Units</u>
Investments		
Money Market (MM)	\$ 161,655	\$ 76
Government Operating MM	<u>601,236</u>	<u>112,142</u>
Total Primary Government	<u>\$ 762,891</u>	<u>\$ 112,218</u>

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Money Market and Government Operating Money Market issued through Chase Bank totaling \$161,731 have received an Aaa rating from Moody's Investors Service and the Government Operating Money Market issued through MBIA totaling \$713,378 have received a AAA rating from Fitch Ratings.

The City's investment policy requires assets to be diversified to eliminate the risk of loss resulting from over concentration in a specific maturity, individual financial institution(s), or a specific class of securities.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law does not contain requirements that limit the exposure to custodial credit risk for deposits. However, the asset diversification requirements included in the City's investment policy limits, to some extent, exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker/dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law does not contain legal requirements that limit the exposure to custodial credit risk for investments. However, the City's investment policy does contain a safekeeping and custody section that limits the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

NOTE D--PROPERTY TAXES

Property taxes are levied on each July 1 on the taxable valuation of property located in the City as of the preceding December 31. The City's property taxes were levied and collectible on July 1, 2010. It is the policy of the City to recognize revenue from the current tax levy in the fiscal year when proceeds of this levy are budgeted and made available for the financing of operations.

The 2010 State Taxable Valuation was \$113,748,087, on which ad valorem taxes levied consisted of 15.1342 mills and raised \$1,442,364 for City operations (net of captured taxes). This is recorded as revenue in the General Fund, which also includes mobile home specific taxes, penalties, interest and administrative fees for a total of \$1,531,941 (net of tax tribunal refunds, TIFA 2B captured taxes of \$311,945, and DDA captured taxes of \$430,617).

NOTE E--RECEIVABLES

Accounts Receivable--Governmental Funds

The General Fund and Building Fund report accounts receivable balances of \$1,381 and \$626, respectively, for various services performed.

The Major Street Fund reports an accounts receivable balance of \$58,109 for local contributions still due as a matching portion of an economic development grant received.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE E--RECEIVABLES (Continued)

Accounts Receivable--Business-Type Activities

The accounts receivable for the City are recorded in the Sewer and Water Funds. The receivables are based on the sewer and water services provided by the City. The receivables do not have an allowance for doubtful accounts because any receivables not collected are placed on the customer's tax bill. The receivables for the Sewer and Water Funds are \$167,793 and \$119,464, respectively.

Special Assessments Receivable--Business-Type Activities

The City collects special assessments in the Sewer Fund to collect for expenses incurred by the City to create the sewer system. As of June 30, 2011, the Sewer Fund has special assessments receivable of \$21,921.

NOTE F--INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The amounts of the interfund receivables and payables between funds of the primary government and component units are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Primary Government			
General	\$ 499,100	General	\$ 58,174
Non-Major Governmental	48,493	Major Street	325,643
Agency	10,537	Local Street	94,211
		Sewer	3,548
		Water	76,553
Total Primary Government	<u>\$ 558,130</u>		<u>\$ 558,130</u>
Primary Government		Component Units	
General	\$ 319,415	Economic Development Corporation	\$ 61,626
		Tax Increment Finance Authority 2A	15,047
		Downtown Development Authority	242,742
Total Primary Government	<u>\$ 319,415</u>	Total Component Units	<u>\$ 319,415</u>
Component Units		Primary Government	
Tax Increment Finance Authority 2B	\$ 2,832	General	\$ 655
Downtown Development Authority	2,302	Agency	4,479
Total Component Units	<u>\$ 5,134</u>	Total Primary Government	<u>\$ 5,134</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE F--INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

The interfund balances due to the General Fund consist of expenses paid for by other funds that are to be reimbursed. The amount due from the Agency Fund is delinquent taxes collected that have not been distributed.

The 2011 operating transfers from Exhibits D, F and J can be summarized as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Funds</u>	<u>Transfers (Out)</u>
Primary Government			
Major Street	\$182,500	General	\$ 360,500
Local Street	113,000	Local Street	133,845
Non-Major Governmental	198,845	Water	119,930
Sewer	<u>119,930</u>		
Total Primary Government	<u>614,275</u>		<u>614,275</u>
Primary Government		Component Units	
Sewer	<u>12,640</u>	Tax Increment Finance Authority 2A	<u>12,640</u>
Total Primary Government	<u>12,640</u>	Total Component Units	<u>12,640</u>
Total Reporting Entity	<u><u>\$626,915</u></u>		<u><u>\$ 626,915</u></u>

Interfund transfers are used to 1) transfer revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; 2) transfer receipts restricted to debt service from the funds collecting the receipts to the debt service funds as debt service payments become due; and 3) transfer unrestricted revenues collected in the General Fund to other funds to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE G--CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 390,632			\$ 390,632
Land Improvements	317,395			317,395
Construction in Progress	199,466	\$ 742,876		942,342
Subtotal	799,055	742,876	\$ -	1,650,369
Capital Assets Being Depreciated				
Land Improvements	310,711			310,711
Buildings	786,140	86,871		873,011
Office Equipment	75,050			75,050
Machinery and Equipment	428,878	54,295		483,173
Vehicles	661,996	73,760	48,831	686,925
Infrastructure	4,549,044	611,366		5,160,410
Subtotal	6,811,819	826,292	48,831	7,589,280
Less Accumulated Depreciation for				
Land Improvements	220,827	9,386		230,213
Buildings	255,792	27,514		283,306
Office Equipment	68,245	6,805		75,050
Machinery and Equipment	228,436	50,082		278,518
Vehicles	575,915	48,925	41,397	583,443
Infrastructure	525,349	224,573		749,922
Subtotal	1,874,564	367,285	41,397	2,200,452
Net Capital Assets Being Depreciated	4,937,255	459,007	7,434	5,388,828
Total Capital Assets--Net of Depreciation	\$5,844,748	\$1,201,883	\$ 7,434	\$ 7,039,197

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE G--CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

	<u>Amount</u>
Governmental Activities	
General Government	\$ 11,122
Public Safety	30,674
Public Works	302,308
Community and Economic Development	15,666
Recreation and Culture	<u>7,515</u>
Total Depreciation--Governmental Activities	<u><u>\$ 367,285</u></u>

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land--Sewer	\$ 18,692			\$ 18,692
Land--Water	417,865			417,865
Construction in Progress--Sewer	102,524	\$ 1,946,017		2,048,541
Construction in Progress--Water	<u>100,024</u>	<u>1,261,471</u>		<u>1,361,495</u>
Subtotal	<u>639,105</u>	<u>3,207,488</u>	<u>\$ -</u>	<u>3,846,593</u>
Capital Assets Being Depreciated				
Sewer System	13,979,381			13,979,381
Water System	4,734,599			4,734,599
Sewer Equipment	278,873	17,698		296,571
Water Equipment	<u>347,931</u>			<u>347,931</u>
Subtotal	<u>19,340,784</u>	<u>17,698</u>	<u>-</u>	<u>19,358,482</u>
Less: Accumulated Depreciation for				
Sewer System	4,709,210	288,169		4,997,379
Water System	1,066,093	100,550		1,166,643
Sewer Equipment	157,986	18,472		176,458
Water Equipment	<u>162,150</u>	<u>12,159</u>		<u>174,309</u>
Subtotal	<u>6,095,439</u>	<u>419,350</u>	<u>-</u>	<u>6,514,789</u>
Net Capital Assets Being Depreciated	<u>13,245,345</u>	<u>(401,652)</u>	<u>-</u>	<u>12,843,693</u>
Total Capital Assets--Net of Depreciation	<u><u>\$ 13,884,450</u></u>	<u><u>\$ 2,805,836</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,690,286</u></u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE G--CAPITAL ASSETS (Continued)

Depreciation expense was charged to business-type programs of the primary government as follows:

Business-Type Funds	
Sewer	\$ 306,641
Water	<u>112,709</u>
Total Business-Type Funds	<u>\$ 419,350</u>

Component Units

Capital asset activity of the Economic Development Corporation (EDC) for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Land Improvements	\$ 15,510			\$ 15,510
Buildings	<u>1,014,165</u>			<u>1,014,165</u>
Subtotal	<u>1,029,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,029,675</u>
Less Accumulated Depreciation for				
Land Improvements	8,045	721		8,766
Buildings	<u>331,918</u>	<u>29,554</u>		<u>361,472</u>
Subtotal	<u>339,963</u>	<u>30,275</u>	<u>-</u>	<u>370,238</u>
Net Capital Assets Being Depreciated	<u>689,712</u>	<u>(30,275)</u>	<u>-</u>	<u>659,437</u>
Total Capital Assets--Net of Depreciation	<u>\$ 689,712</u>	<u>\$ (30,275)</u>	<u>\$ -</u>	<u>\$ 659,437</u>

Depreciation expense for the year was \$30,275.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE G--CAPITAL ASSETS (Continued)

Capital asset activity of the TIFA 2A for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 62,871	_____	_____	\$ 62,871
Subtotal	<u>62,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>62,871</u>
Capital Assets Being Depreciated				
Land Improvements	55,879	_____	_____	55,879
Subtotal	<u>55,879</u>	<u>-</u>	<u>-</u>	<u>55,879</u>
Less Accumulated Depreciation for				
Land Improvements	11,176	1,862	_____	13,038
Subtotal	<u>11,176</u>	<u>1,862</u>	<u>-</u>	<u>13,038</u>
Net Capital Assets Being Depreciated	<u>44,703</u>	<u>1,862</u>	_____	<u>42,841</u>
Total Capital Assets--Net of Depreciation	<u>\$109,437</u>	<u>\$ (1,862)</u>	<u>\$ -</u>	<u>\$105,712</u>

Depreciation expense for the year was \$1,862.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE G--CAPITAL ASSETS (Continued)

Capital asset activity of the TIFA 2B for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$185,358			\$ 185,358
Subtotal	<u>142,694</u>	<u>\$ -</u>	<u>\$ -</u>	<u>185,358</u>
Capital Assets Being Depreciated				
Land Improvements	4,491			4,491
Buildings	368,085	333,405		701,490
Machinery and Equipment	17,994	18,215	17,994	18,215
Subtotal	<u>390,570</u>	<u>351,620</u>	<u>17,994</u>	<u>724,196</u>
Less Accumulated Depreciation for				
Land Improvements	3,144	449		3,593
Buildings	45,943	35,075		81,018
Machinery and Equipment	4,499	4,554	4,499	4,554
Subtotal	<u>53,586</u>	<u>40,078</u>	<u>4,499</u>	<u>89,165</u>
Net Capital Assets Being Depreciated	<u>336,984</u>	<u>311,542</u>	<u>(13,125)</u>	<u>635,031</u>
Total Capital Assets--Net of Depreciation	<u>\$522,342</u>	<u>\$ 311,542</u>	<u>\$(13,125)</u>	<u>\$ 820,389</u>

Depreciation expense for the year was \$40,078.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE G--CAPITAL ASSETS (Continued)

Capital asset activity of the Downtown Development Authority (DDA) for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 144,093			\$ 144,093
Land Improvements	153,855			153,855
Construction in Progress	<u>3,500</u>	<u>\$304,927</u>		<u>308,427</u>
Subtotal	<u>301,448</u>	<u>304,927</u>	<u>\$ -</u>	<u>606,375</u>
Capital Assets Being Depreciated				
Land Improvements	972,993			972,993
Buildings	155,708			155,708
Machinery and Equipment	<u>14,000</u>		<u>14,000</u>	<u>-</u>
Subtotal	<u>1,142,701</u>	<u>-</u>	<u>14,000</u>	<u>1,128,701</u>
Less Accumulated Depreciation for				
Land Improvements	333,568	31,523		365,091
Buildings	84,528	4,448		88,976
Machinery and Equipment	<u>14,000</u>		<u>14,000</u>	<u>-</u>
Subtotal	<u>401,549</u>	<u>35,971</u>	<u>14,000</u>	<u>454,067</u>
Net Capital Assets Being Depreciated	<u>710,605</u>	<u>(35,971)</u>	<u>-</u>	<u>674,634</u>
Total Capital Assets--Net of Depreciation	<u><u>\$1,012,053</u></u>	<u><u>\$ 268,956</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,281,009</u></u>

Depreciation expense for the year was \$35,971.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE H--LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the City. City contractual agreements and installment purchase agreements are also general obligations of the City. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

<u>Governmental Activities</u>	<u>Balance 07/01/10</u>	<u>Additions (Reductions)</u>	<u>Balance 06/30/11</u>	<u>Due Within One Year</u>
\$1,395,000, 2002 Series, General Obligation Limited Tax Bonds. Due in 19 annual installments at interest ranging between 4.50% through 5.10% for Tobias/Linn Drain Sewer System at large.	\$ 1,150,000	\$ (55,000)	\$1,095,000	\$ 60,000
\$250,000, 2003 Series, Michigan Transportation Fund Bonds, Due in 14 annual installments at interest ranging between 3.00% through 4.35% for major street improvements.	185,000	(15,000)	170,000	15,000
\$983,236 2002 Special Assessment for Tobias/Linn Road project payable to Ingham County Drain Commission. Due in 20 annual decreasing installments at interest rate of 5.00%.	589,942	(49,162)	540,780	49,162
Net Other Post-Employment Benefits Obligation	81,707	30,763	112,470	
Vested Employee Benefits Payable	<u>58,180</u>	<u>8,648</u>	<u>66,828</u>	
Total Governmental Activities	<u>\$ 2,064,829</u>	<u>\$ (79,751)</u>	<u>\$1,985,078</u>	<u>\$ 124,162</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE H--LONG-TERM DEBT (Continued)

<u>Business-Type Activities</u>	<u>Balance 07/01/10</u>	<u>Additions (Reductions)</u>	<u>Balance 06/30/11</u>	<u>Due Within One Year</u>
\$850,000, 1996 Series, Revenue Bonds (Water and Sewer Improvements), due in annual installments at interest rates between 4% through 5.7%.	\$ 360,000	\$ (50,000)	\$ 310,000	\$ 55,000
\$585,000, 1996 Series, Special Assessment Limited Tax Bonds, due in annual installments at interest rates between 5% through 8% (Net of Amortization of \$6,241).	72,199	(38,440)	33,759	40,000
\$3,700,000, 2001 Series, General Obligation Unlimited Tax Refunding Bonds. Issued 2001 General Obligation Refunding Bonds leaving a balance of \$3,700,000 in 2001. Due in 18 annual installments at interest rates between 3% through 4.7% (Net of Amortization of \$90,451).	2,786,524	(222,066)	2,564,458	265,000
\$550,000, 2004 Series, Revenue Bonds (Water Supply System Improvements and Extensions), payable in 20 years at interest rates between 3.20% and 5.00%.	500,000	(15,000)	485,000	15,000
\$900,000, 2005 Series, Revenue Bonds (Water Supply System Improvements and Extensions), payable in 25 years at interest rates between 3.00% and 5.00%.	790,000	(25,000)	765,000	25,000
\$3,540,000, 2010 Series, Revenue Bonds (Sewage Disposal Improvements), payable in 40 years at an interest rate of 3% (Net of amortization of \$42,859).		1,386,141	1,386,141	44,000
\$4,800,000, 2010 Series, Revenue Bonds (Water System Improvements), payable in 40 years at an interest rate of 3% (Net of amortization of \$55,780).		800,220	800,220	60,000
Total Business-Type Activities	<u>\$ 4,508,723</u>	<u>\$ 1,835,855</u>	<u>\$ 6,344,578</u>	<u>\$ 504,000</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE H--LONG-TERM DEBT (Continued)

<u>Component Unit Activities</u>	<u>Balance 07/01/10</u>	<u>Additions (Reductions)</u>	<u>Balance 06/30/11</u>	<u>Due Within One Year</u>
<u>Downtown Development Authority (DDA)</u>				
\$1,945,000, 1999 Series, Limited Tax General Obligation Downtown Development Refunding Bonds. Due in 25 annual installments at interest rates ranging between 3.4% through 4.95%.	\$ 1,510,000	\$ (75,000)	\$ 1,435,000	\$ 80,000
\$425,000, 1994 Series, Limited Tax General Obligation Downtown Development Bonds. Issued 2004 DDA Refunding Bonds leaving a balance due of \$405,000 in 2004. Due in 20 annual installments at interest rates between 2.0% through 5.0%.	<u>310,000</u>	<u>(20,000)</u>	<u>290,000</u>	<u>20,000</u>
Total Downtown Development Authority	<u>\$ 1,820,000</u>	<u>\$ (95,000)</u>	<u>\$ 1,725,000</u>	<u>\$ 100,000</u>
<u>Economic Development Coporation (EDC)</u>				
Mortgage payable \$490,000. To purchase a parcel of land and certain improvements to house some city offices, payable in monthly installments over a period of 15 years at an interest rate of 5.75%.	<u>\$ 244,358</u>	<u>\$ (52,057)</u>	<u>\$ 192,301</u>	<u>\$ 52,372</u>
Total Economic Development Corporation	<u>\$ 244,358</u>	<u>\$ (52,057)</u>	<u>\$ 192,301</u>	<u>\$ 52,372</u>
Total Component Unit Activities	<u>\$ 2,064,358</u>	<u>\$ (147,057)</u>	<u>\$ 1,917,301</u>	<u>\$ 152,372</u>
Total Reporting Entity Activities	<u>\$ 8,637,910</u>	<u>\$ 1,609,047</u>	<u>\$ 10,246,957</u>	<u>\$ 780,534</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE H--LONG-TERM DEBT (Continued)

The debt service requirements to maturity for the City's debt obligations outstanding at June 30, 2011, are as follows:

Annual Debt Service Requirements--Governmental Activities

General Obligation Limited Tax Bonds, Series 2002

Date of Issue: March 1, 2002

Amount: \$1,395,000

<u>Year</u>	<u>Principal 1-May</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>1-May</u>	<u>1-Nov</u>	
2011			\$ 26,820	\$ 26,820
2012	\$ 60,000	\$ 26,820	25,455	112,275
2013	65,000	25,455	23,976	114,431
2014	75,000	23,976	22,233	121,209
2015	80,000	22,233	20,333	122,566
2016-2020	545,000	77,139	63,389	685,528
2021-2022	<u>270,000</u>	<u>10,423</u>	<u>3,570</u>	<u>283,993</u>
Total	<u>\$ 1,095,000</u>	<u>\$ 186,046</u>	<u>\$ 185,776</u>	<u>\$ 1,466,822</u>

2003 Act 175 Michigan Transportation Fund Bonds

Date of Issue: February 1, 2003

Amount: \$250,000

2011	\$ 15,000	\$ 3,436		\$ 18,436
2012	20,000	3,170	\$ 2,795	25,965
2013	20,000	2,795	2,410	25,205
2014	20,000	2,410	2,010	24,420
2015	20,000	2,010	1,600	23,610
2016-2018	<u>75,000</u>	<u>3,219</u>	<u>1,619</u>	<u>79,838</u>
Total	<u>\$170,000</u>	<u>\$ 17,040</u>	<u>\$ 10,434</u>	<u>\$197,474</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE H--LONG-TERM DEBT (Continued)

2002 Tobias/Linn Road Special Assessment

Date of Issue: November 1, 2002

Amount: \$983,236

<u>Year</u>	<u>Principal Nov</u>	<u>Interest Nov</u>	<u>Annual Total</u>
2011	\$ 49,162	\$ 27,039	\$ 76,201
2012	49,162	24,581	73,743
2013	49,162	22,122	71,284
2014	49,162	19,665	68,827
2015	49,162	17,207	66,369
2016-2020	245,810	49,161	294,971
2021	<u>49,160</u>	<u>2,458</u>	<u>51,618</u>
Total	<u>\$ 540,780</u>	<u>\$ 162,233</u>	<u>\$ 703,013</u>

Annual Principal and Interest Requirements--Business-Type Funds

The enterprise funds' annual requirements to pay the principal and interest on the City's direct long-term debt obligations outstanding at June 30, 2011, are as follows:

Revenue Bonds Water/Sewer Improvements, Series 1996 (Sewer Fund)

Date of Issue: February 26, 1996

Amount: \$850,000

<u>Year</u>	<u>Principal 1-Mar</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>1-Mar</u>	<u>1-Sep</u>	
2011			\$ 8,750	\$ 8,750
2012	\$ 55,000	\$ 8,750	7,238	70,988
2013	60,000	7,238	5,557	70,988
2014	60,000	5,557	3,847	72,795
2015	65,000	3,847	1,995	69,404
2016	<u>70,000</u>	<u>1,995</u>		<u>71,995</u>
Total	<u>\$ 310,000</u>	<u>\$ 27,387</u>	<u>\$ 27,387</u>	<u>\$ 364,920</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE H--LONG-TERM DEBT (Continued)

1996 Sewer Special Assessment Bonds (Sewer Fund)

Date of Issue: November 1, 1996

Amount: \$585,000

Unamortized Bond Discount at June 30, 2011: \$6,241

Current Year Amortized Cost: \$1,560

<u>Year</u>	<u>Principal</u>	<u>Interest</u>		<u>Annual</u>
	<u>1-Nov</u>	<u>1-May</u>	<u>1-Nov</u>	<u>Total</u>
2011	\$ 40,000		\$ 1,000	\$ 41,000
Total	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 41,000</u>

General Obligation Unlimited Tax Refunding Bonds, Series 2001

Date of Issue: September 27, 2001

Amount: \$3,700,000

Unamortized Bond Discount at June 30, 2011: \$90,541

Current Year Amortized Cost: \$12,935

<u>Year</u>	<u>Principal</u>	<u>Interest</u>		<u>Annual</u>
	<u>1-Nov</u>	<u>1-May</u>	<u>1-Nov</u>	<u>Total</u>
2011	\$ 265,000		\$ 59,777	\$ 324,777
2012	300,000	\$ 54,146	54,146	408,292
2013	335,000	47,696	47,696	430,392
2014	375,000	40,326	40,326	455,652
2015	415,000	31,889	31,889	478,778
2016-2017	<u>965,000</u>	<u>34,316</u>	<u>34,316</u>	<u>1,033,632</u>
Total	<u>\$ 2,655,000</u>	<u>\$ 208,373</u>	<u>\$268,150</u>	<u>\$3,131,523</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE H--LONG-TERM DEBT (Continued)

2004 Water Supply and Sewage Disposal System Revenue Bonds

Date of Issue: December 27, 2004

Amount: \$550,000

<u>Year</u>	<u>Principal 1-Mar</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>1-Mar</u>	<u>1-Sep</u>	
2011			\$ 11,252	\$ 11,252
2012	\$ 15,000	\$ 11,252	10,983	37,235
2013	15,000	10,983	10,701	36,684
2014	15,000	10,701	10,409	36,110
2015	20,000	10,409	10,009	40,418
2016-2020	105,000	45,843	43,580	194,423
2021-2025	105,000	32,728	30,232	167,960
2026-2030	<u>210,000</u>	<u>26,250</u>	<u>21,000</u>	<u>257,250</u>
Total	<u>\$ 485,000</u>	<u>\$ 148,166</u>	<u>\$148,166</u>	<u>\$781,333</u>

2005 Water Supply and Sewage Disposal System Revenue Bonds

Date of Issue: June 1, 2005

Amount: \$900,000

<u>Fiscal Year</u>	<u>Principal 1-Mar</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>1-Mar</u>	<u>1-Sep</u>	
2011			\$ 17,298	\$ 17,298
2012	\$ 25,000	\$ 17,298	16,847	59,145
2013	25,000	16,847	16,385	58,232
2014	30,000	16,385	15,815	62,200
2015	30,000	15,815	15,230	61,045
2016-2020	170,000	69,375	65,783	305,158
2021-2025	215,000	48,794	43,844	307,638
2026-2030	<u>270,000</u>	<u>20,813</u>	<u>14,125</u>	<u>304,938</u>
Total	<u>\$765,000</u>	<u>\$205,327</u>	<u>\$ 205,327</u>	<u>\$1,175,654</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE H--LONG-TERM DEBT (Continued)

2010 Sewage System Improvements Revenue Bonds

Date of Issue: June 1, 2011

Amount: \$3,540,000

Unamortized Bond Discount at June 30, 2011: \$42,859

Current Year Amortized Cost: \$1,099

Fiscal Year	Principal 1-Dec	Interest		Annual Total
		1-Dec	1-June	
2012	\$ 44,000	\$ 53,100	\$ 52,440	\$ 149,540
2013	46,000	52,440	51,750	150,190
2014	47,000	51,750	51,045	149,795
2015	49,000	51,045	50,310	150,355
2016	50,000	50,310	49,560	149,870
2017-2021	277,000	239,745	235,590	752,335
2022-2026	325,000	217,575	212,700	755,275
2027-2031	382,000	191,535	185,805	759,340
2032-2036	448,000	160,965	154,245	763,210
2036-2040	527,000	125,085	117,180	769,265
2041-2045	616,000	82,965	73,725	772,690
2046-2050	729,000	33,630	22,695	785,325
Total	<u>\$ 3,540,000</u>	<u>\$ 1,310,145</u>	<u>\$ 1,257,045</u>	<u>\$ 6,107,190</u>

As of June 30, 2011, the City has only received \$1,429,000 of the bond as construction will continue into the June 30, 2012 fiscal year.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE H--LONG-TERM DEBT (Continued)

2010 Water System Improvements Revenue Bonds

Date of Issue: June 1, 2011

Amount: \$4,800,000

Unamortized Bond Discount at June 30, 2011: \$55,780

Current Year Amortized Cost: \$1,430

Fiscal Year	Principal 1-Dec	Interest		Annual Total
		1-Dec	1-June	
2012	\$ 60,000	\$ 72,000	\$ 71,100	\$ 203,100
2013	62,000	71,100	70,170	203,270
2014	64,000	70,170	69,210	203,380
2015	66,000	69,210	68,220	203,430
2016	68,000	68,220	67,200	203,420
2017-2021	377,000	325,035	319,380	1,021,415
2022-2026	441,000	294,915	288,300	1,024,215
2027-2031	518,000	259,605	251,835	1,029,440
2032-2036	607,000	218,145	209,040	1,034,185
2036-2040	714,000	169,530	158,820	1,042,350
2041-2045	837,000	112,410	99,855	1,049,265
2046-2050	<u>986,000</u>	<u>45,435</u>	<u>30,645</u>	<u>1,062,080</u>
Total	<u>\$ 4,800,000</u>	<u>\$1,775,775</u>	<u>\$ 1,703,775</u>	<u>\$8,279,550</u>

As of June 30, 2011, the City has only received \$856,000 of the bond as construction will continue into the June 30, 2012 fiscal year.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE H--LONG-TERM DEBT (Continued)

Annual Debt Service Requirements--Component Units

The annual requirements to pay the principal and interest on the component units direct long-term debt obligations outstanding at June 30, 2011, are as follows:

1999 Downtown Development Refunding Bonds

Date of Issue: May 20, 1999

Amount: \$1,945,000

<u>Year</u>	<u>Principal 1-Nov</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>1-May</u>	<u>1-Nov</u>	
2011	\$ 80,000		\$ 34,099	\$ 114,099
2012	85,000	\$ 32,319	32,319	149,638
2013	90,000	30,427	30,427	150,854
2014	90,000	28,425	28,425	146,850
2015	95,000	26,333	26,333	147,666
2016-2020	575,000	94,704	94,704	764,408
2021-2023	420,000	21,038	21,038	462,076
Total	<u>\$1,435,000</u>	<u>\$ 233,246</u>	<u>\$ 267,345</u>	<u>\$1,935,591</u>

2004 Downtown Development Refunding Bonds

Date of Issue: February 18, 2004

Amount: \$405,000

<u>Year</u>	<u>Principal 1-Nov</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>1-May</u>	<u>1-Nov</u>	
2011	\$ 20,000		\$ 6,510	\$ 26,510
2012	20,000	\$ 6,160	6,160	32,320
2013	25,000	5,785	5,785	32,320
2014	20,000	5,285	5,285	36,570
2015	20,000	4,885	4,885	30,570
2016-2020	100,000	17,805	17,805	135,610
2021-2023	85,000	4,125	4,125	93,250
Total	<u>\$290,000</u>	<u>\$ 44,045</u>	<u>\$ 50,555</u>	<u>\$ 387,150</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE H--LONG-TERM DEBT (Continued)

On February 8, 2004, the City issued \$405,000 in Downtown Development Refunding Bonds, Series 2004, with an average interest rate of 3.755% to refund \$365,000 of outstanding 1994 Downtown Development Bonds, Series 1994, with an average interest rate of 6.772%. The net proceeds of \$384,429 (after the payment of \$20,751 in underwriting fees and related bond issuance costs), were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Series bonds. As a result, the 1994 bonds are considered to be defeased and the liability for those bonds has been removed from the component unit column of the Statement of Net Assets. The City refunded the 1994 Series bonds to reduce its total debt service payments over the next 20 years by \$77,914 and resulted in an economic gain of \$51,649.

Economic Development Corporation (EDC)

Note Payable--Real Estate

Date of Issue: September 29, 2004

Amount: \$490,000

Fiscal Year Ended 30-Jun	Principal Payments	Interest Payments	Annual Total
2012	\$ 55,575	\$ 9,805	\$ 65,380
2013	58,973	6,407	65,380
2014	62,580	2,800	65,380
2015	<u>15,173</u>	<u>111</u>	<u>14,969</u>
Total	<u>\$192,301</u>	<u>\$ 19,123</u>	<u>\$211,109</u>

Effective for the fiscal year ended June 30, 2002, the Economic Development Corporation assumed a mortgage from the General Fund. On September 29, 2004, the City refinanced the old mortgage, which had a balance of \$487,791, on June 30, 2004. The new loan balance of \$490,000 is payable in 120 monthly installments beginning on October 29, 2004. The interest rate on this loan is 5.95% for the first five years. Thereafter, the fixed rate is the greater of: (a) 5.95%; or (b) two percentage points over the rate on five year U.S. Treasury obligation existing on the fifth anniversary of the date of the note.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE H--LONG-TERM DEBT (Continued)

Debt Covenants

The City's five previously issued revenue bonds include covenants to set aside amounts in bond reserve funds. At June 30, 2011, there was \$7,012, \$13,530, \$79,067, \$46,010 and \$44,971 in separate bank accounts for the bond reserves for the 2004 DDA Refunding Bond, 1994 DDA Water and Sewer Improvement Revenue Bonds, 1996 Water and Sewer Improvement Revenue Bonds, 2004 Water and Sewer Improvement Revenue Bonds, and the 2005 Water and Sewer Improvement Revenue Bonds, respectively. These bonds' reserves are reported as "Restricted Cash" in the Statement of Net Assets for the respective funds.

The two new revenue bonds issued include covenants also to set aside bond reserve funds and repair, replacement, and improvement funds. At June 30, 2011, there were no funds yet established and there was \$5,000 set up for each revenue bond for the repair, replacement, and improvement accounts.

NOTE I--COMPENSATED ABSENCES

Vested Employee Benefits Payable

The City has an accrued liability for accumulated vested vacation and sick leave benefits payable for its employees. As of June 30, 2011, the accumulated vested vacation and sick leave benefits of the City's employees were as follows:

	<u>Sick/Personnel Leave</u>	<u>Vacation Leave</u>	<u>Total</u>
General Government	\$ 4,090	\$13,529	\$17,619
Public Safety	7,001	11,790	18,791
Public Works--General Fund	<u>10,195</u>	<u>20,223</u>	<u>30,418</u>
Total	<u>\$21,286</u>	<u>\$45,542</u>	<u>\$66,828</u>

These amounts are reported in the Statement of Net Assets as a noncurrent liability in the governmental activities (General Government, Public Safety, and Public Works).

City employees are entitled to certain vacation and sick pay benefits that accrue and vest under the terms of the City's labor agreements and personnel policy.

Vacation leave is earned in varying amounts ranging from 1 to 5 five weeks depending on the number of years of service provided by the employee and is available on the employee's anniversary date. With supervisory approval, employees may carry over a maximum of one week to the subsequent period.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2011

NOTE I--COMPENSATED ABSENCES (Continued)

Sick leave is earned by all City employees at the rate of 12 days annually with each day being made available as of the last day of the month. A maximum of 24 days may be accrued. Upon retirement, employees are paid one-half of their accumulated unused sick leave.

NOTE J--EMPLOYEES' RETIREMENT SYSTEM

PRIMARY GOVERNMENT

Description of Plan and Plan Assets

The City is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement for general employees is computed using credited service at the time of termination of membership multiplied by the sum of 2% times the final average compensation (FAC). The service requirement for nonunion employees is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% of (FAC), with a maximum benefit of 80% of FAC. The service requirement for police and nonunion classified employees is computed using credited service at the time of termination of membership multiplied by the sum of 2.5% of (FAC), with a maximum benefit of 80% of FAC. The most recent period for which actuarial data was available was for the calendar year ended December 31, 2010.

MERS was established in 1946 under Public Act 135 of 1945, and granted independence from the State of Michigan pursuant to Public Act 220 of 1996, effective August 15, 1996. MERS is administered under the provisions of Public Act 427 of 1984, as amended. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

General employees contribute 4.75%, police contribute 8.00%, nonunion employees contribute 7.00% and nonunion classified employees contribute 9.90% of their annual compensation, respectively. The City's pension contributions of covered payroll for the period ending December 31, 2010 were 6.25% for general employees, 28.04% for police, 8.07% for nonunion employees, and \$14,160 annually for nonunion classified employees, respectively.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE J--EMPLOYEES' RETIREMENT SYSTEM (Continued)

If a member leaves the employment of the municipality or dies, without a retirement allowance or other benefit payable on his/her account, the member's accumulated contributions plus interest (at a rate determined by MERS, currently 1.5%) are refunded with spousal consent, to the member, if living, or to the member's surviving spouse, if any, or to a named beneficiary.

Annual Pension Cost

During the calendar year ended December 31, 2010, the City's contributions totaled \$99,316 and the employee contributions totaled \$52,164; these contributions were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2008, and personnel agreement. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his/her projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended 12/31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$ 273,351	100%	\$0
2009	109,042	100%	\$0
2010	99,316	100%	\$0

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/2008	\$ 2,695,727	\$ 3,704,271	\$ 1,008,544	73%	\$ 865,146	117%
12/31/2009	2,762,944	3,717,909	954,965	74%	830,907	115%
12/31/2010	2,842,280	3,914,069	1,071,789	73%	765,918	140%

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE K--DEFERRED COMPENSATION PLAN

Primary Government

The City offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan are held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the ICMA Retirement Corporation for the exclusive benefit of the participants and beneficiaries of these Section 457 plans and the assets may not be diverted to any other use. The administrator is an agent of the employer. The administrator provides direction to the custodian, from time to time, regarding the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the City's financial statements. The City also has a 401A Qualified Plan, which covers only a former City manager. The custodial account is also held by the ICMA Retirement Corporation.

NOTE L--OTHER POST-EMPLOYMENT BENEFITS

Plan Description

In addition to the pension benefits described in Note J, the City administers a single-employer defined benefit healthcare plan. The City provides post-employment healthcare insurance benefits to certain retired union and administrative employees through the City group health insurance plan which covers both active and retired members. Benefit provisions are established through negotiations between the City and the union in accordance with the labor contract and personnel policy which is negotiated every three-year bargaining period.

Funding Policy

The City provides post-employment health benefits, in accordance with the collective bargaining agreement with the Fraternal Order of Police. According to the agreement, employees hired before July 1, 2005, who retire during the period of this agreement and who are immediately eligible for retirement benefits shall be provided single subscriber health and hospitalization coverage as provided to active employees under this agreement. Single subscriber health and hospitalization coverage for employees hired before July 1, 2005, will continue until the retiree is eligible of Medicaid/Medicare coverage. Spousal coverage will be available under the same plan provided to the retiree with the retiree paying any cost to the employer. For employees hired after June 30, 2005, the employer will contribute \$750 per year into a Health Reimbursement Account which the employee will have full access to upon retirement from the City.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE L--OTHER POST-EMPLOYMENT BENEFITS (Continued)

For the administrative employees and those covered by the AFL-CIO collective bargaining agreement, employees who retire under the auspices of the Municipal Employees' Retirement System (MERS) and are immediately eligible for retirement benefits, will be carried under the full group health plan. The coverage is limited to the employee only. However, the employee at their expense may continue to carry their spouse under the group health insurance policy offered City employees, provided they pay the difference in premium costs. Upon a retiree becoming eligible for Medicare coverage, said retiree shall apply for and be covered under Medicare. The City will make available to the retiree a Blue Cross/Blue Shield supplement policy to Medicare. The retiree shall bear the full cost of said Blue Cross/Blue Shield policy.

Currently, 4 retirees met those eligibility requirements. Expenditures for post-employment health care benefits are recognized when insurance premiums are paid. Premiums paid by the City in 2011 totaled \$29,945.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

Funding Status and Funding Progress

For the year ended June 30, 2011, the City has estimated the cost of providing retiree healthcare benefits using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The alternative measurement method computes an annual required contribution. The computed required contribution and actual funding are summarized as follows:

Annual Required Contribution	\$ 56,214
Interest on Beginning of Year Net OPEB Obligation (5.5%)	<u>4,494</u>
Annual OPEB Cost	60,708
Amounts Contributed	
Payments of Current Premiums	<u>(29,945)</u>
Increase in Net OPEB Obligation	30,763
Net OPEB Obligation--Beginning of Year	<u>81,707</u>
Net OPEB Obligation--End of Year	<u>\$ 112,470</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE L--OTHER POST-EMPLOYMENT BENEFITS (Continued)

The above schedule of employer contributions presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 43.

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011 were as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Annual OPEB Costs	\$70,802	\$45,959	\$60,708
Percentage Contributed	26%	36%	27%
Net OPEB Obligation	\$52,502	\$81,707	\$112,470

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. This is the first year of implementation for GASB Statement No. 45, so only one year is presented because only one alternative measurement method actuarial valuation is available. The City expects to prepare an alternative measurement method actuarial valuation every year.

The funded status of the plan as of the most recent alternative measurement method date is presented in the Schedule of Funding Progress as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percent of Covered Payroll</u>
06/30/09	\$ -	\$ 2,124,060	\$ 2,124,060	0%	\$884,780	240.07%
06/30/10	-	1,292,136	1,292,136	0%	719,686	179.54%
06/30/11	-	1,686,423	1,686,423	0%	870,228	193.79%

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE L--OTHER POST-EMPLOYMENT BENEFITS (Continued)

Methods and Assumptions

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 the sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following actuarial assumptions were used in the development of the City's retiree health cost projections.

1. Actuarial Cost Method: Alternate Method as provided under GASB Statement No. 45 for plans with fewer than 100 employees
2. Interest Discount Rate: 5.50% compounded annually
3. Mortality Prior to Retirement: None
4. Turnover Prior to Retirement: Based on GASB Statement No. 43 Table 2 - Expected Future Working Lifetimes of Employees, by Age - Default Values
5. Post-Retirement Interest Rate: 5.5%
6. Post-Retirement Mortality: Based on life expectancy of age 77 for males and 81 for females

NOTE M--RISK MANAGEMENT/SELF-INSURANCE PROGRAMS

PRIMARY GOVERNMENT

The City and its component units are exposed to various risks of loss related to theft of, damage to, and distribution of assets, error and omissions, and injuries to employees. The City participates in the Michigan Municipal Liability and Property Pool (Pool) for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, building and contents) and workers' compensation. Settlement amounts have not exceeded insurance coverage for the current or three prior years.

Local units in the State of Michigan established and created a trust fund, known as the Michigan Municipal Liability and Property Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to member financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to local units and related local unit activities within the state.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE M--RISK MANAGEMENT/SELF-INSURANCE PROGRAMS (Continued)

The Michigan Municipal Liability and Property Pool program operates as a common risk-sharing management program for local units in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE N--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that cities report all Federal and State grants pertaining to their city. During the fiscal year ended June 30, 2011, the Federal aid received and expended by the City was \$365,158 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the cities, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by City employees or private contractors paid for and administered by the City.

NOTE O--FUND BALANCE

In accordance with Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City of Williamston classifies governmental fund balances as follows:

- Non-spendable - includes fund balance amounts in governmental funds to designate amounts which are not available for spending, or are legally or contractually required to be maintained. The non-spendable amount reported in the General Fund is related to prepaid expenditures.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City of Williamston does not have a formal minimum fund balance policy.

The purpose of the primary government's restricted fund balances and revenue sources are listed below:

Special Revenue Funds

- Major Street Fund - This fund is used to account for revenues from Federal and Michigan Transportation Fund monies distributed which are earmarked by law to control expenditures for the construction and maintenance of the major street system.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2011

NOTE O--FUND BALANCE (Continue)

- Local Street Fund - This fund is used to account for revenues primarily from Michigan Transportation Fund monies distributed which are earmarked by law to control expenditures for the construction and maintenance of the local street system.
- Building and Zoning Fund - This fund is used to account for revenues earmarked by law for building construction code enforcement activities within the city.

Debt Service Funds

- 2003 Act 175 Bond Debt - This fund is used to account for the principal and interest payments on the 2003 Act 175 Michigan Transportation Fund Bonds and is funded by appropriations from the Local Street Fund.
- 2003 Act 342 Bond Debt - This fund is used to account for the principal and interest payments on the 2003 Act 342 General Obligation Bonds and is funded by appropriations from the Local Street Fund.

The purpose of the component unit's restricted fund balances and revenue sources are listed below:

- Economic Development Fund - This fund is used to account for revenues received to administer the activities authorized under the Economic Development Corporation Act.
- Tax Increment Finance Authority (TIFA) 2A - This fund is used to account for the taxes captured by TIFA 2A to administer the activities authorized under the Tax Increment Finance Authority Act.
- Tax Increment Finance Authority (TIFA) 2B - This fund is used to account for the taxes captured by TIFA 2B to administer the activities authorized under the Tax Increment Finance Authority Act.
- Downtown Development Authority (DDA) - This fund is used to account for the taxes captured by the DDA to administer the activities authorized under the Downtown Development Authority Act.

Unassigned Fund Balance

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

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

NOTE P--CHANGE IN ACCOUNTING PRINCIPLE

In March 2009, the Government Accounting Standards Board (GASB) issued statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement 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. Under this standard, the fund balance classifications of reserved, designated, and unreserved have been replaced with five new classifications: non-spendable, restricted, committed, assigned, and unassigned.

**CITY OF WILLIAMSTON  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2011**

**EXHIBIT K**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Revenues				
Property Taxes	\$ 1,530,000	\$ 1,530,000	\$ 1,531,941	\$ 1,941
Licenses and Permits	18,700	18,700	30,327	11,627
Federal Grants	102,000	102,000	-	(102,000)
State Grants	646,200	646,200	591,869	(54,331)
Charges for Services	11,750	11,750	10,549	(1,201)
Fines and Forfeitures	7,500	7,500	8,337	837
Interest and Rentals	163,000	163,000	182,059	19,059
Other Revenue	306,500	306,500	326,014	19,514
Total Revenues	<u>2,785,650</u>	<u>2,785,650</u>	<u>2,681,096</u>	<u>(104,554)</u>
Expenditures				
Current				
General Government	1,026,075	1,005,075	943,544	61,531
Public Safety	546,815	547,850	543,917	3,933
Public Works	353,925	386,425	342,177	44,248
Community and Economic Development	146,925	106,925	65,048	41,877
Recreation and Culture	84,400	89,400	74,668	14,732
Capital Outlay	985,500	1,064,500	957,801	106,699
Total Expenditures	<u>3,143,640</u>	<u>3,200,175</u>	<u>2,927,155</u>	<u>273,020</u>
Excess of Revenues Over (Under) Expenditures	<u>(357,990)</u>	<u>(414,525)</u>	<u>(246,059)</u>	<u>168,466</u>
Other Financing Sources (Uses)				
Interfund Transfers (Out)	<u>(268,000)</u>	<u>(360,500)</u>	<u>(360,500)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(268,000)</u>	<u>(360,500)</u>	<u>(360,500)</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(625,990)</u>	<u>(775,025)</u>	<u>(606,559)</u>	<u>168,466</u>
Fund Balance--July 1, 2010	<u>1,690,557</u>	<u>1,690,557</u>	<u>1,690,557</u>	<u>-</u>
Fund Balance--June 30, 2011	<u>\$ 1,064,567</u>	<u>\$ 915,532</u>	<u>\$ 1,083,998</u>	<u>\$ 168,466</u>

The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR STREET--MAJOR SPECIAL REVENUE FUND  
For the Fiscal Year Ended June 30, 2011**

**EXHIBIT L**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Revenues				
Federal Grants				
Economic Development Grant	\$ 375,000	\$ 375,000	\$ 375,000	\$ -
American Recovery and Reinvestment Act			(9,842)	(9,842)
State Grants				
MTF Distributions	140,000	140,000	145,593	5,593
Metro Act			9,154	9,154
Interest and Rentals			97	97
Other Revenue			64,094	64,094
Total Revenues	<u>515,000</u>	<u>515,000</u>	<u>584,096</u>	<u>69,096</u>
Expenditures				
Public Works				
Construction		106,000	18,181	87,819
Preservation/Structural Improvements	556,000	648,500	593,185	55,315
Nonmotorized Transportation	7,700	7,700	4,183	3,517
Surface Maintenance	40,050	40,050	38,474	1,576
Sweeping/Flushing	19,625	19,625	8,907	10,718
Bridge Maintenance	3,000	3,000	481	2,519
Traffic Control	5,550	10,550	7,859	2,691
Winter Maintenance	42,400	42,400	34,491	7,909
Administration	8,000	8,000	7,642	358
Total Expenditures	<u>682,325</u>	<u>885,825</u>	<u>713,403</u>	<u>172,422</u>
Excess of Revenues Over (Under) Expenditures	<u>(167,325)</u>	<u>(370,825)</u>	<u>(129,307)</u>	<u>241,518</u>
Other Financing Sources (Uses)				
Interfund Transfers In	<u>90,000</u>	<u>182,500</u>	<u>182,500</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>90,000</u>	<u>182,500</u>	<u>182,500</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(77,325)	(188,325)	53,193	241,518
Fund Balance--July 1, 2010	<u>(263,404)</u>	<u>(263,404)</u>	<u>(263,404)</u>	<u>-</u>
Fund Balance--June 30, 2011	<u>\$ (340,729)</u>	<u>\$ (451,729)</u>	<u>\$ (210,211)</u>	<u>\$ 241,518</u>

**The Notes to Financial Statements are an integral part of this statement.**

**CITY OF WILLIAMSTON  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
LOCAL STREET--MAJOR SPECIAL REVENUE FUND  
For the Fiscal Year Ended June 30, 2011**

**EXHIBIT M**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget Positive (Negative)
Revenues				
State Grants--MTF Distributions	\$ 48,000	\$ 48,000	\$ 50,472	\$ 2,472
Interest and Rentals			201	201
Other Revenues			450	450
Total Revenues	<u>48,000</u>	<u>48,000</u>	<u>51,123</u>	<u>3,123</u>
Expenditures				
Public Works				
Construction/Capacity Improvements	30,000	30,000	-	30,000
Nonmotorized Transportation	7,225	9,725	8,356	1,369
Surface Maintenance	41,500	41,500	37,563	3,937
Sweeping/Flushing	25,000	15,000	5,851	9,149
Bridge Maintenance	2,500	2,500	143	2,357
Traffic Control	3,300	3,300	1,103	2,197
Winter Maintenance	42,100	42,100	34,538	7,562
Administration	7,350	7,350	6,965	385
Total Expenditures	<u>158,975</u>	<u>151,475</u>	<u>94,519</u>	<u>56,956</u>
Excess of Revenues Over (Under) Expenditures	<u>(110,975)</u>	<u>(103,475)</u>	<u>(43,396)</u>	<u>60,079</u>
Other Financing Sources (Uses)				
Interfund Transfers In	113,000	113,000	113,000	-
Interfund Transfers (Out)	<u>(133,845)</u>	<u>(133,845)</u>	<u>(133,845)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(20,845)</u>	<u>(20,845)</u>	<u>(20,845)</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(131,820)	(124,320)	(64,241)	60,079
Fund Balance--July 1, 2010	<u>143,808</u>	<u>143,808</u>	<u>143,808</u>	<u>-</u>
Fund Balance--June 30, 2011	<u>\$ 11,988</u>	<u>\$ 19,488</u>	<u>\$ 79,567</u>	<u>\$ 60,079</u>

**The Notes to Financial Statements are an integral part of this statement.**

**CITY OF WILLIAMSTON  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2011**

**EXHIBIT N**

	<b><u>SPECIAL REVENUE FUND</u></b>	<b><u>DEBT SERVICE FUNDS</u></b>		
	Building and Zoning	2003 Act 175 Bond Debt	2003 Act 342 Bond Debt	Total
<b><u>ASSETS</u></b>				
Accounts Receivable	\$ 626			\$ 626
Due From Other Funds--Primary Government	<u>48,448</u>	<u>\$ 15</u>	<u>\$ 30</u>	<u>48,493</u>
Total Assets	<u><u>\$ 49,074</u></u>	<u><u>\$ 15</u></u>	<u><u>\$ 30</u></u>	<u><u>\$ 49,119</u></u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Accounts Payable	<u>\$ 2,027</u>	_____	_____	<u>\$ 2,027</u>
Total Liabilities	<u>2,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,027</u>
Fund Balances				
Restricted for				
Building and Zoning	47,047			47,047
Debt Service	_____	<u>15</u>	<u>30</u>	<u>45</u>
Total Fund Balances	<u>47,047</u>	<u>15</u>	<u>30</u>	<u>47,092</u>
Total Liabilities and Fund Balances	<u><u>\$ 49,074</u></u>	<u><u>\$ 15</u></u>	<u><u>\$ 30</u></u>	<u><u>\$ 49,119</u></u>

**CITY OF WILLIAMSTON  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2011**

**EXHIBIT O**

	<b>SPECIAL REVENUE FUND</b>	<b>DEBT SERVICE FUNDS</b>		<b>Total</b>
	Building and Zoning	2003 Act 175 Bond Debt	2003 Act 342 Bond Debt	
Revenues				
Licenses and Permits	\$ 21,162			\$ 21,162
Charges for Services	960			960
Total Revenues	<u>22,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>22,122</u>
Expenditures				
Current				
Public Safety	51,877			51,877
Principal		15,000	55,000	70,000
Interest and Fees		<u>7,424</u>	<u>56,417</u>	<u>63,841</u>
Total Expenditures	<u>51,877</u>	<u>22,424</u>	<u>111,417</u>	<u>185,718</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(29,755)</u>	<u>(22,424)</u>	<u>(111,417)</u>	<u>(163,596)</u>
Other Financing Sources (Uses)				
Interfund Transfers In (Primary Government)	<u>65,000</u>	<u>22,425</u>	<u>111,420</u>	<u>198,845</u>
Total Other Financing Sources (Uses)	<u>65,000</u>	<u>22,425</u>	<u>111,420</u>	<u>198,845</u>
Excess of Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	35,245	1	3	35,249
Fund Balance--July 1, 2010	<u>11,802</u>	<u>14</u>	<u>27</u>	<u>11,843</u>
Fund Balance--June 30, 2011	<u>\$ 47,047</u>	<u>\$ 15</u>	<u>\$ 30</u>	<u>\$ 47,092</u>

**CITY OF WILLIAMSTON**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2011**

**EXHIBIT P**

	<b>BUDGETED AMOUNTS</b>			Variance With
	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	Amended Budget Positive (Negative)
Property Taxes				
Current Property Taxes	\$ 1,450,000	\$ 1,450,000	\$ 1,442,364	\$ (7,636)
Penalties and Interest on Taxes	20,000	20,000	22,512	2,512
Property Tax Administration Fees	60,000	60,000	67,065	7,065
<b>Total Property Taxes</b>	<u>1,530,000</u>	<u>1,530,000</u>	<u>1,531,941</u>	<u>1,941</u>
Licenses and Permits				
Liquor Licenses	100	100	3,024	2,924
Cable Franchise Fee	18,000	18,000	26,343	8,343
Other Licenses and Permits	600	600	960	360
<b>Total Licenses and Permits</b>	<u>18,700</u>	<u>18,700</u>	<u>30,327</u>	<u>11,627</u>
Federal Grants				
Tree Planting Grant	2,000	2,000	-	(2,000)
Community Development Block Grant	100,000	100,000	-	(100,000)
<b>Total Federal Grants</b>	<u>102,000</u>	<u>102,000</u>	<u>-</u>	<u>(102,000)</u>
State Grants				
Michigan DNR Grant	391,000	391,000	325,634	(65,366)
Act 302 Officer Training	1,200	1,200	1,164	(36)
State Shared Revenue	254,000	254,000	265,071	11,071
<b>Total State Grants</b>	<u>646,200</u>	<u>646,200</u>	<u>591,869</u>	<u>(54,331)</u>
Charges for Services				
General Sales	1,000	1,000	546	(454)
Garbage Bag Sales	4,750	4,750	4,045	(705)
Police Reports and Service Fees	6,000	6,000	5,798	(202)
Miscellaneous	-	-	160	160
<b>Total Charges for Services</b>	<u>11,750</u>	<u>11,750</u>	<u>10,549</u>	<u>(1,201)</u>
Fines and Forfeitures				
Parking Fines and Civil Infractions	7,500	7,500	8,337	837
<b>Total Fines and Forfeitures</b>	<u>7,500</u>	<u>7,500</u>	<u>8,337</u>	<u>837</u>

**CITY OF WILLIAMSTON  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL--GENERAL FUND  
For the Fiscal Year Ended June 30, 2011**

**EXHIBIT P  
(CONTINUED)**

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	Variance With Amended Budget
	<u>Original</u>	<u>Amended</u>		Positive (Negative)
Interest and Rentals				
Interest Earned	3,000	3,000	3,156	156
Equipment Rental	160,000	160,000	178,903	18,903
Total Interest and Rentals	<u>163,000</u>	<u>163,000</u>	<u>182,059</u>	<u>19,059</u>
Other Revenue				
Sale of Capital Assets	-	-	21,000	21,000
Donations	7,500	7,500	28,954	21,454
Administrative Reimbursements	275,000	275,000	246,500	(28,500)
Refunds and Reimbursements	24,000	24,000	29,560	5,560
Total Other Revenue	<u>306,500</u>	<u>306,500</u>	<u>326,014</u>	<u>19,514</u>
Total Revenues	<u>\$ 2,785,650</u>	<u>\$ 2,785,650</u>	<u>\$ 2,681,096</u>	<u>\$ (206,554)</u>

**CITY OF WILLIAMSTON**  
**SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2011**

**EXHIBIT Q**

	<b>BUDGETED AMOUNTS</b>			Variance With
	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	Amended Budget Positive (Negative)
General Government				
City Council	\$ 26,950	\$ 35,950	\$ 29,246	\$ 6,704
City Manager	168,700	178,700	180,982	(2,282)
Clerk	91,575	91,575	84,051	7,524
Treasurer	199,700	199,700	167,957	31,743
Assessor	50,600	52,600	49,880	2,720
Elections	26,300	9,300	6,477	2,823
Buildings and Grounds	355,250	305,250	286,331	18,919
Attorney	75,000	100,000	110,029	(10,029)
Cemetery Board	12,000	12,000	12,000	-
Wheatfield Township 425 Revenue Sharing	20,000	20,000	16,591	3,409
<b>Total General Government</b>	<b>1,026,075</b>	<b>1,005,075</b>	<b>943,544</b>	<b>61,531</b>
Public Safety				
Police	546,315	547,350	543,417	3,933
Ingham County Hazmat Team	500	500	500	-
<b>Total Public Safety</b>	<b>546,815</b>	<b>547,850</b>	<b>543,917</b>	<b>3,933</b>
Public Works				
Department of Public Works	31,025	46,025	42,139	3,886
Equipment Maintenance	96,000	96,000	90,153	5,847
Street Lighting	60,000	77,500	66,271	11,229
City Tree Service	13,900	13,900	13,272	628
Leaf and Grass Collection	65,500	65,500	44,271	21,229
Tobias Drain Assessment	87,500	87,500	86,071	1,429
<b>Total Public Works</b>	<b>353,925</b>	<b>386,425</b>	<b>342,177</b>	<b>44,248</b>
Community and Economic Development				
Planning Commission	77,775	57,775	35,472	22,303
Community and Economic Development Administration	69,150	49,150	29,576	19,574
<b>Total Community and Economic Development</b>	<b>146,925</b>	<b>106,925</b>	<b>65,048</b>	<b>41,877</b>
Recreation and Culture				
Parks and Recreation	79,400	84,400	74,668	9,732
Red Cedar Recreation Association	5,000	5,000	-	5,000
<b>Total Recreation and Culture</b>	<b>84,400</b>	<b>89,400</b>	<b>74,668</b>	<b>14,732</b>
Capital Outlay				
New Equipment	985,500	1,064,500	957,801	106,699
<b>Total Capital Outlay</b>	<b>985,500</b>	<b>1,064,500</b>	<b>957,801</b>	<b>106,699</b>
Other Financing Uses				
Major Street Fund	90,000	182,500	182,500	-
Local Street Fund	113,000	113,000	113,000	-
Building and Zoning Fund	65,000	65,000	65,000	-
<b>Total Other Financing Uses</b>	<b>268,000</b>	<b>360,500</b>	<b>360,500</b>	<b>-</b>
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ 3,411,640</b>	<b>\$ 3,560,675</b>	<b>\$ 3,287,655</b>	<b>\$ 273,020</b>

**CITY OF WILLIAMSTON  
GOVERNMENTAL FUND BALANCE SHEET  
STATEMENT OF NET ASSETS  
ECONOMIC DEVELOPMENT CORPORATION  
June 30, 2011**

**EXHIBIT R**

	<u>Modified Accrual Basis</u>	<u>Full Accrual Adjustments</u>	<u>Statement of Net Assets</u>
<b><u>ASSETS</u></b>			
Cash	\$ 68,230		\$ 68,230
Investments	10,037		10,037
Capital Assets (Net of Accumulated Depreciation)		<u>\$ 659,437</u>	<u>659,437</u>
Total Assets	<u>\$ 78,267</u>	<u>\$ 659,437</u>	<u>\$ 737,704</u>
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Due to Other Funds--Primary Government	\$ 61,626		\$ 61,626
Non-Current Liabilities			
Notes Payable			
Due Within One Year		\$ 52,372	52,372
Due in More Than One Year		<u>139,929</u>	<u>139,929</u>
Total Liabilities	<u>61,626</u>	<u>192,301</u>	<u>253,927</u>
<b><u>FUND BALANCE/NET ASSETS</u></b>			
Fund Balance--Restricted	<u>16,641</u>	<u>(16,641)</u>	<u>-</u>
Total Fund Equities	<u>16,641</u>	<u>(16,641)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 78,267</u>		
Net Assets			
Invested in Capital Assets--Net of Related Debt		467,136	467,136
Restricted for Economic Development Programs		<u>16,641</u>	<u>16,641</u>
Total Net Assets		<u>\$ 483,777</u>	<u>\$ 483,777</u>

**CITY OF WILLIAMSTON**  
**STATEMENT OF GOVERNMENTAL FUND REVENUE,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**STATEMENT OF ACTIVITIES**  
**ECONOMIC DEVELOPMENT CORPORATION**  
**For the Fiscal Year Ended June 30, 2011**

**EXHIBIT S**

	<u>Modified Accrual Basis</u>	<u>Full Accrual Adjustments</u>	<u>Statement of Net Activities</u>
Revenue			
Interest and Rents	\$ 68,000		\$ 68,000
Other Revenues	500		500
Total Revenue	<u>68,500</u>	<u>\$ -</u>	<u>68,500</u>
Expenditures			
Community and Economic Development	4,874	30,274	35,148
Debt Service			
Principal	52,056	(52,056)	-
Interest	13,285		13,285
Total Expenditures	<u>70,215</u>	<u>(21,782)</u>	<u>48,433</u>
Excess of Revenue Over (Under) Expenditures	<u>(1,715)</u>	<u>21,782</u>	<u>20,067</u>
Change in Net Assets		<u>21,782</u>	<u>20,067</u>
Fund Balance/Net Assets--Beginning of Year	<u>18,356</u>		<u>463,710</u>
Fund Balance/Net Assets--End of Year	<u>\$ 16,641</u>	<u>\$ 21,782</u>	<u>\$ 483,777</u>

**CITY OF WILLIAMSTON  
GOVERNMENTAL FUND BALANCE SHEET  
STATEMENT OF NET ASSETS  
TAX INCREMENT FINANCE AUTHORITY 2A  
June 30, 2011**

**EXHIBIT T**

	<u>Modified Accrual Basis</u>	<u>Full Accrual Adjustments</u>	<u>Statement of Net Assets</u>
<b><u>ASSETS</u></b>			
Cash	\$ 71,412		\$ 71,412
Capital Assets (Net of Accumulated Depreciation)		<u>\$ 105,712</u>	<u>105,712</u>
Total Assets	<u>\$ 71,412</u>	<u>\$ 105,712</u>	<u>\$ 177,124</u>
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Due to Other Funds--Primary Government	<u>\$ 15,047</u>		<u>\$ 15,047</u>
Total Liabilities	<u>15,047</u>	<u>\$ -</u>	<u>15,047</u>
<b><u>FUND BALANCE/NET ASSETS</u></b>			
Fund Balance--Restricted	<u>56,365</u>	<u>(56,365)</u>	<u>-</u>
Total Fund Equities	<u>56,365</u>	<u>(56,365)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 71,412</u>		
Net Assets			
Invested in Capital Assets--Net of Related Debt		105,712	105,712
Restricted for Tax Increment Finance Plans		<u>56,365</u>	<u>56,365</u>
Total Net Assets		<u>\$ 162,077</u>	<u>\$ 162,077</u>

**CITY OF WILLIAMSTON**  
**STATEMENT OF GOVERNMENTAL FUND REVENUE,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**STATEMENT OF ACTIVITIES**  
**TAX INCREMENT FINANCE AUTHORITY 2A**  
**For the Fiscal Year Ended June 30, 2011**

**EXHIBIT U**

	<u>Modified Accrual Basis</u>	<u>Full Accrual Adjustments</u>	<u>Statement of Net Activities</u>
Revenue			
Interest and Rents	<u>\$ 188</u>	<u>          </u>	<u>\$ 188</u>
Total Revenue	<u>188</u>	<u>\$ -</u>	<u>188</u>
Expenditures			
Community and Economic Development	<u>1,905</u>	<u>1,862</u>	<u>3,767</u>
Total Expenditures	<u>1,905</u>	<u>1,862</u>	<u>3,767</u>
Excess of Revenue Over (Under) Expenditures	<u>(1,717)</u>	<u>(1,862)</u>	<u>(3,579)</u>
Other Financing Sources			
Transfers (Out)--Primary Government	<u>(12,640)</u>	<u>          </u>	<u>(12,640)</u>
Total Other Financing Sources	<u>(12,640)</u>	<u>-</u>	<u>(12,640)</u>
Excess of Revenues and Other Financing Sources Over Expenditures	<u>(14,357)</u>		
Change in Net Assets	<u>          </u>	<u>(1,862)</u>	<u>(16,219)</u>
Fund Balance/Net Assets--Beginning of Year	<u>70,722</u>	<u>          </u>	<u>178,296</u>
Fund Balance/Net Assets--End of Year	<u><u>\$ 56,365</u></u>	<u><u>\$ (1,862)</u></u>	<u><u>\$ 162,077</u></u>

**CITY OF WILLIAMSTON  
GOVERNMENTAL FUND BALANCE SHEET  
STATEMENT OF NET ASSETS  
TAX INCREMENT FINANCE AUTHORITY 2B  
June 30, 2011**

**EXHIBIT V**

	<u>Modified Accrual Basis</u>	<u>Full Accrual Adjustments</u>	<u>Statement of Net Assets</u>
<b><u>ASSETS</u></b>			
Current Assets			
Cash	\$ 159,910		\$ 159,910
Investments	55,128		55,128
Due From Other Funds	2,832		2,832
	<u>217,870</u>	<u>\$ -</u>	<u>217,870</u>
Total Current Assets			
Noncurrent Assets			
Capital Assets (Net of Accumulated Depreciation)		820,389	820,389
	<u>-</u>	<u>820,389</u>	<u>820,389</u>
Total Noncurrent Assets			
Total Assets	<u>\$ 217,870</u>	<u>\$ 820,389</u>	<u>\$ 1,038,259</u>
<b><u>LIABILITIES</u></b>			
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b><u>FUND BALANCE/NET ASSETS</u></b>			
Fund Balances--Restricted	<u>217,870</u>	<u>(217,870)</u>	<u>-</u>
Total Fund Equities	<u>217,870</u>	<u>(217,870)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 217,870</u>		
Net Assets			
Invested in Capital Assets--Net of Related Debt		820,389	820,389
Restricted for Tax Increment Finance Plans		217,870	217,870
Total Net Assets		<u>\$ 1,038,259</u>	<u>\$ 1,038,259</u>

**CITY OF WILLIAMSTON  
STATEMENT OF GOVERNMENTAL FUND REVENUE,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
STATEMENT OF ACTIVITIES  
TAX INCREMENT FINANCE AUTHORITY 2B  
For the Fiscal Year Ended June 30, 2011**

**EXHIBIT W**

	<u>Modified Accrual Basis</u>	<u>Full Accrual Adjustments</u>	<u>Statement of Net Activities</u>
Revenue			
Property Taxes	\$ 311,945		\$ 311,945
Interest and Rents	770		770
Other Revenue	<u>15,215</u>	<u>\$ (13,495)</u>	<u>1,720</u>
Total Revenue	<u>327,930</u>	<u>(13,495)</u>	<u>314,435</u>
Expenditures			
Community and Economic Development	109,384	40,078	149,462
Capital Outlay	<u>351,620</u>	<u>(351,620)</u>	<u>-</u>
Total Expenditures	<u>461,004</u>	<u>(311,542)</u>	<u>149,462</u>
Excess of Revenue Over (Under) Expenditures	<u>(133,074)</u>	<u>298,047</u>	<u>164,973</u>
Change in Net Assets	<u>                    </u>	<u>298,047</u>	<u>164,973</u>
Fund Balance/Net Assets--Beginning of Year	<u>350,944</u>	<u>-</u>	<u>873,286</u>
Fund Balance/Net Assets--End of Year	<u><u>\$ 217,870</u></u>	<u><u>\$ 298,047</u></u>	<u><u>\$ 1,038,259</u></u>

**CITY OF WILLIAMSTON  
GOVERNMENTAL FUND BALANCE SHEET  
STATEMENT OF NET ASSETS  
DOWNTOWN DEVELOPMENT AUTHORITY  
June 30, 2011**

**EXHIBIT X**

	Modified Accrual Basis	Full Accrual Adjustments	Statement of Net Assets
<b><u>ASSETS</u></b>			
Current Assets			
Cash	\$ 374,578		\$ 374,578
Investments	47,053		47,053
Due From Other Funds--Primary Government	2,302		2,302
Total Current Assets	423,933	\$ -	423,933
Noncurrent Assets			
Restricted Cash	7,012		7,012
Capital Assets (Net of Accumulated Depreciation)		1,281,009	1,281,009
Total Noncurrent Assets	7,012	1,281,009	1,288,021
Total Assets	<u>\$ 430,945</u>	<u>\$ 1,281,009</u>	<u>\$ 1,711,954</u>
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Accounts Payable	\$ 99		\$ 99
Due to Other Funds--Primary Government	242,742		242,742
Accrued Liabilities	584		584
Total Current Liabilities	243,425	\$ -	243,425
Non-Current Liabilities			
Bonds Payable--Due Within One Year		100,000	100,000
Bonds Payable--Due in More Than One Year		1,625,000	1,625,000
Total Noncurrent Liabilities	-	1,725,000	1,725,000
Total Liabilities	243,425	1,725,000	1,968,425
<b><u>FUND BALANCE/NET ASSETS</u></b>			
Fund Balance--Restricted	187,520	(187,520)	-
Total Fund Equities	187,520	(187,520)	-
Total Liabilities and Fund Balance	<u>\$ 430,945</u>		
Net Assets			
Invested in Capital Assets--Net of Related Debt		1,281,009	1,281,009
Restricted for Downtown Development Activities		(1,537,480)	(1,537,480)
Total Net Assets		<u>\$ (256,471)</u>	<u>\$ (256,471)</u>

**CITY OF WILLIAMSTON**  
**STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES**  
**DOWNTOWN DEVELOPMENT AUTHORITY**  
**For the Fiscal Year Ended June 30, 2011**

**EXHIBIT Y**

	<u>Modified Accrual Basis</u>	<u>Full Accrual Adjustments</u>	<u>Statement of Net Activities</u>
Revenue			
Property Taxes	\$ 430,617		\$ 430,617
Charges for Services	2,345		2,345
Interest and Rents	656		656
Total Revenue	<u>433,618</u>	<u>\$ -</u>	<u>433,618</u>
Expenditures			
Community and Economic Development	165,170	35,971	201,141
Capital Outlay	304,927	(304,927)	-
Debt Service			
Principal	95,000	(95,000)	-
Interest	83,505		83,505
Total Expenditures	<u>648,602</u>	<u>(363,956)</u>	<u>284,646</u>
Excess of Revenue Over (Under) Expenditures	<u>(214,984)</u>	<u>363,956</u>	<u>148,972</u>
Change in Net Assets		<u>363,956</u>	<u>148,972</u>
Fund Balance/Net Assets--Beginning of Year	<u>402,504</u>		<u>(405,443)</u>
Fund Balance/Net Assets--End of Year	<u>\$ 187,520</u>	<u>\$ 363,956</u>	<u>\$ (256,471)</u>

**CITY OF WILLIAMSTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (1)(2)**  
**For the Fiscal Year Ended June 30, 2011**

**SCHEDULE 1**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor Number</u>	<u>Federal Expenditures</u>
<b>PRIMARY GOVERNMENT</b>			
US DEPARTMENT OF AGRICULTURE--RURAL DEVELOPMENT			
Office of Rural Development--Direct			
ARRA - Sewer Loan	10.781	MI-92-02	\$ 1,937,744
Office of Community Development--Direct			
ARRA - Water Loan	10.781	MI-92-01	<u>1,259,435</u>
<b>TOTAL US DEPARTMENT OF AGRICULTURE</b>			<u>3,197,179</u>
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Michigan Department of Housing			
Community Development Block Grant	14.228	MSC-209066-CDF	<u>86,872</u>
<b>TOTAL US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<u>86,872</u>
US DEPARTMENT OF TRANSPORTATION			
Passed Through Michigan Department of Transportation			
ARRA-Surface Transportation Grant	20.205	JJ3847	(3) (9,842)
Surface Transportation Grant	20.205	YY0433	(3) <u>375,000</u>
<b>TOTAL US DEPARTMENT OF TRANSPORTATION</b>			<u>365,158</u>
US DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY			
Passed Through Michigan Department of Natural Resources and Environment			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS975487-09	<u>11,982</u>
<b>TOTAL US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<u>11,982</u>
<b>TOTAL PRIMARY GOVERNMENT</b>			<u>\$ 3,661,191</u>

See Notes to Schedule of Expenditures of Federal Awards.

CITY OF WILLIAMSTON  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2011

- 1) The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards programs of the City. Federal awards received directly from Federal agencies, as well as Federal awards passed through other government agencies, are included on the schedule.
- 2) The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note A of the City's financial statements.
- 3) It is required by the Michigan Department of Transportation that the City report total Federal financial assistance for highway research, planning and construction pertaining to their City. However, only the Federal financial assistance applicable to force account expenditures is required to be audited for compliance under the Single Audit Act through City procurement. The reason for this requirement is that the City is required to have accounting and administrative control over the force account (negotiated) contracts, while all other contracts are administered by the Michigan Department of Transportation. During 2011, the City received and expended \$365,158 in Federal Highway grant money where the work was performed by contractors that were paid directly from the State, which is included in the State's single audit.



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

ANDY DILLON  
STATE TREASURER

December 22, 2011

Honorable Mayor and City Council  
City of Williamston  
161 East Grand River Avenue  
Williamston, Michigan 48895

RE: Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards

Dear Council Members:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Williamston, Michigan, as of and for the fiscal year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did not identify any deficiencies in internal control over financial reporting that would be considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards, and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings Number 2011-1.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and accordingly, we express no opinion on it.

This report is intended solely for the information of the City Council, management and others within the City, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

ANDY DILLON  
STATE TREASURER

December 22, 2011

Honorable Mayor and City Council  
City of Williamston  
161 East Grand River Avenue  
Williamston, Michigan 48895

RE: Report on Compliance with Requirements Applicable to Each Major Program and on  
Internal Control over Compliance in Accordance With OMB Circular A-133

Dear Council Members:

Compliance--We have audited the compliance of the City of Williamston, Michigan with the types of compliance requirements described in the US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major Federal programs for the year ended June 30, 2011. The City's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance--The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our

audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information of City Council, management and others within the City, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

ANDY DILLON  
STATE TREASURER

December 22, 2011

Honorable Mayor and City Council  
City of Williamston  
161 East Grand River Avenue  
Williamston, Michigan 48895

RE: Report to Those Charged With Governance

Dear Council Members:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Williamston, Michigan, for the fiscal year ended June 30, 2011, and have issued our report thereon dated December 22, 2011. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in the engagement letter dated March 24, 2011, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control. We also considered internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major Federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit

provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures to specifically identify such matters.

#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 17, 2011.

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note A to the financial statements. During the fiscal year, the City implemented Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions to enhance the usefulness of the fund balance information. The changes implemented by the City are explained in the Notes to the financial statements. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Management's estimate of the depreciation is based on the straight-line method. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements, taken as a whole.

#### Difficulties Encountered in Performing the Audit

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

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the

misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### Disagreements with Management

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

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 22, 2011.

#### Management Consultations with Other Independent Accountants

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

#### Other Audit Findings or Issues

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

This information is intended solely for the use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

CITY OF WILLIAMSTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2011

**Section I--Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes ✓ No

Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes ✓ No

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes ✓ No

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes ✓ No

Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes ✓ None reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ Yes ✓ No

Identification of Major Programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.781	Water and Waste Disposal Systems for Rural Communities – ARRA
	<u>\$300,000</u>

Dollar threshold used to distinguish between type A and type B programs:

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes ✓ No

CITY OF WILLIAMSTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2011

**Section II--Financial Statement Findings**

NONCOMPLIANCE WITH STATE STATUTES

Our review and study for compliance with State statutes and regulations revealed the following noncompliance procedures:

Expenditures in Excess of Appropriations

*Finding 2011-1*

*Condition:* The City’s 2010/2011 General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level by the City. As detailed below, actual 2010/2011 expenditures exceeded the City Council’s approved budget allocations for the following general fund activities.

During the fiscal year ended June 30, 2011, expenditures were incurred in excess of amounts appropriated in the amended budgets for the General Fund as follows:

	Final Amended Budget	Actual	Variance (Unfavorable)
General Fund			
General Government			
City Manager	\$ 178,700	\$ 180,982	\$ (2,282)
Attorney	100,000	110,029	(10,029)

*Criteria:* The expenditure of funds in excess of appropriations is contrary to the provisions of Section 17 of Public Act 2 of 1968.

*Cause:* The accounts exceeded the budgeted amounts after accounts payable balances were recorded and higher than projected.

*Effect:* The City is in noncompliance with State statute. Unavailable funds continued to be spent despite the lack of budgeted funds to support the expenses.

*Directive:* We direct that the City develop budgetary control procedures which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof.

*Management's Response-Corrective Action Plan:* The City of Williamston Manager or Treasurer will meet with Department Heads and review the financial statements together on a quarterly basis. This process will allow for a more detailed review and encourage corrective actions prior to budget overruns.

**Section III--Federal Award Findings and Questioned Costs**

There were no findings related to single audit compliance.