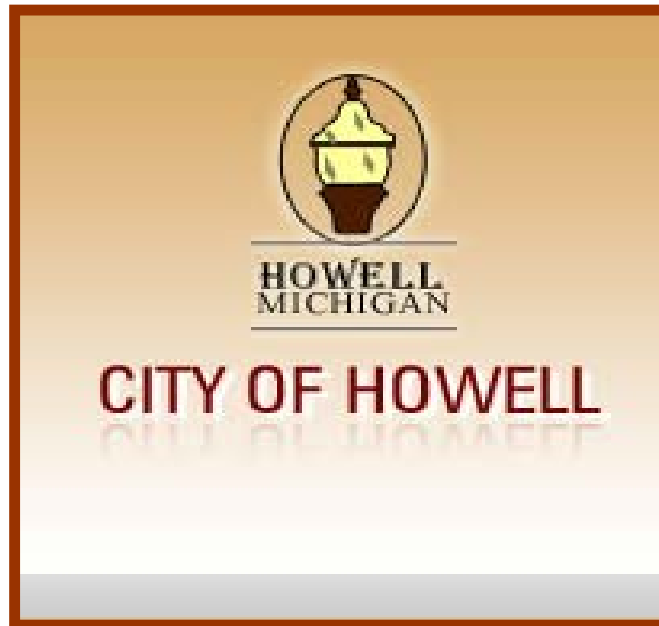


# CITY OF HOWELL, MICHIGAN



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended  
June 30, 2014

Prepared by:

Finance Department

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# CITY OF HOWELL, MICHIGAN

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## INTRODUCTORY SECTION

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October 31, 2014

To the Honorable Mayor, Members of the City Council and Citizens of the City of Howell:

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2014.

Management assumes full responsibility for the completeness and reliability of all of the information contained in this report, based on a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

Rehmann Robson, a firm of licensed certified public accountants, has issued an unmodified opinion on the City of Howell's financial statements for the year ended June 30, 2014. The independent auditor's report is presented at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

#### Profile of the Government

As the county seat, the City of Howell is centrally located within Livingston County. It was platted in 1835 and later incorporated in 1863. The City of Howell is the most populated city in the county. The City currently has a land area of approximately 4.9 square miles and a population of 9,489 based on the 2010 census. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically, when deemed appropriate by the City Council.

The City has operated under the council-manager form of government since 1955. All powers of the City shall be vested in and all matters of policy of the City shall be exercised and determined by a Council of seven members composed of the Mayor and six Council members. The Council shall hold at least two regular meetings per month. The Council is the City's legislative and policymaking body. Council is responsible for adopting the annual budget, contracts, laws, ordinances and resolutions; approving purchases; and granting permits and license terms. Council members are elected at large to four year, staggered terms; elections are held in November of odd years. City Council serves as the direct citizen's link to City Hall. City Council appoints the City Manager, Clerk, Treasurer, Attorney and Assessor. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for supervising the day-to-day operations of the government, and for appointing the heads of the government's departments.

The City provides a full range of services, including: police; the construction and maintenance of highways, streets and other infrastructure; sanitary sewage treatment and disposal; water treatment and distribution; economic development; recreational activities; and cultural events. The City is also financially accountable for certain legally separate entities, which are reported separately within the City's financial statements. Additional information on each of these legally separate entities can be found in the notes to the basic financial statements.

The City Council is required to adopt a final budget by the third Monday in May for the ensuing fiscal year. This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, function and department. Department heads may transfer resources within a department as they see fit. Transfers between departments, however, require approval of the governing council.

### Factors Affecting Economic Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment within which the City operates as described below:

#### *Local economy*

Many municipalities in Michigan are struggling to address the fundamental flaws in the existing local government financing system. The combined effects of Proposal A and the Headlee Amendment caps a city's ability to generate revenue at the rate of inflation, while the costs of providing services continues to increase faster than inflation. These factors have also mitigated the effect of declining property values on tax revenues, but will impede growth when values start to increase. The state and federal government also limit a City's ability to raise non-tax revenue.

The City's taxable valuation of \$296,423,546 represents a 2.0% decrease from the previous year. The ratio of total city tax collections to date for tax year 2013 (current and delinquent) to the current tax levy is 99.6%.

The City's tax base should begin to grow over the next few years, but the growth will be meager at best. Recent housing starts and industrial expansions will result in higher revenues in the ensuing fiscal years of approximately 2% of the current tax base.

#### *Long-term financial planning*

Continued economic development looks challenging and the City is preparing for structural changes that will be required. The City Council is committed to strategies designed to ensure the long-term financial health of the City. One of the ways to accomplish this is to develop an ongoing financial forecasting model. Since 2006 the City has maintained a five-year financial forecast model that is continuously refined to address changes and trends identified. By seeing what potential outcomes are available, the City can position itself to more adequately deal with its future.

The City Council is also reviewing its fund balance policy. The Council is trying to determine an adequate balance in light of Howell's specific situations and growth potential. The local economy is showing signs of recovery with a sizable downtown redevelopment effort.

As the City adapts to the new economic environment, the City sought to reduce costs without impacting services. Effective July 1, 2013 the City reduced its multiplier to determine retirement benefits for new hires. This is in addition to previously establishing a retiree health care savings plan that will be funded during active employment through employee and employer contributions. While the impact of these changes will be further felt in ensuing years, it is another example of the City positioning itself for the future.

*Major initiatives*

The City has 36 miles of streets, 22 of which have undergone major rehabilitation. During the current fiscal year, the City finalized the third phase of one of the largest investments in infrastructure repairs in its history. The multi-year comprehensive plan reconstructed the 11 miles of streets that had not been previously rehabilitated. The plan addressed streets, storm sewers, water lines and sanitary sewers.

Funding for this phase of the project is provided by bonding and the Michigan Municipal Bond Authority Drinking Water Revolving Fund (DWRF) financing. For Phase III, the City was able to qualify as a “green project” under the U.S. Environmental Protection Agency and realize a 40% debt forgiveness of both principal and interest resulting in a savings of \$1,062,000.


**Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Howell for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. This was the seventh consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration departments. We wish to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Howell’s finances.

Respectfully submitted,



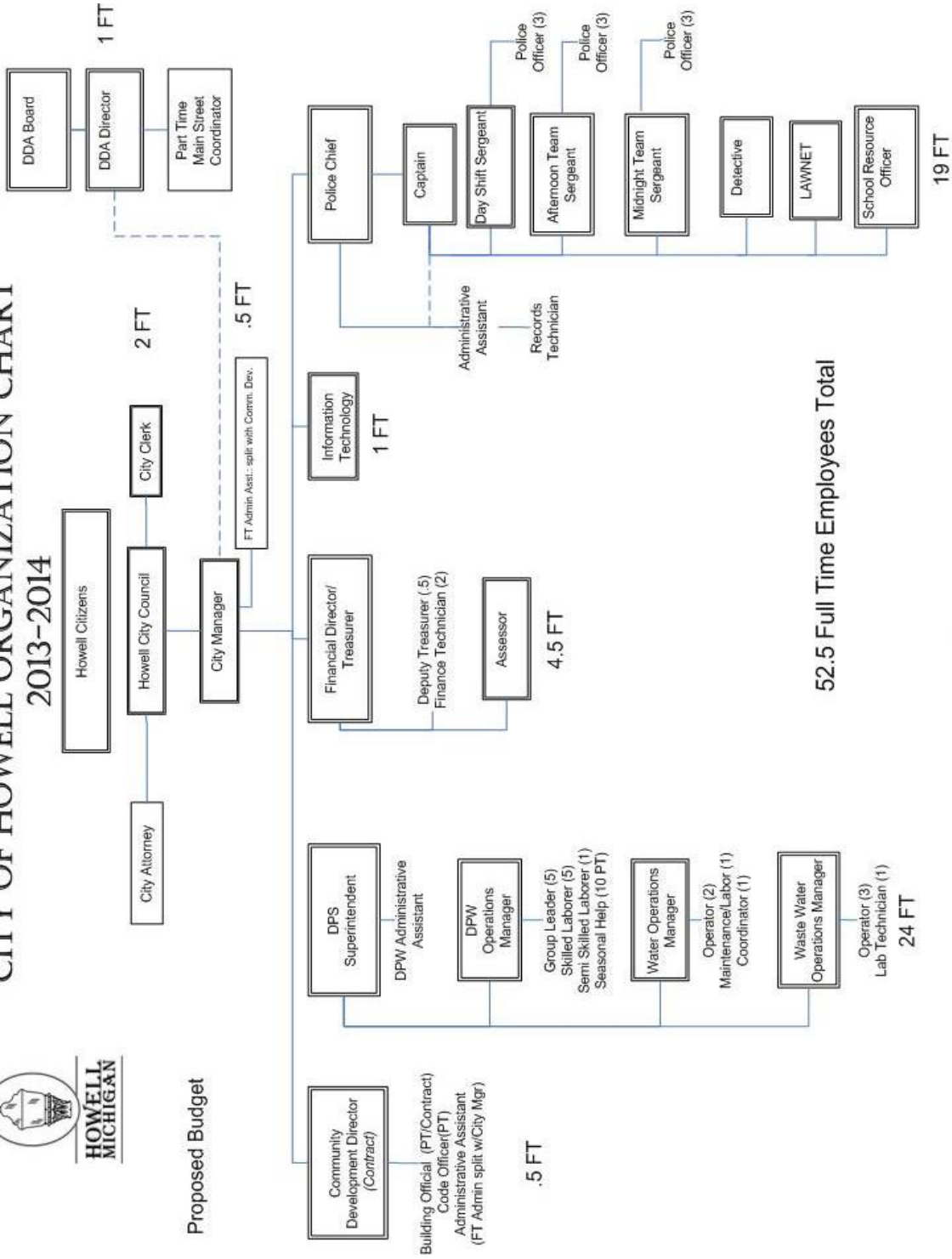
Reid S. Charles II  
City Manager



Catherine M. Stanislawski  
Treasurer / Finance Director



# CITY OF HOWELL ORGANIZATION CHART 2013-2014



# CITY OF HOWELL, MICHIGAN

## ELECTED AND APPOINTED OFFICIALS

For the Year Ended June 30, 2014

### Elected Officials

Phillip Campbell	Mayor
Al Schlittler	Mayor Pro Tem
Jeffrey Hansen	Councilmember
Doug Heins	Councilmember
Steve Manor	Councilmember
Scott Niblock	Councilmember
Nick Proctor	Councilmember

### Appointed Officials

Reid S. Charles II	City Manager
Jane Cartwright	City Clerk
Catherine M Stanislowski	Finance Director/Treasurer
Dennis Perkins	City Attorney



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Howell**  
**Michigan**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

## FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

October 31, 2014

The Honorable Mayor and  
Members of the City Council  
City of Howell  
Livingston County, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *City of Howell, Michigan* (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Independent Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Howell, Michigan, as of June 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Other Information*

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

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

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Rehmann Johnson LLC*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

# CITY OF HOWELL, MICHIGAN

## Management's Discussion and Analysis

As management of the *City of Howell, Michigan*, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### Financial Highlights

- The assets of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$44,446,122 (net position). Of this amount, \$3,806,790 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$1,899,995.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,759,326, a decrease of \$963,061. The majority of the decrease was due to the completion of the final phase of a three year road program for a cost of \$420,200. Also contributing to the decrease was the funding of a 20% grant match to resurface a truck route through the City of \$156,336. The combined ending fund balance consists of nonspendable items (4.1%), restricted amounts (26.5%), committed amounts per Council (1.6%) and unassigned fund balance (67.7 percent or \$1,868,337) and is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,868,337 or 28.7 percent of total general fund expenditures and transfers out.
- The City's total bonded debt decreased by \$112,524. The City did issue \$500,000 of Public Act 99 notes and drew \$388,090 against the total amount authorized under a State of Michigan Drinking Water Revolving Fund bond program. The debt amounts were offset by \$1,000,614 of debt repayments.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, and community development. The business-type activities of the City include water supply and sewage disposal operations.

# CITY OF HOWELL, MICHIGAN

## Management's Discussion and Analysis

The government-wide financial statements include not only the City itself (known as the primary government), but also legally separate entities for which the City is financially accountable. Financial information for these component units are reported separately from the financial information presented for the primary government itself. The City of Howell Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

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

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

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

The City maintains 21 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is the City's only major governmental fund. Data from the other 20 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

*Proprietary Funds.* The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewage disposal and water operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its public works services, general maintenance equipment and self-insurance program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

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

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

# CITY OF HOWELL, MICHIGAN

## Management's Discussion and Analysis

*Other Information.* The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Howell, assets exceeded liabilities and deferred inflows of resources by \$44,446,122 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (88.6 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (2.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (8.6 percent or \$3,806,790) may be used to meet the government's ongoing obligations.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 5,837,475	\$ 6,376,246	\$ 4,504,660	\$ 3,973,510	\$ 10,342,135	\$ 10,349,756
Capital assets, net	21,315,130	22,366,033	36,216,126	36,710,746	57,531,256	59,076,779
Total assets	<u>27,152,605</u>	<u>28,742,279</u>	<u>40,720,786</u>	<u>40,684,256</u>	<u>67,873,391</u>	<u>69,426,535</u>
Long-term liabilities	9,396,330	9,368,523	9,578,393	9,714,779	18,974,723	19,083,302
Other liabilities	3,295,153	3,050,429	1,135,861	941,073	4,431,014	3,991,502
Total liabilities	<u>12,691,483</u>	<u>12,418,952</u>	<u>10,714,254</u>	<u>10,655,852</u>	<u>23,405,737</u>	<u>23,074,804</u>
Total deferred inflows of resources	<u>21,532</u>	<u>5,614</u>	<u>-</u>	<u>-</u>	<u>21,532</u>	<u>5,614</u>
Net position:						
Net investment in capital assets	12,660,050	13,237,331	26,715,764	27,069,960	39,375,814	40,307,291
Restricted	732,228	1,423,917	531,290	531,350	1,263,518	1,955,267
Unrestricted	1,047,312	1,656,465	2,759,478	2,427,094	3,806,790	4,083,559
Total net position	<u>\$ 14,439,590</u>	<u>\$ 16,317,713</u>	<u>\$ 30,006,532</u>	<u>\$ 30,028,404</u>	<u>\$ 44,446,122</u>	<u>\$ 46,346,117</u>

At the end of the current fiscal year, the City reports positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. Positive balances for all categories were also reported the prior fiscal year.



# CITY OF HOWELL, MICHIGAN

## Management's Discussion and Analysis

The government's net position decreased by \$1,899,994. Revenues for governmental activities decreased from the prior fiscal year by \$528,867. The City's general property tax revenues continued to decrease from the prior year by \$96,112. In addition during the prior fiscal year the City sold property at a gain of \$375,000. In the aggregate, expenditures decreased by \$86,850. The various components of expenditures did experience considerable variances. General government expenditures decreased by \$491,814 mainly due to the resolution of various tax tribunal cases in the prior year. Public works expenditures increased by \$258,796. A large portion of the increase was due to above normal winter maintenance costs of \$152,336 for major and local streets (i.e., public works). The City also incurred additional parking lot and sidewalk maintenance/repair costs of \$166,193.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Program revenues:</b>						
Charges for services	\$ 868,844	\$ 939,501	\$ 4,016,862	\$ 3,993,257	\$ 4,885,706	\$ 4,932,758
Operating grants	752,654	765,302	24,478	57,197	777,132	822,499
Capital grants	-	-	84,000	788,033	84,000	788,033
<b>General revenues:</b>						
Property taxes	4,923,777	5,019,889	-	-	4,923,777	5,019,889
Grants and contributions not restricted to specific programs	808,915	779,985	-	-	808,915	779,985
Other	4,092	382,473	6,422	9,008	10,514	391,481
<b>Total revenues</b>	<b>7,358,282</b>	<b>7,887,150</b>	<b>4,131,762</b>	<b>4,847,495</b>	<b>11,490,044</b>	<b>12,734,645</b>
<b>Expenses:</b>						
General government	1,907,990	2,399,804	-	-	1,907,990	2,399,804
Public safety	2,470,080	2,459,367	-	-	2,470,080	2,459,367
Public works	3,723,792	3,464,996	-	-	3,723,792	3,464,996
Community development	373,443	295,499	-	-	373,443	295,499
Parks and recreation	438,503	402,862	-	-	438,503	402,862
Interest on long-term debt	358,732	336,862	-	-	358,732	336,862
Sewage disposal	-	-	2,088,090	1,995,759	2,088,090	1,995,759
Water supply	-	-	2,029,409	1,915,263	2,029,409	1,915,263
<b>Total expenses</b>	<b>9,272,540</b>	<b>9,359,390</b>	<b>4,117,499</b>	<b>3,911,022</b>	<b>13,390,039</b>	<b>13,270,412</b>
<b>Change in net position,</b>						
before transfers	(1,914,258)	(1,472,240)	14,263	936,473	(1,899,995)	(535,767)
Transfers	36,135	15,890	(36,135)	(15,890)	-	-
<b>Change in net position</b>	<b>(1,878,123)</b>	<b>(1,456,350)</b>	<b>(21,872)</b>	<b>920,583</b>	<b>(1,899,995)</b>	<b>(535,767)</b>
<b>Net position:</b>						
Beginning of year	16,317,713	17,774,063	30,028,404	29,107,821	46,346,117	46,881,884
<b>End of year</b>	<b>\$14,439,590</b>	<b>\$16,317,713</b>	<b>\$30,006,532</b>	<b>\$30,028,404</b>	<b>\$44,446,122</b>	<b>\$46,346,117</b>

**Governmental Activities.** Governmental activities decreased the City's net position by \$1,878,123 in the current fiscal year; by comparison, in the prior year governmental activities net position decreased by \$1,456,350, a change of \$421,773. Key elements of this decrease include:

- During the prior year the City sold property at a gain of \$375,000.
- Replacement of a police in-car video system for \$52,150.
- Additional insurance costs of \$77,705.
- Additional maintenance costs of \$258,796.

## CITY OF HOWELL, MICHIGAN

### Management's Discussion and Analysis

**Business-type Activities.** Business-type activities decreased the City's net position by \$21,872 as compared to an increase of \$920,583 in the prior fiscal year. During the prior fiscal year, the City realized \$638,273 of debt forgiveness. The bonds qualified as a green project and were eligible for aggregate debt forgiveness of \$1,062,000. During the current fiscal year the water and sewer systems realized: reduced capital contributions of \$65,700, increased sludge hauling costs of \$37,324, increased insurance costs of \$40,420 and increased depreciation expense of \$92,041.

#### Financial Analysis of the City's Funds

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

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,759,326, a decrease of \$963,061 in comparison with the prior year. Of the total fund balance, approximately 67.7% (or \$1,868,337) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is divided into categories based on the relative strength of the constraints that control how amounts can be spent. Nonspendable fund balance (\$114,326) consists of prepaid items. Restricted fund balance (\$732,228) consists of items that can only be spent for specific purposes based on external resource providers or legislation. Funds included in this category are the major and local street funds, special assessment funds and capital project funds financed by bond proceeds. Committed fund balance (\$44,435) consists of funds that can only be used for specific purposes based on formal action by the City Council. Funds classified as committed include program reserves and various construction project funds.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,868,337 while total fund balance was \$1,982,663. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 28.7 percent of total general fund expenditures and transfers out.

The fund balance of the City's general fund decreased by \$269,250. The City is taking a proactive approach to maintain services and increase efficiencies. As tax revenues have continued to decline, the City is reviewing its operations. Effective July 1, 2013 the City amended its defined benefit plan for new hires decreasing the multiplier used to compute benefits from 2.5 to 2.0. This action was in addition to a previous change in 2011 to shift to a retiree health savings plan for new hires that will be funded during active employment by employee and employer contributions.

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

Unrestricted net position of the water supply and sewage disposal funds at the end of the year amounted to \$1,244,694 and \$1,519,545, respectively. The water supply fund had a decrease in total net position for the year of \$40,310, and the sewage disposal fund had an increase of \$12,455.

The City instituted a rate increase averaging 5.5% in the water fund effective at the beginning of the fiscal year. The increase helped to mitigate reduced usage rates of approximately 5.1%. In addition, the water fund realized reduced capital contributions of \$32,880.

A portion of the increase in the sewer fund was due to additional usage by an industrial customer of \$51,622. This increase helped to offset reduced capital contributions of \$30,094.

# CITY OF HOWELL, MICHIGAN

## Management's Discussion and Analysis

Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

### General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were spread across various functions/departments.

For fiscal 2014, the final budgetary estimate for the net change in fund balance was a decrease of \$302,516; the actual decrease was \$269,250 (or a difference of \$33,266). The most significant variances resulted from:

- Installation of a phone system deferred from the prior year of \$32,000.
- Increased transfers to the local street fund for winter maintenance costs of \$24,000.

### Capital Asset and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounted to \$57,531,256 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The net decrease in the City's investment in capital assets, after depreciation, for the current fiscal year was 2.6 percent (a 4.7 percent decrease for governmental activities and a 1.3 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Road Project Phase III completion including water and sewer of \$925,903.
- Purchase of a dump truck multi-use vehicle of \$151,944.
- New fueling station of \$22,805.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,527,393	\$ 1,527,393	\$ 430,064	\$ 430,064	\$ 1,957,457	\$ 1,957,457
Construction in progress	-	3,377,330	57,878	3,530,366	57,878	6,907,696
Buildings and improvements	2,456,805	2,671,640	20,678,489	21,175,986	23,135,294	23,847,626
Land improvements	735,077	738,644	-	-	735,077	738,644
Machinery and equipment	668,854	565,848	80,387	120,364	749,241	686,212
Infrastructure	15,927,001	13,485,178	14,969,308	11,453,966	30,896,309	24,939,144
<b>Total capital assets, net</b>	<b>\$21,315,130</b>	<b>\$22,366,033</b>	<b>\$36,216,126</b>	<b>\$36,710,746</b>	<b>\$57,531,256</b>	<b>\$59,076,779</b>

Additional information on the City's capital assets can be found in Note 9 (Capital Assets).

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$18,635,662. Of this amount, \$9,135,300 is comprised of debt backed by the full faith and credit of the government.

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 9,135,300	\$ 9,107,400	\$ -	\$ -	\$ 9,135,300	\$ 9,107,400
Revenue bonds	-	-	9,500,362	9,640,786	9,500,362	9,640,786
	<b>\$ 9,135,300</b>	<b>\$ 9,107,400</b>	<b>\$ 9,500,362</b>	<b>\$ 9,640,786</b>	<b>\$18,635,662</b>	<b>\$18,748,186</b>

# CITY OF HOWELL, MICHIGAN

## Management's Discussion and Analysis

The City's total bonded debt decreased by \$112,524. The City issued Public Act 99 notes in the amount of \$500,000. The City also took draws on its DWRP bond program to complete the final portion of the multiyear road project in the amount of \$388,090. General obligation and sewer revenue bonds in the amounts of \$4,370,000 and \$1,735,000, respectively, were issued as Build America Bonds (BABs) in 2009. The BABs are eligible for a 35% subsidy of the interest costs, which will total \$1,212,467 over the remaining term of the bonds. Additionally in 2010, general obligation and sewer revenue bonds in the amounts of \$2,612,400 and \$1,660,000, respectively, were issued as Recovery Zone Economic Bonds (RZEBs). The RZEBs are eligible for a 45% federal subsidy of the interest costs that will total \$957,236 over the remaining term of the bonds. The balance of the revenue bonds consist of three issues of Drinking Water revolving Fund (DWRP) bonds.

The City's rating from Standard and Poor's was upgraded to "AA-" from "A+" for the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$31.1 million, which significantly exceeds the City's outstanding general obligation debt of \$9,135,300.

Additional information on the City's long term debt can be found in Note 10 (Long-term Debt).

### Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the City's budget for the 2014-15 fiscal year:

- The overall plan for the budget is to maintain services in the community by providing a well-staffed, equipped and trained work force.
- Be willing to utilize fund balance during the fiscal year. During the year all aspects of the organization will be reviewed to determine if additional efficiencies can be obtained.
- To be sensitive to factors that may influence revenue projections, such as cuts to state shared revenue, housing values and potential tax tribunal decisions.
- The City also wants to ensure that it has funding for streets, roads and other capital improvement projects by earmarking funds for future use.

During the current fiscal year, unassigned fund balance in the general fund decreased by \$206,296 to \$1,868,337. The City has budgeted a decrease in the general fund unassigned fund balance in the amount of \$187,071 for the 2014-15 fiscal year.

The percent of general fund revenue used to fund essential services for fiscal year 2012, as required by the Michigan Legislature for fiscal 2014-15 replacement funding of personal property taxes, was 34.02 percent.

### Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City of Howell, 611 East Grand River Avenue, Howell, Michigan, 48843.

## BASIC FINANCIAL STATEMENTS

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# CITY OF HOWELL, MICHIGAN

## Statement of Net Position

June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 3,286,267	\$ 2,792,091	\$ 6,078,358	\$ 184,391
Receivables	475,529	501,925	977,454	1,181
Internal balances	(737,420)	737,420	-	-
Inventory, prepaid items and other assets	2,134,596	83,202	2,217,798	52
Investment in joint venture	678,503	-	678,503	-
Restricted cash and cash equivalents	-	390,022	390,022	-
Capital assets not being depreciated	1,527,393	487,942	2,015,335	232,623
Capital assets being depreciated, net	19,787,737	35,728,184	55,515,921	145,792
<b>Total assets</b>	<b>27,152,605</b>	<b>40,720,786</b>	<b>67,873,391</b>	<b>564,039</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	464,703	213,765	678,468	6,955
Accrued liabilities	336,838	50,745	387,583	22,715
Due to other government	-	-	-	3,424
Unearned revenue	9,773	-	9,773	-
Long-term liabilities:				
Due within one year	746,729	554,010	1,300,739	64,391
Due in more than one year	8,649,601	9,024,383	17,673,984	1,202,318
Other noncurrent liability - net other postemployment benefit liability	2,483,839	871,351	3,355,190	-
<b>Total liabilities</b>	<b>12,691,483</b>	<b>10,714,254</b>	<b>23,405,737</b>	<b>1,299,803</b>
<b>Deferred inflows of resources</b>				
Delinquent personal property taxes	21,532	-	21,532	-
<b>Net position</b>				
Net investment in capital assets	12,660,050	26,715,764	39,375,814	(886,285)
Restricted for:				
Replacement and improvement	-	156,143	156,143	-
Debt service	-	375,147	375,147	-
Capital projects	70,517	-	70,517	-
Highways and streets	137,532	-	137,532	-
Public works and public safety	8,136	-	8,136	-
Cemetery	516,043	-	516,043	-
Unrestricted	1,047,312	2,759,478	3,806,790	150,521
<b>Total net position (deficit)</b>	<b>\$ 14,439,590</b>	<b>\$ 30,006,532</b>	<b>\$ 44,446,122</b>	<b>\$ (735,764)</b>

The accompanying notes are an integral part of these financial statements.

CITY OF HOWELL, MICHIGAN

Statement of Activities  
For the Year Ended June 30, 2014

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 1,907,990	\$ 693,419	\$ 32,620	\$ -	\$ (1,181,951)
Public safety	2,470,080	2,414	36,333	-	(2,431,333)
Public works	3,723,792	147,174	670,343	-	(2,906,275)
Community / economic development	373,443	-	-	-	(373,443)
Parks and recreation	438,503	25,837	13,358	-	(399,308)
Interest on long-term debt	358,732	-	-	-	(358,732)
Total governmental activities	<u>9,272,540</u>	<u>868,844</u>	<u>752,654</u>	<u>-</u>	<u>(7,651,042)</u>
Business-type activities:					
Water supply	2,029,409	1,954,468	15,325	42,000	(17,616)
Sewage disposal	2,088,090	2,062,394	9,153	42,000	25,457
Total business-type activities	<u>4,117,499</u>	<u>4,016,862</u>	<u>24,478</u>	<u>84,000</u>	<u>7,841</u>
Total primary government	<u>\$ 13,390,039</u>	<u>\$ 4,885,706</u>	<u>\$ 777,132</u>	<u>\$ 84,000</u>	<u>\$ (7,643,201)</u>
Component unit					
Downtown development authority	<u>\$ 358,544</u>	<u>\$ -</u>	<u>\$ 60,748</u>	<u>\$ -</u>	<u>\$ (297,796)</u>

continued...



CITY OF HOWELL, MICHIGAN

Statement of Activities  
For the Year Ended June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net revenue (expense)	\$ (7,651,042)	\$ 7,841	\$ (7,643,201)	\$ (297,796)
General revenues:				
Property taxes	4,923,777	-	4,923,777	374,135
Grants and contributions not restricted to specific programs	808,915	-	808,915	-
Unrestricted investment earnings	4,092	6,422	10,514	-
Transfers - internal activities	36,135	(36,135)	-	-
Total general revenues and transfers	5,772,919	(29,713)	5,743,206	374,135
Change in net position	(1,878,123)	(21,872)	(1,899,995)	76,339
Net position (deficit), beginning of year	16,317,713	30,028,404	46,346,117	(812,103)
Net position (deficit), end of year	\$ 14,439,590	\$ 30,006,532	\$ 44,446,122	\$ (735,764)

concluded.

The accompanying notes are an integral part of these financial statements.

# CITY OF HOWELL, MICHIGAN

## Balance Sheet

Governmental Funds

June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 1,774,054	\$ 587,130	\$ 2,361,184
Accounts receivable	52,744	20,705	73,449
Taxes and special assessments receivable	21,532	-	21,532
Due from other funds	321,226	332,036	653,262
Due from other governments	199,440	95,432	294,872
Prepaid items	114,326	-	114,326
Land held for resale	-	-	-
<b>Total assets</b>	<b>\$ 2,483,322</b>	<b>\$ 1,035,303</b>	<b>\$ 3,518,625</b>
<b>Liabilities</b>			
Accounts payable	\$ 126,801	\$ 143,428	\$ 270,229
Accrued liabilities	222,388	10,071	232,459
Due to other funds	120,165	105,141	225,306
Unearned revenue	9,773	-	9,773
<b>Total liabilities</b>	<b>479,127</b>	<b>258,640</b>	<b>737,767</b>
<b>Deferred inflows of resources</b>			
Unavailable revenue - delinquent property taxes	21,532	-	21,532
<b>Fund balances</b>			
Nonspendable for prepaid items and land held for resale	114,326	-	114,326
Restricted for:			
Highways and streets	-	137,532	137,532
Public works and public safety	-	8,136	8,136
Capital projects	-	70,517	70,517
Cemetery	-	516,043	516,043
Committed for capital projects	-	44,435	44,435
Unassigned	1,868,337	-	1,868,337
<b>Total fund balances</b>	<b>1,982,663</b>	<b>776,663</b>	<b>2,759,326</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 2,483,322</b>	<b>\$ 1,035,303</b>	<b>\$ 3,518,625</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF HOWELL, MICHIGAN

## Reconciliation

Fund Balances for Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2014

Fund balances - total governmental funds	\$ 2,759,326
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	44,182,019
Accumulated depreciation	(23,489,716)
Equity interest in joint ventures are not financial resources and therefore are not reported in the funds.	
Equity in joint venture	678,503
Internal service funds are used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
Net position of governmental internal service funds	1,774,364
Portion of internal service funds accumulated operating loss attributed to business-type funds	4,761
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and notes payable	(8,655,080)
Accrued interest on bonds payable	(139,391)
Other postemployment benefit liability	(2,483,839)
Compensated absences	(191,357)
Net position of governmental activities	<u>\$ 14,439,590</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF HOWELL, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds For the Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 4,543,403	\$ 380,374	\$ 4,923,777
Licenses and permits	235,897	-	235,897
Intergovernmental	855,444	628,918	1,484,362
Charges for services	164,827	168,724	333,551
Fines and forfeitures	54,113	-	54,113
Investment earnings	480	651	1,131
Other	277,903	44,587	322,490
<b>Total revenues</b>	<b>6,132,067</b>	<b>1,223,254</b>	<b>7,355,321</b>
<b>Expenditures</b>			
Current expenditures:			
General government	1,806,040	3,465	1,809,505
Public safety	2,292,745	1,000	2,293,745
Public works	586,094	726,674	1,312,768
Highways and streets	-	932,770	932,770
Community development	340,153	-	340,153
Culture and recreation	357,674	-	357,674
Debt service:			
Principal	-	472,100	472,100
Interest and fiscal charges	-	357,834	357,834
Capital outlay	-	495,970	495,970
<b>Total expenditures</b>	<b>5,382,706</b>	<b>2,989,813</b>	<b>8,372,519</b>
<b>Revenue over (under) expenditures</b>	<b>749,361</b>	<b>(1,766,559)</b>	<b>(1,017,198)</b>
<b>Other financing sources (uses)</b>			
Transfers in	112,406	1,191,017	1,303,423
Transfers out	(1,131,017)	(118,269)	(1,249,286)
Issuance of debt	-	-	-
<b>Total other financing sources (uses)</b>	<b>(1,018,611)</b>	<b>1,072,748</b>	<b>54,137</b>
<b>Net change in fund balances</b>	<b>(269,250)</b>	<b>(693,811)</b>	<b>(963,061)</b>
Fund balances, beginning of year	2,251,913	1,470,474	3,722,387
<b>Fund balances, end of year</b>	<b>\$ 1,982,663</b>	<b>\$ 776,663</b>	<b>\$ 2,759,326</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF HOWELL, MICHIGAN

## Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds	\$ (963,061)
Amounts reported for <i>governmental activities</i> 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.	
Capital outlay	809,366
Depreciation expense	(1,885,657)
Loss on disposal of capital assets	(2,180)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in equity interest of joint venture	126,831
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Proceeds from bond issuance	-
Principal payments on long-term liabilities	472,100
Internal service funds are used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.	
Net operating income from internal service funds	78,739
Net operating gain attributable to business-type activities	(5,983)
Interest revenue from governmental internal service funds	2,961
Transfers disbursed in governmental internal service funds	(18,002)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Change in accrued interest payable on bonds	(2,420)
Amortization of bond premiums	1,522
Change in other postemployment benefit liability	(502,726)
Change in accrual for compensated absences	10,387
Change in net position of governmental activities	<u>\$ (1,878,123)</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF HOWELL, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 4,591,431	\$ 4,591,431	\$ 4,543,403	\$ (48,028)
Licenses and permits	222,000	222,000	235,897	13,897
Intergovernmental	849,499	849,499	855,444	5,945
Charges for services	155,211	155,211	164,827	9,616
Fines and forfeitures	60,000	52,000	54,113	2,113
Investment earnings	17,500	17,500	480	(17,020)
Other	238,101	254,101	277,903	23,802
<b>Total revenues</b>	<b>6,133,742</b>	<b>6,141,742</b>	<b>6,132,067</b>	<b>(9,675)</b>
<b>Expenditures</b>				
<b>General government:</b>				
Council	26,927	26,927	24,042	(2,885)
Manager	177,071	168,071	168,023	(48)
Attorney	109,300	81,300	79,343	(1,957)
Finance	350,971	355,671	354,793	(878)
City hall	235,636	238,636	246,639	8,003
Clerk	106,798	111,798	109,815	(1,983)
Information technology	216,548	243,548	242,300	(1,248)
Cemetery - Lakeview	323,616	228,616	225,960	(2,656)
Howell memorial	6,950	6,950	6,451	(499)
Board of review	3,950	3,950	3,533	(417)
Cable commission	330	730	684	(46)
Elections	10,009	10,009	8,087	(1,922)
Personnel	15,000	55,000	51,903	(3,097)
Forestry	73,982	88,982	77,596	(11,386)
Parking lot maintenance	26,140	146,140	145,200	(940)
Tax tribunal refunds	74,000	63,000	61,671	(1,329)
<b>Total general government</b>	<b>1,757,228</b>	<b>1,829,328</b>	<b>1,806,040</b>	<b>(23,288)</b>
<b>Public safety:</b>				
Police	2,330,055	2,251,055	2,251,548	493
Fire	6,110	6,110	5,922	(188)
Building	26,300	34,300	35,275	975
<b>Total public safety</b>	<b>2,362,465</b>	<b>2,291,465</b>	<b>2,292,745</b>	<b>1,280</b>

continued...

# CITY OF HOWELL, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Public works:				
Street lighting	\$ 336,860	\$ 340,860	\$ 339,615	\$ (1,245)
Sidewalk maintenance	114,691	132,691	132,632	(59)
Drain assessment	20,616	17,616	16,680	(936)
Landfill recovery	40,000	47,000	36,605	(10,395)
Engineering	28,855	59,855	60,562	707
Total public works	<u>541,022</u>	<u>598,022</u>	<u>586,094</u>	<u>(11,928)</u>
Community development:				
Community development	196,867	184,867	201,246	16,379
Economic development	-	34,000	33,901	(99)
Community action	107,364	116,364	105,006	(11,358)
Total community development	<u>304,231</u>	<u>335,231</u>	<u>340,153</u>	<u>4,922</u>
Culture and recreation - parks	<u>354,275</u>	<u>355,275</u>	<u>357,674</u>	<u>2,399</u>
Total expenditures	<u>5,319,221</u>	<u>5,409,321</u>	<u>5,382,706</u>	<u>(26,615)</u>
Revenue over expenditures	<u>814,521</u>	<u>732,421</u>	<u>749,361</u>	<u>16,940</u>
Other financing sources (uses)				
Transfers in	207,787	116,787	112,406	(4,381)
Transfers out	(1,073,424)	(1,151,724)	(1,131,017)	(20,707)
Long-term debt issued	-	-	-	-
Total other financing (uses)	<u>(865,637)</u>	<u>(1,034,937)</u>	<u>(1,018,611)</u>	<u>(16,326)</u>
Net change in fund balances	(51,116)	(302,516)	(269,250)	33,266
Fund balance, beginning of year	<u>2,251,913</u>	<u>2,251,913</u>	<u>2,251,913</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,200,797</u>	<u>\$ 1,949,397</u>	<u>\$ 1,982,663</u>	<u>\$ 33,266</u>

concluded.

The accompanying notes are an integral part of these financial statements.

CITY OF HOWELL, MICHIGAN

**Statement of Net Position**  
 Proprietary Funds  
 June 30, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Supply System	Sewage Disposal System	Total	Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,141,806	\$ 1,650,285	\$ 2,792,091	\$ 872,407
Cash on deposit with agent	-	-	-	52,676
Accounts receivable	249,237	236,539	485,776	81,553
Due from other funds	21,493	29,710	51,203	517,281
Due from other governments	-	16,149	16,149	4,123
Land held for resale	-	-	-	2,020,270
Inventory	83,202	-	83,202	-
<b>Total current assets</b>	<b>1,495,738</b>	<b>1,932,683</b>	<b>3,428,421</b>	<b>3,548,310</b>
Noncurrent assets:				
Restricted assets:				
Customer deposits	14,875	-	14,875	-
Bond reserves	-	375,147	375,147	-
Capital assets, net	18,078,097	18,138,029	36,216,126	622,827
<b>Total noncurrent assets</b>	<b>18,092,972</b>	<b>18,513,176</b>	<b>36,606,148</b>	<b>622,827</b>
<b>Total assets</b>	<b>19,588,710</b>	<b>20,445,859</b>	<b>40,034,569</b>	<b>4,171,137</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued liabilities	55,897	64,838	120,735	149,717
Accrued payroll	19,904	17,966	37,870	9,745
Accrued interest payable	39,287	53,743	93,030	-
Due to other funds	(353,423)	(337,555)	(690,978)	1,687,418
Customer deposits	12,875	-	12,875	-
Compensated absences, current portion	38,254	30,756	69,010	49,394
Bonds and notes payable, current portion	330,000	155,000	485,000	25,000
<b>Total current liabilities</b>	<b>142,794</b>	<b>(15,252)</b>	<b>127,542</b>	<b>1,921,274</b>
Noncurrent liabilities:				
Compensated absences	5,001	4,020	9,021	499
Bonds and notes payable	5,930,362	3,085,000	9,015,362	475,000
Other postemployment benefit obligation	448,124	423,227	871,351	-
<b>Total noncurrent liabilities</b>	<b>6,383,487</b>	<b>3,512,247</b>	<b>9,895,734</b>	<b>475,499</b>
<b>Total liabilities</b>	<b>6,526,281</b>	<b>3,496,995</b>	<b>10,023,276</b>	<b>2,396,773</b>
<b>Net position</b>				
Net investment in capital assets	11,817,735	14,898,029	26,715,764	622,827
Restricted for replacement and improvement	-	156,143	156,143	-
Restricted for debt service	-	375,147	375,147	-
Unrestricted	1,244,694	1,519,545	2,764,239	1,151,537
<b>Total net position</b>	<b>\$ 13,062,429</b>	<b>\$ 16,948,864</b>	<b>30,011,293</b>	<b>\$ 1,774,364</b>
Cumulative portion of internal service funds net operating loss attributed to business-type funds			(4,761)	
<b>Net position reported in business-type activities</b>			<b>\$ 30,006,532</b>	

The accompanying notes are an integral part of these financial statements.



# CITY OF HOWELL, MICHIGAN

## Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Supply System	Sewage Disposal System	Total	Internal Service Funds
Operating revenues				
Charges for services	\$ 1,954,468	\$ 2,062,394	\$ 4,016,862	\$ 863,666
Other	15,325	9,153	24,478	110,134
<b>Total operating revenues</b>	<b>1,969,793</b>	<b>2,071,547</b>	<b>4,041,340</b>	<b>973,800</b>
Operating expenses				
Personnel services	807,232	779,909	1,587,141	344,239
Materials and supplies	155,836	82,260	238,096	171,937
Contractual	71,051	174,012	245,063	10,144
Insurance	25,080	33,444	58,524	50,154
Maintenance	90,705	78,286	168,991	56,264
Other expense	250,680	188,895	439,575	57,883
Depreciation	474,997	613,854	1,088,851	204,440
<b>Total operating expenses</b>	<b>1,875,581</b>	<b>1,950,660</b>	<b>3,826,241</b>	<b>895,061</b>
Operating income	94,212	120,887	215,099	78,739
Nonoperating revenues (expenses)				
Investment earnings	543	5,879	6,422	2,961
Interest expense	(160,003)	(137,238)	(297,241)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(159,460)</b>	<b>(131,359)</b>	<b>(290,819)</b>	<b>2,961</b>
Income (loss) before contributions and transfers	(65,248)	(10,472)	(75,720)	81,700
Capital contributions	42,000	42,000	84,000	-
Transfers out	(17,062)	(19,073)	(36,135)	(18,002)
Change in net position	(40,310)	12,455	(27,855)	63,698
Net position, beginning of year	13,102,739	16,936,409		1,710,666
Net position, end of year	\$ 13,062,429	\$ 16,948,864		\$ 1,774,364
Net operating gain from internal service funds attributed to business-type activities			5,983	
Change in net position of business-type activities			\$ (21,872)	

The accompanying notes are an integral part of these financial statements.

CITY OF HOWELL, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Supply System	Sewage Disposal System	Total	Internal Service Funds
Cash flows from operating activities				
Receipts from customers and users	\$ 2,355,855	\$ 1,396,425	\$ 3,752,280	\$ -
Receipts from interfund services	-	-	-	959,112
Payment for internal loan	(357,514)	(357,514)	(715,028)	(300,000)
Payments to suppliers/claimants	(843,047)	(441,641)	(1,284,688)	(974,770)
Payments to employees	(711,140)	(692,644)	(1,403,784)	(328,948)
Payments for interfund services	(127,527)	(97,462)	(224,989)	-
Net cash provided by (used in) operating activities	316,627	(192,836)	123,791	(644,606)
Cash flows from noncapital financing activities				
Transfers out	(17,062)	(19,073)	(36,135)	(18,002)
Notes payable issued	-	-	-	500,000
Net cash provided (used) by noncapital financing activities	(17,062)	(19,073)	(36,135)	481,998
Cash flows from capital and related financing activities				
Proceeds from issuance of debt	388,090	-	388,090	-
Principal paid on debt	(373,514)	(155,000)	(528,514)	-
Interest paid on debt	(157,765)	(139,052)	(296,817)	-
Purchase of capital assets	(421,618)	(172,613)	(594,231)	(232,005)
Cash contributions for tap fees and other	42,000	42,000	84,000	-
Net cash used by capital and related financing activities	(522,807)	(424,665)	(947,472)	(232,005)
Cash flows from investing activities				
Interest received on investments	543	5,879	6,422	2,961
Net change in cash and cash equivalents	(222,699)	(630,695)	(853,394)	(391,652)
Cash and cash equivalents, beginning of year	1,379,380	2,656,127	4,035,507	1,316,735
Cash and cash equivalents, end of year	\$ 1,156,681	\$ 2,025,432	\$ 3,182,113	\$ 925,083
Reconciliation to statement of net position				
Cash and cash equivalents	\$ 1,141,806	\$ 1,650,285	\$ 2,792,091	\$ 872,407
Cash on deposit with agent	-	-	-	52,676
Restricted cash and cash equivalents	14,875	375,147	390,022	-
	\$ 1,156,681	\$ 2,025,432	\$ 3,182,113	\$ 925,083

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CITY OF HOWELL, MICHIGAN

**Statement of Cash Flows**  
 Proprietary Funds  
 For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water Supply System	Sewage Disposal System	Total	Internal Service Funds
Reconciliation of operating income to net cash provided by (used in) operating activities				
Operating income	\$ 94,212	\$ 120,887	\$ 215,099	\$ 78,739
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	474,997	613,854	1,088,851	204,440
Changes in assets and liabilities:				
Accounts receivable	25,539	9,817	35,356	(81,553)
Due from other funds	2,959	(6,110)	(3,151)	(333,994)
Due from other governments	300,788	(4,710)	296,078	(1,896)
Land held for resale	-	-	-	(2,020,270)
Inventory	1,183	-	1,183	-
Accounts payable and accrued liabilities	(2,799)	17,794	14,995	22,800
Accrued payroll and compensated absences	5,057	1,666	6,723	15,291
Due to other funds	(676,394)	(1,031,633)	(1,708,027)	1,401,115
Customer deposits	50	-	50	-
Claims payable	-	-	-	70,722
Other postemployment benefit obligation	91,035	85,599	176,634	-
Net cash provided by (used in) operating activities	<u>\$ 316,627</u>	<u>\$ (192,836)</u>	<u>\$ 123,791</u>	<u>\$ (644,606)</u>

concluded.

The accompanying notes are an integral part of these financial statements.

# CITY OF HOWELL, MICHIGAN

## Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

	Retiree Health Care Trust Fund	Tax Revolving Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 132,716	<u>\$ 69,919</u>
<b>Liabilities</b>		
Undistributed receipts	<u>-</u>	<u>\$ 69,919</u>
<b>Net position held in trust for postemployment healthcare benefits</b>	<u>\$ 132,716</u>	

The accompanying notes are an integral part of these financial statements.

# CITY OF HOWELL, MICHIGAN

## Statement of Changes in Net Position

Retiree Health Care Trust Fund  
For the Year Ended June 30, 2014

Additions	
Employer contributions	\$ 161,520
Investment income - interest earnings	<u>72</u>
Total additions	161,592
Deductions	
Retiree health care benefits	<u>161,520</u>
Net change in plan net position	72
Net position held in trust, beginning of year	<u>132,644</u>
Net position held in trust, end of year	<u><u>\$ 132,716</u></u>

The accompanying notes are an integral part of these financial statements.

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## NOTES TO FINANCIAL STATEMENTS

# CITY OF HOWELL, MICHIGAN

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Howell, Michigan is a municipal corporation governed by a seven-member council and administered by an appointed City Manager. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

#### Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the City is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and, as such, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government. The blended and discretely presented component units have June 30 year ends.

#### *Blended Component Unit*

The Building Authority is governed by a three-member board appointed by the City Council. Its sole function is to oversee the financing and construction, if any, of the City's public buildings; therefore, it is reported as if it were part of the primary government.

#### *Discretely Presented Component Units*

The following component units are reported within the component units column in the statement of net position:

The Downtown Development Authority (DDA) was established for the purpose of revitalizing the downtown business district. The nine members of the DDA's governing board are appointed by the City's Mayor with the approval of the City Council. The DDA is also fiscally dependent upon the government because the government's council approves the DDA's budget and any debt issuances. The DDA does not issue separate financial statements; accordingly, DDA fund financial statements are included herein as supplementary information.

The Tax Increment Financing Authority (TIFA) was established for the purpose of funding the infrastructure of the City's industrial park as an incentive to bring manufacturers into the City. The TIFA's governing body, which consists of nine individuals, is appointed by the City's Mayor with the approval of the City Council. There has been no activity for the TIFA.

The Economic Development Corporation (EDC) was created 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. The EDC's governing body, which consists of nine individuals, is appointed by the City's Mayor with the approval of the City Council. There has been no activity for the EDC.



## CITY OF HOWELL, MICHIGAN

### Notes to Financial Statements

The Local Development Financing Authority (LDFA) was established pursuant to P.A. 281 of 1986 to prevent conditions of unemployment, promote economic growth, and authorize the acquisition and disposal of interests in real and personal property. The LDFA's governing body, which consists of 10 individuals, is appointed by the City Council. In addition, the LDFA's annual budget is subject to review and approval by the City Council. There has been no activity for the LDFA.

The Brownfield Redevelopment Authority (BRA) was created to facilitate the implementation of plans relating to the identification and treatment of environmentally distressed areas to promote revitalization within the brownfield redevelopment zone. The BRA governing body, which consists of seven members, is appointed by the City Council; its budgets are subject to approval by the City Council. There has been no activity for the BRA.

#### *Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statements of net position and activities) report information on all of the nonfiduciary 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, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and 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 and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# CITY OF HOWELL, MICHIGAN

## Notes to Financial Statements

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

Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The general fund is the government's only major governmental fund. The general fund is the government's primary operating fund and it accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The *water supply system enterprise fund* accounts for the activities of the water distribution and treatment system, which are financed primarily by user charges.

The *sewage disposal system enterprise fund* accounts for the activities of the sewage disposal and treatment system, which are also financed by user charges.

Additionally, the government reports the following fund types:

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

*Debt service funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*Capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

*Internal service funds* account for the equipment pool, public services and insurance activity of the City provided to other departments and funds on a cost reimbursement basis.

The *retiree health care trust fund* accounts for the activities of providing health care benefits to retirees.

The *agency fund* accounts for undistributed tax collections.

# CITY OF HOWELL, MICHIGAN

## Notes to Financial Statements

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise funds, and of the government's internal service funds, are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Restricted net position includes assets that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

### Assets, Liabilities, Deferred Inflows of Resources, and Equity

#### *Deposits and Investments*

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

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

The retiree health care trust fund is authorized by the State to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

Investments are reported at fair value.

#### *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non current 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 financial statements as "internal balances".

# CITY OF HOWELL, MICHIGAN

## Notes to Financial Statements

### *Prepaid Items*

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

### *Restricted Assets*

Assets which are restricted for specified uses by bond debt requirements, grant provisions or other external requirements are classified as restricted assets. Liabilities payable from such restricted assets are separately classified.

The enterprise fund revenue bond covenants require amounts to be set aside for a bond reserve that are shown as restricted assets on the statement of net position. The enterprise funds also report customer deposits as restricted assets.

### *Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. In accordance with the provisions of GASB Statement No. 34, the government has only capitalized infrastructure assets acquired or constructed since 1980.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	Years
Roads and sidewalks	10-25
Land improvements	10-25
Water and sewer systems	40-50
Buildings and improvements	5-30
Vehicles	3-5
Office furnishings and other equipment	3-7

# CITY OF HOWELL, MICHIGAN

## Notes to Financial Statements

### *Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused paid time off (PTO). A liability for PTO is accrued when incurred in the government-wide and proprietary fund financial statements, whereas it is reported in governmental funds only if it has matured, for example, as a result of employee resignations or retirements.

### *Long-term Obligations*

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

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

### *Deferred Inflows of Resources*

In addition to liabilities, the statement of net position and fund financial statements include a separate section for deferred inflows of resources, which represents revenues that apply to future periods. The City reports unavailable revenues for delinquent personal property taxes.

### *Fund Balances*

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City currently has no assigned fund balance as the City Council has not yet given authority for the making of such assignments; assigned fund balances are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund. When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# CITY OF HOWELL, MICHIGAN

## Notes to Financial Statements

### 2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end. Charter provisions require department head budget submissions to the City Manager by the second Monday in February, City Manager submission of the budget to Council by the second Monday in April, and City Council adoption of the budget by the third Monday in May.

The budget document is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department; transfers of appropriations between departments require the approval of the governing council.

The legal level of budgetary control is the department level for the general fund and fund level for the special revenue funds. Certain supplemental budgetary appropriations were made during the year, which were not considered material.

### 3. EXCESS OF EXPENDITURES OVER BUDGET

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. For the year ended June 30, 2014, the government incurred no expenditures in excess of the amounts appropriated at the legal level of budgetary control except as follows:

	Final Budget	Actual	Over Budget
General fund			
General government - City hall	\$ 238,636	\$ 246,639	\$ 8,003
Public safety:			
Police	2,251,055	2,251,548	493
Building	34,300	35,275	975
Public works - Engineering	59,855	60,562	707
Community development	184,867	201,246	16,379
Culture and recreation	355,275	357,674	2,399

### 4. DEFICIT FUND EQUITY

At June 30, 2014 the DDA had a net position deficit of \$735,764; however, at the fund level it had a surplus fund balance of \$169,505 and no fund deficit.

### 5. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposits and investments as of June 30, 2014:

	Primary Government	Component Units	Totals
Statement of net position			
Cash and cash equivalents	\$ 6,078,358	\$ 184,391	\$ 6,262,749
Restricted cash and cash equivalents	390,022	-	390,022
Statement of fiduciary net position			
Cash and cash equivalents	202,635	-	202,635
Total	\$ 6,671,015	\$ 184,391	\$ 6,855,406

# CITY OF HOWELL, MICHIGAN

## Notes to Financial Statements

Deposits and investments	
Bank deposits	\$ 6,344,986
Investments	457,145
Cash on deposit with agent	52,675
Cash on hand	<u>600</u>
Total	<u>\$ 6,855,406</u>

*Custodial Credit Risk - Deposits.* Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of June 30, 2014, \$3,938,993 of the City's total bank balance of 6,517,394 (total book balance was \$6,344,986) was exposed to custodial credit as it was uninsured and uncollateralized.

In accordance with the City's investment policy and State law, all deposits are uncollateralized and held in the City's name. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the City believes it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

*Custodial Credit Risk - Investments.* The City's investments of \$457,145 as of June 30, 2014 consisted of amounts held in a Securities and Exchange Commission registered external local government investment pool (\$174,440), commercial paper due in less than one year (\$249,846) and amounts held in money market accounts (\$32,859). Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. In accordance with the City's investment policy, all investments are held in the name of the City and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no policy regarding credit risk. As of June 30, 2014, the City's investment in the external local government investment pool was rated AAA/m by Standard & Poors (S&P); the commercial paper was rated A1+ by S&P. Ratings are not required for money market accounts.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy requires diversification by security type and institution, but does not place a fixed percentage limit for any one issuer. At June 30, 2014, the City had no concentration of credit risk.

*Interest Rate Risk.* Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of June 30, 2014, the average maturity of the underlying investments in the external local government investment pool was less than 60 days and the maturity of the commercial paper was less than one year.

## 6. RECEIVABLES

Receivables in the governmental activities are 62.9% due from other governments, 4.5% taxes, and 32.6% other receivables. Business-type activities receivables are 96.8% due from customers and 3.2% due from other governments.

# CITY OF HOWELL, MICHIGAN

## Notes to Financial Statements

### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables in the governmental activities (including accounts payable and accrued expenses) are 52.4% vendors and other liabilities, 30.2% payroll-related and 17.4% accrued interest. Business-type activities payables are 45.6% vendors, 14.3% payroll-related, 35.2% accrued interest and 4.9% deposits.

### 8. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2014, was as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 321,226	\$ 120,165
Nonmajor governmental funds	332,036	105,141
Water enterprise fund	21,493	(353,423)
Sewage disposal enterprise fund	29,710	(337,555)
Internal service funds	517,281	1,687,418
	<u>\$ 1,221,746</u>	<u>\$ 1,221,746</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur and (2) payments between funds are made.

For the year ended June 30, 2014, interfund transfers are summarized as follows:

Transfers Out	Transfers In		
	General Fund	NMGF	Total
General fund	\$ -	\$ 1,131,017	\$ 1,131,017
Nonmajor governmental funds	58,269	60,000	118,269
Water enterprise fund	17,062	-	17,062
Sewage disposal enterprise fund	19,073	-	19,073
Internal service funds	18,002	-	18,002
	<u>\$ 112,406</u>	<u>\$ 1,191,017</u>	<u>\$ 1,303,423</u>

NMGF = nonmajor governmental funds

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



# CITY OF HOWELL, MICHIGAN

## Notes to Financial Statements

### 9. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 1,527,393	\$ -	\$ -	\$ 1,527,393
Construction in progress	3,377,330	-	(3,377,330)	-
<b>Total capital assets not being depreciated</b>	<b>4,904,723</b>	<b>-</b>	<b>(3,377,330)</b>	<b>1,527,393</b>
Capital assets being depreciated:				
Buildings and improvements	6,519,179	-	-	6,519,179
Land improvements	2,314,384	108,670	-	2,423,054
Machinery and equipment	4,266,039	336,168	(358,660)	4,243,547
Infrastructure	28,183,422	3,973,864	-	32,157,286
<b>Total capital assets being depreciated</b>	<b>41,283,024</b>	<b>4,418,702</b>	<b>(358,660)</b>	<b>45,343,066</b>
Less accumulated depreciation for:				
Buildings and improvements	(3,847,539)	(214,835)	-	(4,062,374)
Land improvements	(1,575,740)	(112,237)	-	(1,687,977)
Machinery and equipment	(3,700,191)	(230,982)	356,480	(3,574,693)
Infrastructure	(14,698,244)	(1,532,041)	-	(16,230,285)
<b>Total accumulated depreciation</b>	<b>(23,821,714)</b>	<b>(2,090,095)</b>	<b>356,480</b>	<b>(25,555,329)</b>
<b>Total capital assets being depreciated, net</b>	<b>17,461,310</b>	<b>2,328,607</b>	<b>(2,180)</b>	<b>19,787,737</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 22,366,033</b>	<b>\$ 2,328,607</b>	<b>\$ (3,379,510)</b>	<b>\$ 21,315,130</b>

# CITY OF HOWELL, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 430,064	\$ -	\$ -	\$ 430,064
Construction in progress	3,530,366	-	(3,472,488)	57,878
<b>Total capital assets not being depreciated</b>	<b>3,960,430</b>	<b>-</b>	<b>(3,472,488)</b>	<b>487,942</b>
Capital assets being depreciated:				
Buildings and improvements	26,197,281	-	-	26,197,281
Machinery and equipment	1,409,415	7,279	(9,707)	1,406,987
Infrastructure	21,994,434	4,059,440	-	26,053,874
<b>Total capital assets being depreciated</b>	<b>49,601,130</b>	<b>4,066,719</b>	<b>(9,707)</b>	<b>53,658,142</b>
Less accumulated depreciation for:				
Buildings and improvements	(5,021,295)	(497,497)	-	(5,518,792)
Machinery and equipment	(1,289,051)	(47,256)	9,707	(1,326,600)
Infrastructure	(10,540,468)	(544,098)	-	(11,084,566)
<b>Total accumulated depreciation</b>	<b>(16,850,814)</b>	<b>(1,088,851)</b>	<b>9,707</b>	<b>(17,929,958)</b>
<b>Total capital assets being depreciated, net</b>	<b>32,750,316</b>	<b>2,977,868</b>	<b>-</b>	<b>35,728,184</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 36,710,746</b>	<b>\$ 2,977,868</b>	<b>\$ (3,472,488)</b>	<b>\$ 36,216,126</b>

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

<b>Depreciation of governmental activities by function</b>	
General government	\$ 193,890
Public safety	70,201
Public works, including depreciation of general infrastructure assets	1,532,041
Community and economic development	19,922
Parks and recreation	69,601
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the asset	204,440
<b>Total depreciation expense - governmental activities</b>	<b>\$ 2,090,095</b>
<b>Depreciation of business-type activities by function</b>	
Water supply	\$ 474,997
Sewage disposal	613,854
<b>Total depreciation expense - business-type activities</b>	<b>\$ 1,088,851</b>

# CITY OF HOWELL, MICHIGAN

## Notes to Financial Statements

Capital assets activity for the DDA component unit for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 152,884	\$ -	\$ -	\$ 152,884
Construction in progress	-	79,739	-	79,739
<b>Total capital assets not being depreciated</b>	<b>152,884</b>	<b>79,739</b>	<b>-</b>	<b>232,623</b>
Capital assets being depreciated:				
Land and improvements	212,998	-	-	212,998
Equipment	17,805	3,763	(1,281)	20,287
<b>Total capital assets being depreciated</b>	<b>230,803</b>	<b>3,763</b>	<b>(1,281)</b>	<b>233,285</b>
Less accumulated depreciation for:				
Land and improvements	(63,878)	(10,522)	-	(74,400)
Equipment	(13,144)	(1,230)	1,281	(13,093)
<b>Total accumulated depreciation</b>	<b>(77,022)</b>	<b>(11,752)</b>	<b>1,281</b>	<b>(87,493)</b>
<b>Total capital assets being depreciated, net</b>	<b>153,781</b>	<b>(7,989)</b>	<b>-</b>	<b>145,792</b>
<b>Total capital assets, net</b>	<b>\$ 306,665</b>	<b>\$ 71,750</b>	<b>\$ -</b>	<b>\$ 378,415</b>

## 10. LONG-TERM DEBT

*General obligation bonds and notes.* The government issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for governmental activities and component units. The original amount of general obligation bonds and notes issued in prior years for the governmental activities items listed below was \$13,280,000. No new or refunding general obligation bonds or notes were issued during the current year, except for \$500,000 of Public Act 99 notes.

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government. These bonds and notes are issued as 10 to 20-year serial bonds/notes with varying amounts of principal maturing each year. General obligation bonds and notes currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities		
2005 capital improvement	3.4%-4.1%	\$ 810,000
2009 capital improvement	3.875%-7.19%	4,185,000
2010 capital improvement	1.60%-6.85%	2,490,300
2012 capital improvement	2.0-3.0%	1,150,000
2013 capital improvement	2.5%	500,000
		<u>\$ 9,135,300</u>
Component unit- DDA		
2010 capital improvement	1.6%-6.85%	<u>\$ 1,264,700</u>

# CITY OF HOWELL, MICHIGAN

## Notes to Financial Statements

The 2009 capital improvement bonds are Build America Bonds that provide for 35 percent federal subsidy and the 2010 capital improvement bonds are Recovery Zone Economic Development Bonds that provide for 45 percent federal subsidy on the total interest requirements. Since the interest is paid to the City on a semi-annual basis corresponding with the interest payment dates to the bondholders, the interest requirements for these bonds in the accompanying schedule of maturities is shown at the gross amount. The remaining federal subsidy totals \$1,837,418 through the fiscal year ended June 30, 2030.

Annual debt service requirements to maturity for general obligation bonds (without regard to the aforementioned interest subsidy) are as follows:

Year ending June 30,	Governmental Activities		Component Units	
	Principal	Interest	Principal	Interest
2015	\$ 507,618	\$ 496,091	\$ 62,382	\$ 72,953
2016	525,932	475,079	64,068	70,533
2017	564,246	451,251	65,754	67,707
2018	582,560	424,429	67,440	64,475
2019	625,874	396,904	69,126	60,992
2020-2024	2,873,964	1,509,390	381,036	244,762
2025-2029	2,899,780	668,329	455,220	113,509
2030	555,326	19,573	99,674	3,465
	<u>\$ 9,135,300</u>	<u>\$ 4,441,046</u>	<u>\$ 1,264,700</u>	<u>\$ 698,396</u>

*Revenue bonds.* The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years for the issues listed below was \$14,515,469. During the year ended June 30, 2014, the City drew \$388,090 against the total amounts authorized under one State of Michigan Drinking Water Revolving Fund (DWRf) bond program. The amount remaining available to draw under the bond financing programs was \$342,831 at June 30, 2014.

Revenue bonds outstanding at year-end are as follows:

Purpose	Interest Rates	Amount
2009 sewage disposal system	5.0%-7.19%	\$ 1,655,000
2009 water supply system	2.5%	2,516,707
2010 sewage disposal system	4.25%-7.25%	1,585,000
2010 water supply system	2.5%	2,521,381
2011 water supply system	2.5%	1,222,274
		<u>\$ 9,500,362</u>

The 2009 sewage disposal system revenue bonds are Build America Bonds that provide for a 35 percent federal subsidy on the total interest requirements and the 2010 sewage disposal system revenue bonds are Recovery Zone Economic Development Bonds that provide for a 45 percent federal subsidy on the total interest requirements. Since the interest is paid to the City on a semi-annual basis corresponding with the interest payment dates to the bondholders, the interest requirements for this bond in the accompanying schedule of maturities is shown at the gross amount. The remaining federal subsidy totals \$764,751 through the fiscal year ended June 30, 2030.

# CITY OF HOWELL, MICHIGAN

## Notes to Financial Statements

The above 2009 water supply system revenue bonds were approved under the American Recovery and Reinvestment Act of 2009 for forgiveness of principal and interest up to a total of \$4,024,200, of which \$2,118,000 may be principal. Accordingly, forgiven principal of \$2,118,000 has been applied to produce the net principal due as of June 30, 2014 of \$2,516,707. The above 2011 water supply system revenue bonds were approved for forgiveness of principal up to a total of \$1,062,000. Accordingly, forgiven principal of \$1,062,000 has been applied to produce the net principal due as of June 30, 2014 of \$1,222,274 including \$388,090 in additional draws during the current year.

Revenue bond debt service requirements to maturity (without regard to the principal and interest subsidies identified above) are as follows:

Year ending June 30,	Principal	Interest
2015	\$ 485,000	\$ 367,298
2016	495,000	350,673
2017	510,000	332,898
2018	525,000	313,842
2019	535,000	294,192
2020-2024	2,945,000	1,144,597
2025-2029	3,420,000	500,966
2030-2033	738,088	12,246
	<u>9,653,088</u>	
Less amount remaining to draw	<u>(152,726)</u>	<u>\$ 3,316,712</u>
	<u>\$ 9,500,362</u>	

As reflected above, the City has \$152,726 of funds remaining on its DWRF projects to draw. The City anticipates utilizing/drawing the entire remaining authorized amounts during fiscal 2014-15.

# CITY OF HOWELL, MICHIGAN

## Notes to Financial Statements

*Changes in long-term debt.* Long-term liability activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Primary government</b>					
<b>Governmental activities</b>					
General obligation bonds	\$ 9,107,400	\$ 500,000	\$ (472,100)	\$ 9,135,300	\$ 507,618
Premium	21,302	-	(1,522)	19,780	-
Compensated absences	239,821	262,814	(261,385)	241,250	239,111
	<u>\$ 9,368,523</u>	<u>\$ 762,814</u>	<u>\$ (735,007)</u>	<u>\$ 9,396,330</u>	<u>\$ 746,729</u>
<b>Business-type activities</b>					
Revenue bonds	\$ 9,640,786	\$ 388,090	\$ (528,514)	\$ 9,500,362	\$ 485,000
Compensated absences	73,993	91,337	(87,299)	78,031	69,010
	<u>\$ 9,714,779</u>	<u>\$ 479,427</u>	<u>\$ (615,813)</u>	<u>\$ 9,578,393</u>	<u>\$ 554,010</u>
<b>Component unit - DDA</b>					
General obligation bonds	\$ 1,387,600	\$ -	\$ (122,900)	\$ 1,264,700	\$ 62,382
Compensated absences	5,364	4,389	(7,744)	2,009	2,009
	<u>\$ 1,392,964</u>	<u>\$ 4,389</u>	<u>\$ (130,644)</u>	<u>\$ 1,266,709</u>	<u>\$ 64,391</u>

For the governmental activities, compensated absences, net pension obligations (if any) and net other postemployment benefit obligations are generally liquidated by the general fund.

# CITY OF HOWELL, MICHIGAN

## Notes to Financial Statements

### 11. SEGMENT INFORMATION - ENTERPRISE FUND

The government issued revenue bonds to finance certain improvements to its water supply and sewage disposal systems. Because the water and sewer funds are individual major funds that account entirely for the government's water distribution and sewage treatment activities, segment disclosures herein are not required.

### 12. RESTRICTED ASSETS

Restricted assets of \$14,875 for customer deposits are reported in the water supply system enterprise fund; restricted assets of \$375,147 for bond reserves are reported in the sewage disposal system enterprise fund.

### 13. RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Michigan Municipal Risk Management Authority (MMRMA, a risk pool) for claims relating to general and auto liability, auto physical damage, and property loss claims and the Michigan Municipal League Workers' Compensation Fund for workers' compensation.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The MMRMA risk pool program operates as a claims servicing entity for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, which is used to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City estimates the liability for claims relating to general and auto liability, auto physical damage, and property loss claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	2014	2013
Estimated liability, beginning of year	\$ 23,912	\$ 97,563
Estimated claims incurred, including changes in estimates	134,646	(42,528)
Claim payments	<u>(63,924)</u>	<u>(31,123)</u>
Estimated liability, end of year	<u>\$ 94,634</u>	<u>\$ 23,912</u>

The full amount of the above estimated liability is expected to be paid within one year and, accordingly, classified as a current liability.

# CITY OF HOWELL, MICHIGAN

## Notes to Financial Statements

### 14. PROPERTY TAXES

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through July 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Livingston County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. The taxable value of real and personal property in the City totaled \$292,538,728 (not including properties with a taxable value of \$3,884,818 subject to Industrial Facilities Tax exemption). The government's general operating tax rate for fiscal year 2013-14 was 15.9443 mills plus an additional 1.3 mills for rubbish.

Property taxes for the DDA and TIFA, if any, are derived from a tax increment financing agreement between those entities and the other related taxing districts. Under this arrangement, the DDA and TIFA receive those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on properties located within the district boundaries. Property taxes are recognized in the fiscal year in which they are levied.

### 15. DEFINED BENEFIT PENSION PLAN

The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the Retirement Board of MERS. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

The City is required to contribute at an actuarially determined rate; the rates for the year ended June 30, 2014 were 16.60% to 33.50% of annual covered payroll. City employees are required to contribute 3.68% to 4.80% of covered wages, depending on the applicable bargaining unit. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City Council, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the City.

For the year ended June 30, 2014, the City's annual pension cost of \$702,720 was equal to the required and actual contribution. The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increase of 4.5% per year compounded annually, attributable to wage inflation; (c) additional projected salary increases of 0.0% to 3.9% per year, depending on age, attributable to seniority/merit; and (d) general inflation rate assumption of 3.0-4.0%.

The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, the date of the latest actuarial valuation, was 26 years.



# CITY OF HOWELL, MICHIGAN

## Notes to Financial Statements

Three-Year Trend Information			
Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2012	\$ 620,298	100%	\$ -
2013	598,782	100%	-
2014	702,720	100%	-

The funded status of the plan as of December 31, 2013, the date of the latest actuarial valuation, was as follows:

Actuarial accrued liabilities (AAL)	\$ 21,641,468
Actuarial value of plan assets	<u>13,169,293</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 8,472,175</u>
Funded ratio	60.9%
Covered payroll	\$ 3,047,545
UAAL as a percentage of covered payroll	278.0%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### 16. OTHER POSTEMPLOYMENT BENEFITS

The City provides postemployment health care benefits to all employees with a minimum of 15 years of service. For those employees with 20 or more years of service, the City pays the full cost of the benefits; for those with 15 to 19 years of service, the City pays at a level varying between 75% and 95%. Effective January 1, 2011, all new hires will participate in a retiree health care savings plan that will be funded during active employment through employer and employee contributions. Employees hired after January 1, 2004 were given the option to irrevocably waive participation in the traditional retiree health care program and enroll in the retiree health care savings account. Assets in these individual retiree health care savings accounts are not included in the financial statements of the City's postemployment health care plan.

The plan is a single-employer defined benefit health care plan administered by the City. The plan was adopted and established by action of the City Council. The plan is reported as an other employee benefit trust fund in the accompanying financial statements. The plan does not issue a separate or stand-alone report.

The plan's financial statements are prepared using the accrual basis of accounting. Plan contributions are recognized in the period in which the contributions are due and the employer has made a formal commitment to provide the contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan investments, if any, are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Investments for which market quotations are not readily available are valued at their fair values as determined by the portfolio manager under the direction of the City.

# CITY OF HOWELL, MICHIGAN

## Notes to Financial Statements

Membership of the plan consisted of the following at June 30, 2011, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	30
Terminated plan members entitled to but not yet receiving benefits	7
Active plan members	<u>57</u>
 Total	 <u><u>94</u></u>

The City has no obligation to make contributions in advance of when the insurance premiums or benefits are due for payment; in other words, the plan may be financed on a pay-as-you-go basis. Administrative costs of the plan are paid for by the City's general fund. Plan participants are not required to contribute to the plan. For the year ended June 30, 2014, the City did not make any contributions to advance-fund the plan.

For fiscal 2014, the components of the City's annual OPEB (other postemployment benefit) cost for the year, the amount actually contributed to the plan (including pay-as-you-go amounts), and changes in the City's net OPEB obligation to the plan are as follows:

Annual required contribution	\$ 827,501
Interest on net OPEB obligation	120,412
Adjustment to annual required contribution	<u>(107,033)</u>
Net OPEB cost	840,880
Contributions made	<u>(161,520)</u>
Increase in net OPEB obligation	679,360
Net OPEB obligation, beginning of year	<u>2,675,830</u>
 Net OPEB obligation, end of year	 <u><u>\$ 3,355,190</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and preceding two years were as follows:

Three-Year Trend Information			
Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/12	\$ 787,048	23.5%	\$ 2,012,145
6/30/13	813,461	18.4%	2,675,830
6/30/14	840,880	19.2%	3,355,190

# CITY OF HOWELL, MICHIGAN

## Notes to Financial Statements

For the year ended June 30, 2014, the City estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2011. Such a valuation computes an annual required contribution (ARC) that represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current combined ARC is 36.0% of annual covered payroll.

The funded status of the plan as of June 30, 2011, the date of the latest actuarial valuation, was as follows:

Actuarial accrued liabilities (AAL)	\$ 10,375,315
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 10,375,315</u>
Funded ratio	0.0%
Covered payroll	\$ 2,300,000
UAAL as a percentage of covered payroll	451.1%

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 trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by the employer in comparison with the ARC.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing 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. Significant methods and assumptions were as follows:

Actuarial valuation date	06/30/11
Actuarial cost method	Entry age
Amortization method contributions	Level percent of payroll or level of dollar depending on division; open
Remaining amortization period	30 years; closed
Asset valuation method	5-year smoothing
Actuarial assumptions:	
Investment rate of return	4.5%
Inflation rate	3.0%
Projected salary increases	3.0%
Healthcare inflation rate	9.25% initially; 5.0% ultimately

# CITY OF HOWELL, MICHIGAN

## Notes to Financial Statements

### 17. DEFINED CONTRIBUTION PENSION PLAN

The DDA provides pension benefits to its director through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by negotiation, the DDA contributes 10 percent of the director's gross earnings. In accordance with these requirements, the DDA contributed \$3,894 during the current year, and no contributions were made by the director. The plan is administered by the International City Manager's Association.

### 18. NET INVESTMENT IN CAPITAL ASSETS

Following is a summary of net investment in capital assets, as presented in the government-wide statement of net position:

	Governmental Activities	Business-type Activities
Capital assets, net	\$ 21,315,130	\$ 36,216,126
Less capital-related bonds	<u>8,655,080</u>	<u>9,500,362</u>
Total net investment in capital assets	<u>\$ 12,660,050</u>	<u>\$ 26,715,764</u>

### 19. CONTINGENCIES

The City has been served in civil and administrative actions brought against it seeking damages from matters within the geographical limits of and/or activities of the City of Howell, Michigan. In the opinion of the administration and its legal counsel, any potential settlement of these actions should have no material effect upon the financial position of the City.

### 20. JOINT VENTURES

The City is a member of the Howell Area Fire Authority, which was jointly incorporated by the City and the townships of Cohoctah, Marion, Oceola and Howell for the purpose of providing fire protection and other emergency health and safety services for the citizens of the member governments. The City appoints a member to the joint venture's governing board which then approves the annual budget. The City's equity interest in the joint venture at June 30, 2014 was \$678,503, which is recorded in the governmental activities column in the statement of net position. 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 administrative offices at 1211 W. Grand River, Howell, Michigan.

## CITY OF HOWELL, MICHIGAN

### Notes to Financial Statements

The City is a member of the Howell Area Parks and Recreation Authority, which was jointly incorporated by the City and the townships of Genoa, Marion and Oceola for the purpose of providing recreational opportunities for the citizens of the member governments. The Authority started operations on July 1, 2008. The City appoints a member to the Authority Board which approves the annual budget. The City currently leases two buildings to the Authority for a one-year term at the cost of one dollar. The City also provides accounting, human resource and computer administration to the Authority for an annual fee of \$10,000. The Authority is a joint venture with no equity interest; accordingly, no amounts are reported in the accompanying financial statements for the City's participation in the Authority. 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 administrative offices at 925 W. Grand River, Howell, Michigan.

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## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HOWELL, MICHIGAN

Required Supplementary Information

Municipal Employees' Retirement System of Michigan

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2008	\$ 11,390,651	\$ 18,217,924	\$ 6,827,273	62.5%	\$ 3,510,502	194.5%
12/31/2009	11,813,597	18,466,048	6,652,451	64.0%	3,587,131	185.5%
12/31/2010	12,271,346	19,068,449	6,797,103	64.4%	3,339,441	203.5%
12/31/2011	12,581,483	20,182,629	7,601,146	62.3%	3,176,711	239.3%
12/31/2012	12,737,416	20,771,653	8,034,237	61.3%	3,091,812	259.9%
12/31/2013	13,169,293	21,641,468	8,472,175	60.9%	3,047,545	278.0%

Schedule of Employer Contributions

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2009	\$ 610,056	100%
2010	623,310	100%
2011	619,844	100%
2012	620,298	100%
2013	598,782	100%
2014	702,720	100%



CITY OF HOWELL, MICHIGAN

Required Supplementary Information

Other Postemployment Benefits

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2007	\$ -	\$ 8,713,664	\$ 8,713,664	0.0%	\$ 2,359,681	369.3%
06/30/2011	-	10,375,315	10,375,315	0.0%	2,300,000	451.1%

Schedule of Employer Contributions

Year Ended December 31,	Annual Required Contributions	Actual Contributions	Percentage Contributed
6/30/09	\$ 607,857	\$ 158,969	26.2%
6/30/10	635,211	166,118	26.2%
6/30/11	663,795	185,371	27.9%
6/30/12	779,999	184,597	23.7%
6/30/13	803,400	149,776	18.6%
6/30/14	827,501	161,520	19.5%

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**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

# CITY OF HOWELL, MICHIGAN

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2014

	Special Revenue	Debt Service	Capital Projects	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 452,278	\$ -	\$ 134,852	\$ 587,130
Accounts receivable	20,705	-	-	20,705
Due from other funds	332,036	-	-	332,036
Due from other governments	95,432	-	-	95,432
<b>Total assets</b>	<b>\$ 900,451</b>	<b>\$ -</b>	<b>\$ 134,852</b>	<b>\$ 1,035,303</b>
<b>Liabilities</b>				
Accounts payable	\$ 123,898	\$ -	\$ 19,530	\$ 143,428
Accrued liabilities	10,071	-	-	10,071
Due to other funds	104,771	-	370	105,141
<b>Total liabilities</b>	<b>238,740</b>	<b>-</b>	<b>19,900</b>	<b>258,640</b>
<b>Fund balances</b>				
Restricted	661,711	-	70,517	732,228
Committed	-	-	44,435	44,435
<b>Total fund balances</b>	<b>661,711</b>	<b>-</b>	<b>114,952</b>	<b>776,663</b>
<b>Total liabilities and fund balances</b>	<b>\$ 900,451</b>	<b>\$ -</b>	<b>\$ 134,852</b>	<b>\$ 1,035,303</b>

# CITY OF HOWELL, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds For the Year Ended June 30, 2014

	Special Revenue	Debt Service	Capital Projects	Totals
<b>Revenues</b>				
Property taxes	\$ 380,374	\$ -	\$ -	\$ 380,374
Intergovernmental	628,918	-	-	628,918
Charges for services	168,724	-	-	168,724
Investment earnings	651	-	-	651
Other	44,587	-	-	44,587
<b>Total revenues</b>	<b>1,223,254</b>	<b>-</b>	<b>-</b>	<b>1,223,254</b>
<b>Expenditures</b>				
Current expenditures:				
General government	3,465	-	-	3,465
Public safety	1,000	-	-	1,000
Public works	666,674	60,000	-	726,674
Highways and streets	932,770	-	-	932,770
Debt service:				
Principal	-	472,100	-	472,100
Interest and fiscal charges	-	357,834	-	357,834
Capital outlay	-	-	495,970	495,970
<b>Total expenditures</b>	<b>1,603,909</b>	<b>889,934</b>	<b>495,970</b>	<b>2,989,813</b>
Revenues under expenditures	(380,655)	(889,934)	(495,970)	(1,766,559)
<b>Other financing sources (uses)</b>				
Transfers in	269,506	889,934	31,577	1,191,017
Transfers out	(118,269)	-	-	(118,269)
<b>Total other financing sources (uses)</b>	<b>151,237</b>	<b>889,934</b>	<b>31,577</b>	<b>1,072,748</b>
<b>Net change in fund balances</b>	<b>(229,418)</b>	<b>-</b>	<b>(464,393)</b>	<b>(693,811)</b>
Fund balances, beginning of year	891,129	-	579,345	1,470,474
<b>Fund balances, end of year</b>	<b>\$ 661,711</b>	<b>\$ -</b>	<b>\$ 114,952</b>	<b>\$ 776,663</b>

# CITY OF HOWELL, MICHIGAN

## Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2014

	Major Street	Local Street	Rubbish & Garbage
<b>Assets</b>			
Cash and cash equivalents	\$ 121,361	\$ 9,413	\$ 41,411
Accounts receivable	-	-	20,330
Due from other funds	25,052	6,056	50,097
Due from other governments	69,864	25,568	-
<b>Total assets</b>	<b>\$ 216,277</b>	<b>\$ 41,037</b>	<b>\$ 111,838</b>
<b>Liabilities</b>			
Accounts payable	\$ 73,235	\$ 2,667	\$ 47,995
Accrued liabilities	3,457	4,537	2,077
Due to other funds	2,053	33,833	61,766
<b>Total liabilities</b>	<b>78,745</b>	<b>41,037</b>	<b>111,838</b>
<b>Fund balances - restricted</b>	<b>137,532</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 216,277</b>	<b>\$ 41,037</b>	<b>\$ 111,838</b>



Drug Law Enforcement	Police Training	Cemetery	Total
\$ 7,340	\$ 591	272,162	\$ 452,278
-	375	-	20,705
-	831	250,000	332,036
-	-	-	95,432
<u>\$ 7,340</u>	<u>\$ 1,797</u>	<u>\$ 522,162</u>	<u>\$ 900,451</u>
\$ 1	\$ -	\$ -	\$ 123,898
-	-	-	10,071
1,000	-	6,119	104,771
1,001	-	6,119	238,740
6,339	1,797	516,043	661,711
<u>\$ 7,340</u>	<u>\$ 1,797</u>	<u>522,162</u>	<u>\$ 900,451</u>

# CITY OF HOWELL, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2014

	Major Street	Local Street	Rubbish & Garbage
<b>Revenues</b>			
Property taxes	\$ -	\$ -	\$ 380,374
Intergovernmental	459,064	166,692	-
Charges for services	-	-	147,174
Investment earnings	404	-	-
Other	7,128	37,459	-
<b>Total revenues</b>	<u>466,596</u>	<u>204,151</u>	<u>527,548</u>
<b>Expenditures</b>			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	666,674
Highways and streets	568,797	363,973	-
<b>Total expenditures</b>	<u>568,797</u>	<u>363,973</u>	<u>666,674</u>
<b>Revenues over (under) expenditures</b>	<u>(102,201)</u>	<u>(159,822)</u>	<u>(139,126)</u>
<b>Other financing sources (uses)</b>			
Transfers in	-	139,143	130,363
Transfers out	(60,000)	-	-
<b>Total other financing sources (uses)</b>	<u>(60,000)</u>	<u>139,143</u>	<u>130,363</u>
<b>Net change in fund balances</b>	<u>(162,201)</u>	<u>(20,679)</u>	<u>(8,763)</u>
<b>Fund balances, beginning of year</b>	<u>299,733</u>	<u>20,679</u>	<u>8,763</u>
<b>Fund balances, end of year</b>	<u>\$ 137,532</u>	<u>\$ -</u>	<u>\$ -</u>





Drug Law Enforcement	Police Training	Cemetery	Total
\$ -	\$ -	\$ -	\$ 380,374
-	3,162	-	628,918
-	-	21,550	168,724
-	-	247	651
-	-	-	44,587
-	3,162	21,797	1,223,254
-	3,465	-	3,465
1,000	-	-	1,000
-	-	-	666,674
-	-	-	932,770
1,000	3,465	-	1,603,909
(1,000)	(303)	21,797	(380,655)
-	-	-	269,506
(52,150)	-	(6,119)	(118,269)
(52,150)	-	(6,119)	151,237
(53,150)	(303)	15,678	(229,418)
59,489	2,100	500,365	891,129
\$ 6,339	\$ 1,797	516,043	\$ 661,711

# CITY OF HOWELL, MICHIGAN

## Schedule of Revenues, Expenditures and Changes in Fund Balance Final Budget and Actual - Nonmajor Special Revenue Funds For the Year Ended June 30, 2014

	Major Street Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental	454,673	459,064	4,391
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Investment earnings	500	404	(96)
Other	500	7,128	6,628
<b>Total revenues</b>	<u>455,673</u>	<u>466,596</u>	<u>10,923</u>
<b>Expenditures</b>			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Highways and streets	568,918	568,797	(121)
<b>Total expenditures</b>	<u>568,918</u>	<u>568,797</u>	<u>(121)</u>
<b>Revenues over (under) expenditures</b>	<u>(113,245)</u>	<u>(102,201)</u>	<u>11,044</u>
<b>Other financing sources (uses)</b>			
Transfers in	-	-	-
Transfers out	(60,000)	(60,000)	-
<b>Total other financing sources (uses)</b>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
<b>Net change in fund balances</b>	(173,245)	(162,201)	11,044
<b>Fund balances, beginning of year</b>	<u>299,733</u>	<u>299,733</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 126,488</u>	<u>\$ 137,532</u>	<u>\$ 11,044</u>

Local Street Fund			Rubbish & Garbage		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ 385,833	\$ 380,374	\$ (5,459)
162,611	166,692	4,081	-	-	-
-	-	-	150,700	147,174	(3,526)
-	-	-	-	-	-
-	-	-	-	-	-
27,000	37,459	10,459	-	-	-
<u>189,611</u>	<u>204,151</u>	<u>14,540</u>	<u>536,533</u>	<u>527,548</u>	<u>(8,985)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	671,796	666,674	(5,122)
379,846	363,973	(15,873)	-	-	-
<u>379,846</u>	<u>363,973</u>	<u>(15,873)</u>	<u>671,796</u>	<u>666,674</u>	<u>(5,122)</u>
<u>(190,235)</u>	<u>(159,822)</u>	<u>30,413</u>	<u>(135,263)</u>	<u>(139,126)</u>	<u>(3,863)</u>
169,556	139,143	(30,413)	126,677	130,363	3,686
-	-	-	-	-	-
<u>169,556</u>	<u>139,143</u>	<u>(30,413)</u>	<u>126,677</u>	<u>130,363</u>	<u>3,686</u>
(20,679)	(20,679)	-	(8,586)	(8,763)	(177)
<u>20,679</u>	<u>20,679</u>	<u>-</u>	<u>8,763</u>	<u>8,763</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177</u>	<u>\$ -</u>	<u>\$ (177)</u>

continued...

# CITY OF HOWELL, MICHIGAN

## Schedule of Revenues, Expenditures and Changes in Fund Balance

Final Budget and Actual - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2014

	Drug Law Enforcement Fund		
	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines and forfeitures	500	-	(500)
Investment earnings	-	-	-
Other	-	-	-
<b>Total revenues</b>	<u>500</u>	<u>-</u>	<u>(500)</u>
<b>Expenditures</b>			
Current expenditures:			
General government	-	-	-
Public safety	1,000	1,000	-
Public works	-	-	-
Parks and recreation	-	-	-
<b>Total expenditures</b>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
<b>Revenues over (under) expenditures</b>		<u>(1,000)</u>	<u>(1,000)</u>
<b>Other financing sources (uses)</b>			
Transfers in	-	-	-
Transfers out	(52,150)	(52,150)	-
<b>Total other financing sources (uses)</b>	<u>(52,150)</u>	<u>(52,150)</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>(52,150)</u>	<u>(53,150)</u>	<u>(1,000)</u>
Fund balances, beginning of year	<u>59,489</u>	<u>59,489</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 7,339</u>	<u>\$ 6,339</u>	<u>\$ (1,000)</u>

Police Training			Cemetery		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,500	3,162	(338)	-	-	-
-	-	-	20,000	21,550	1,550
-	-	-	-	-	-
-	-	-	500	247	(253)
-	-	-	-	-	-
<u>3,500</u>	<u>3,162</u>	<u>(338)</u>	<u>20,500</u>	<u>21,797</u>	<u>1,297</u>
4,000	3,465	(535)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>4,000</u>	<u>3,465</u>	<u>(535)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(500)</u>	<u>(303)</u>	<u>197</u>	<u>20,500</u>	<u>21,797</u>	<u>1,297</u>
-	-	-	-	-	-
-	-	-	(6,500)	(6,119)	381
-	-	-	(6,500)	(6,119)	381
(500)	(303)	197	14,000	15,678	1,678
2,100	2,100	-	500,365	500,365	-
<u>\$ 1,600</u>	<u>\$ 1,797</u>	<u>\$ 197</u>	<u>\$ 514,365</u>	<u>\$ 516,043</u>	<u>\$ 1,678</u>

concluded.

CITY OF HOWELL, MICHIGAN

**Combining Balance Sheet**  
 Nonmajor Debt Service Funds  
 June 30, 2014

	City Hall	Loop Road & D-19 Project	Road Program Debt	South Michigan Construction Debt	Act 99 Debt	Total
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total liabilities and fund balances</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF HOWELL, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Debt Service Funds  
For the Year Ended June 30, 2014

	City Hall	Loop Road & D-19 Project	Road Program Debt	South Michigan Construction Debt	Act 99 Debt	Total
<b>Revenues</b>						
Special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures</b>						
Public works	-	-	-	60,000	-	60,000
Debt service:						
Principal retirement	115,000	55,500	301,600	-	-	472,100
Interest and fiscal charges	35,657	56,621	254,570	1,410	9,576	357,834
<b>Total expenditures</b>	<b>150,657</b>	<b>112,121</b>	<b>556,170</b>	<b>61,410</b>	<b>9,576</b>	<b>889,934</b>
Revenues under expenditures	(150,657)	(112,121)	(556,170)	(61,410)	(9,576)	(889,934)
<b>Other financing sources</b>						
Transfers in	150,657	112,121	556,170	61,410	9,576	889,934
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances, beginning of year	-	-	-	-	-	-
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

CITY OF HOWELL, MICHIGAN

Combining Balance Sheet  
 Nonmajor Capital Projects Funds  
 June 30, 2014

	M-59 Utilities	Parking Lot	D19 Project	Loop Project
<b>Assets</b>				
Cash and cash equivalents	\$ 44,435	\$ 20,864	\$ -	\$ -
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
<b>Total liabilities</b>	-	-	-	-
<b>Fund balances</b>				
Restricted	-	20,864	-	-
Committed	44,435	-	-	-
<b>Total fund balances</b>	44,435	20,864	-	-
<b>Total liabilities and fund balances</b>	\$ 44,435	\$ 20,864	\$ -	\$ -





East Sibley Street	West Sibley Street	Road Program Phase II	Road Program Phase III	Clinton Street	Total
\$ 1,496	\$ 21,344	\$ 46,343	\$ 370	\$ -	\$ 134,852
\$ -	\$ -	\$ 19,530	\$ -	\$ -	\$ 19,530
-	-	-	370	-	370
-	-	19,530	370	-	19,900
1,496	21,344	26,813	-	-	70,517
-	-	-	-	-	44,435
1,496	21,344	26,813	-	-	114,952
\$ 1,496	\$ 21,344	\$ 46,343	\$ 370	\$ -	\$ 134,852

CITY OF HOWELL, MICHIGAN

■ Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Capital Projects Funds  
 For the Year Ended June 30, 2014

	M-59 Utilities	Parking Lot	D19 Project	Loop Project
Expenditures				
Capital outlay	\$ -	\$ -	\$ 2,122	\$ 27,704
Other financing sources				
Transfers in	-	-	-	27,704
Net change in fund balances	-	-	(2,122)	-
Fund balances, beginning of year	44,435	20,864	2,122	-
Fund balances, end of year	<u>\$ 44,435</u>	<u>\$ 20,864</u>	<u>\$ -</u>	<u>\$ -</u>



East Sibley Street	West Sibley Street	Road Program Phase II	Road Program Phase III	Clinton Street	Total
\$ 86	\$ 14,582	\$ 27,403	\$ 420,200	\$ 3,873	\$ 495,970
-	-	-	-	3,873	31,577
(86)	(14,582)	(27,403)	(420,200)	-	(464,393)
1,582	35,926	54,216	420,200	-	579,345
<u>\$ 1,496</u>	<u>\$ 21,344</u>	<u>\$ 26,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,952</u>

# CITY OF HOWELL, MICHIGAN

## Combining Statement of Net Position

Internal Service Funds

June 30, 2014

	Equipment Pool	Department of Public Services	Self Insurance	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 778,581	\$ 93,826	\$ -	\$ 872,407
Cash on deposit with agent	-	-	52,676	52,676
Accounts receivable	12,150	-	69,403	81,553
Due from other funds	97,314	308,887	111,080	517,281
Due from other governments	3,424	699	-	4,123
Land held for resale	2,020,270	-	-	2,020,270
Total current assets	<u>2,911,739</u>	<u>403,412</u>	<u>233,159</u>	<u>3,548,310</u>
Noncurrent assets -				
Capital assets, net	<u>468,343</u>	<u>154,484</u>	<u>-</u>	<u>622,827</u>
Total assets	<u>3,380,082</u>	<u>557,896</u>	<u>233,159</u>	<u>4,171,137</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	18,238	36,845	-	55,083
Claims payable	-	-	94,634	94,634
Accrued payroll	3,081	6,664	-	9,745
Due to other funds	1,549,132	2,646	135,640	1,687,418
Compensated absences, current	3,049	46,345	-	49,394
Notes payable, current	25,000	-	-	25,000
Total current liabilities	<u>1,598,500</u>	<u>92,500</u>	<u>230,274</u>	<u>1,921,274</u>
Noncurrent liabilities:				
Compensated absences	31	468	-	499
Notes payable	475,000	-	-	475,000
Total noncurrent liabilities	<u>475,031</u>	<u>468</u>	<u>-</u>	<u>475,499</u>
Total liabilities	<u>2,073,531</u>	<u>92,968</u>	<u>230,274</u>	<u>2,396,773</u>
<b>Net position</b>				
Net investment in capital assets	468,343	154,484	-	622,827
Unrestricted	<u>838,208</u>	<u>310,444</u>	<u>2,885</u>	<u>1,151,537</u>
Total net position	<u>\$ 1,306,551</u>	<u>\$ 464,928</u>	<u>\$ 2,885</u>	<u>\$ 1,774,364</u>

# CITY OF HOWELL, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Net Position Internal Service Funds For the Year Ended June 30, 2014

	Equipment Pool	Department of Public Services	Self Insurance	Total
Operating revenues				
Charges for services	\$ 615,190	\$ 248,476	\$ -	\$ 863,666
Other	84,059	26,075	-	110,134
<b>Total operating revenues</b>	<b>699,249</b>	<b>274,551</b>	<b>-</b>	<b>973,800</b>
Operating expenses				
Personnel services	119,787	224,452	-	344,239
Materials and supplies	161,755	10,182	-	171,937
Contractual	-	10,144	-	10,144
Insurance	39,006	11,148	-	50,154
Maintenance	39,854	16,410	-	56,264
Other expense	15,958	41,925	-	57,883
Depreciation	192,618	11,822	-	204,440
<b>Total operating expenses</b>	<b>568,978</b>	<b>326,083</b>	<b>-</b>	<b>895,061</b>
Operating income (loss)	130,271	(51,532)	-	78,739
Nonoperating revenues				
Investment earnings	86	-	2,875	2,961
Income (loss) before transfers	130,357	(51,532)	2,875	81,700
Transfers out	(13,002)	(5,000)	-	(18,002)
Change in net position	117,355	(56,532)	2,875	63,698
Net position, beginning of year	1,189,196	521,460	10	1,710,666
Net position, end of year	\$ 1,306,551	\$ 464,928	\$ 2,885	\$ 1,774,364

CITY OF HOWELL, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2014

	Equipment Pool	Department of Public Services	Self Insurance	Total
<b>Cash flows from operating activities</b>				
Receipts from interfund services	\$ 686,506	\$ 272,606	\$ -	\$ 959,112
Payment for internal loan	-	(300,000)	-	(300,000)
Payments to suppliers/claimants	(785,280)	(70,859)	(118,631)	(974,770)
Payments to employees	(118,896)	(210,052)	-	(328,948)
<b>Net cash provided (used) by operating activities</b>	<b>(217,670)</b>	<b>(308,305)</b>	<b>(118,631)</b>	<b>(644,606)</b>
<b>Cash flows from noncapital financing activities</b>				
Transfers out	(13,002)	(5,000)	-	(18,002)
Notes payable issued	500,000	-	-	500,000
<b>Net cash provided (used) by noncapital activities</b>	<b>486,998</b>	<b>(5,000)</b>	<b>-</b>	<b>481,998</b>
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	(195,833)	(36,172)	-	(232,005)
<b>Cash flows from investing activities</b>				
Interest received on investments	86	-	2,875	2,961
<b>Net change in cash and cash equivalents</b>	<b>73,581</b>	<b>(349,477)</b>	<b>(115,756)</b>	<b>(391,652)</b>
Cash and cash equivalents, beginning of year	705,000	443,303	168,432	1,316,735
<b>Cash and cash equivalents, end of year</b>	<b>\$ 778,581</b>	<b>\$ 93,826</b>	<b>\$ 52,676</b>	<b>\$ 925,083</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ 130,271	\$ (51,532)	\$ -	\$ 78,739
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	192,618	11,822	-	204,440
Changes in assets and liabilities:				
Accounts receivable	(12,150)	-	(69,403)	(81,553)
Due from other funds	(593)	(293,589)	(39,812)	(333,994)
Due from other governments	(1,465)	(431)	-	(1,896)
Land held for resale	(2,020,270)	-	-	(2,020,270)
Accounts payable	3,419	19,381	-	22,800
Claims payable	-	-	70,722	70,722
Accrued payroll/compensated absences	891	14,400	-	15,291
Due to other funds	1,489,609	(8,356)	(80,138)	1,401,115
<b>Net cash provided (used) by operating activities</b>	<b>\$ (217,670)</b>	<b>\$ (308,305)</b>	<b>\$ (118,631)</b>	<b>\$ (644,606)</b>

CITY OF HOWELL, MICHIGAN

**Statement of Changes in Assets and Liabilities**

Tax Revolving Agency Fund  
For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>Assets</b>				
Cash and cash equivalents	\$ 69,816	\$ 14,141,893	\$ 14,141,790	\$ 69,919
<b>Liabilities</b>				
Undistributed receipts	\$ 69,816	\$ 14,141,893	\$ 14,141,790	\$ 69,919

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## COMPONENT UNITS

# CITY OF HOWELL, MICHIGAN

## Combining Balance Sheet

Downtown Development Authority Component Unit

June 30, 2014

	General Fund	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 184,391	\$ -	\$ 184,391
Accounts receivable	1,181	-	1,181
Prepaid items	52	-	52
Capital assets not being depreciated	-	232,623	232,623
Capital assets being depreciated, net	-	145,792	145,792
<b>Total assets</b>	<b>\$ 185,624</b>	<b>378,415</b>	<b>564,039</b>
<b>Liabilities</b>			
Accounts payable	\$ 6,955	-	6,955
Accrued liabilities	5,740	-	5,740
Accrued interest payable	-	16,975	16,975
Due to other government	3,424	-	3,424
Long-term liabilities:			
Due within one year	-	64,391	64,391
Due in more than one year	-	1,202,318	1,202,318
<b>Total liabilities</b>	<b>16,119</b>	<b>1,283,684</b>	<b>1,299,803</b>
<b>Fund balance</b>			
Nonspendable for prepaid items	52	(52)	-
Unassigned	169,453	(169,453)	-
<b>Total fund balance</b>	<b>169,505</b>	<b>(169,505)</b>	<b>-</b>
<b>Total liabilities and fund balance</b>	<b>\$ 185,624</b>	<b>1,114,179</b>	<b>1,299,803</b>
<b>Net position (deficit)</b>			
Net investment in capital assets		(886,285)	(886,285)
Unrestricted		150,521	150,521
<b>Total net position (deficit)</b>		<b>\$ (735,764)</b>	<b>\$ (735,764)</b>

# CITY OF HOWELL, MICHIGAN

## Reconciliation

Fund Balances of Governmental Funds  
To Net Position of Governmental Activities  
Downtown Development Authority Component Unit  
June 30, 2014

Fund balances - total governmental funds	\$	169,505
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets		465,908
Accumulated depreciation		(87,493)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable		(1,264,700)
Accrued interest on bonds payable		(16,975)
Compensated absences		(2,009)
Net position (deficit) of governmental activities	\$	<u>(735,764)</u>

# CITY OF HOWELL, MICHIGAN

## Combining Statement of Revenues, Expenditures

and Changes in Fund Balances

Downtown Development Authority Component Unit

For the Year Ended June 30, 2014

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Property taxes	\$ 374,135	\$ -	\$ 374,135
Intergovernmental	60,000	-	60,000
Other	748	-	748
<b>Total revenues</b>	<u>434,883</u>	<u>-</u>	<u>434,883</u>
<b>Expenditures/expenses</b>			
Community development	391,366	(75,105)	316,261
Debt service:			
Principal	122,900	(122,900)	-
Interest and fiscal charges	43,096	(813)	42,283
<b>Total expenditures/expenses</b>	<u>557,362</u>	<u>(198,818)</u>	<u>358,544</u>
Revenues over (under) expenditures/expenses	(122,479)	198,818	76,339
<b>Fund balance/net position (deficit)</b>			
Beginning of year	<u>291,984</u>	<u>(1,104,087)</u>	<u>(812,103)</u>
End of year	<u>\$ 169,505</u>	<u>\$ (905,269)</u>	<u>\$ (735,764)</u>

# CITY OF HOWELL, MICHIGAN

## Reconciliation

Net Changes in Fund Balances of Governmental Funds  
To Change in Net Position of Governmental Activities  
Downtown Development Authority Component Unit  
For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ (122,479)

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.

Capital outlay	83,502
Depreciation expense	(11,752)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term liabilities	122,900
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in accrued interest payable on bonds	813
Change in accrual for compensated absences	3,355

Change in net position of governmental activities	<u>\$ 76,339</u>
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# CITY OF HOWELL, MICHIGAN

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Downtown Development Authority Component Unit For the Year Ended June 30, 2014

	Budget (Original and Final)	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>			
Property taxes	\$ 364,729	\$ 374,135	\$ 9,406
Intergovernmental	-	60,000	60,000
Other	-	748	748
<b>Total revenues</b>	<u>364,729</u>	<u>434,883</u>	<u>70,154</u>
<b>Expenditures</b>			
Community development	359,692	391,366	31,674
Debt service:			
Principal	62,900	122,900	60,000
Interest and fiscal charges	41,806	43,096	1,290
<b>Total expenditures</b>	<u>464,398</u>	<u>557,362</u>	<u>92,964</u>
Revenues over expenditures	(99,669)	(122,479)	(22,810)
Fund balance, beginning of year	<u>291,984</u>	<u>291,984</u>	<u>-</u>
Fund balance, end of year	<u>\$ 192,315</u>	<u>\$ 169,505</u>	<u>\$ (22,810)</u>

## STATISTICAL SECTION

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# CITY OF HOWELL, MICHIGAN

## Statistical Section Table of Contents

This part of the City of Howell's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

		<u>Page</u>
Financial Trends	These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	98
Revenue Capacity	These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	111
Debt Capacity	These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	116
Demographic and Economic Information	These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	122
Operating Information	These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	124

Sources: Unless otherwise noted, the information in these schedules are derived from the annual financial reports for the applicable year.

# CITY OF HOWELL, MICHIGAN

## Net Position by Component (Accrual Basis of Accounting)

Last Ten Fiscal Years

	2005	2006	2007	2008
<b>Governmental activities</b>				
Net investment in capital assets	\$ 11,436,684	\$ 13,459,142	\$ 14,279,336	\$ 14,543,522
Restricted	2,219,967	2,336,832	1,491,799	2,041,072
Unrestricted	5,812,220	4,086,475	4,964,984	3,947,159
<b>Total net position</b>	<b>\$ 19,468,871</b>	<b>\$ 19,882,449</b>	<b>\$ 20,736,119</b>	<b>\$ 20,531,753</b>
<b>Business-type activities</b>				
Net investment in capital assets	\$ 24,571,102	\$ 24,387,860	\$ 24,389,250	\$ 23,913,728
Restricted	2,552,513	2,748,951	2,715,282	2,682,136
Unrestricted	2,180,286	2,180,595	1,995,474	2,255,700
<b>Total net position</b>	<b>\$ 29,303,901</b>	<b>\$ 29,317,406</b>	<b>\$ 29,100,006</b>	<b>\$ 28,851,564</b>
<b>Total primary government</b>				
Net investment in capital assets	\$ 36,007,786	\$ 37,847,002	\$ 38,668,586	\$ 38,457,250
Restricted	4,772,480	5,085,783	4,207,081	4,723,208
Unrestricted	7,992,506	6,267,070	6,960,458	6,202,859
<b>Total net position</b>	<b>\$ 48,772,772</b>	<b>\$ 49,199,855</b>	<b>\$ 49,836,125</b>	<b>\$ 49,383,317</b>

Source: City of Howell Finance Department

2009	2010	2011	2012	2013	2014
\$ 14,736,270	\$ 16,120,437	\$ 15,421,349	\$ 14,861,310	\$ 13,237,331	\$ 12,660,050
1,895,830	3,352,216	1,782,242	1,012,501	1,423,917	732,228
4,282,769	2,518,566	3,046,106	2,032,588	1,656,464	1,047,312
<u>\$ 20,914,869</u>	<u>\$ 21,991,219</u>	<u>\$ 20,249,697</u>	<u>\$ 17,906,399</u>	<u>\$ 16,317,712</u>	<u>\$ 14,439,590</u>
\$ 25,132,696	\$ 24,595,947	\$ 25,541,562	\$ 26,213,305	\$ 27,069,960	\$ 26,715,764
1,876,589	2,029,580	1,335,557	980,356	531,350	531,290
1,440,069	3,194,229	2,365,684	2,114,208	2,427,094	2,759,478
<u>\$ 28,449,354</u>	<u>\$ 29,819,756</u>	<u>\$ 29,242,803</u>	<u>\$ 29,307,869</u>	<u>\$ 30,028,404</u>	<u>\$ 30,006,532</u>
\$ 39,868,966	\$ 40,716,384	\$ 40,962,911	\$ 41,074,615	\$ 40,307,291	\$ 39,375,814
3,772,419	5,381,796	3,117,799	1,992,857	1,955,267	1,263,518
5,722,838	5,712,795	5,411,790	4,146,796	4,083,558	3,806,790
<u>\$ 49,364,223</u>	<u>\$ 51,810,975</u>	<u>\$ 49,492,500</u>	<u>\$ 47,214,268</u>	<u>\$ 46,346,116</u>	<u>\$ 44,446,122</u>

# CITY OF HOWELL, MICHIGAN

## Changes in Net Position (Accrual Basis of Accounting)

Last Ten Fiscal Years

	2005	2006	2007	2008
<b>Expenses</b>				
Governmental activities:				
General government	\$ 2,069,478	\$ 2,448,448	\$ 2,268,264	\$ 2,243,338
Public safety	2,504,009	2,498,502	2,222,617	2,353,856
Public works	2,758,986	2,670,948	2,506,196	3,077,158
Community/economic development	273,059	221,693	458,052	445,503
Parks and recreation	1,195,748	1,203,894	1,033,796	1,226,387
Interest on long-term debt	127,312	175,081	114,360	101,267
Subtotal governmental activities	<u>8,928,592</u>	<u>9,218,566</u>	<u>8,603,285</u>	<u>9,447,509</u>
Business-type activities:				
Sewage disposal	1,985,496	2,091,317	1,894,502	2,164,104
Water supply	1,679,472	1,663,102	1,750,566	1,582,252
Subtotal business-type activities	<u>3,664,968</u>	<u>3,754,419</u>	<u>3,645,068</u>	<u>3,746,356</u>
<b>Total expenses</b>	<u>12,593,560</u>	<u>12,972,985</u>	<u>12,248,353</u>	<u>13,193,865</u>
<b>Program revenues</b>				
Governmental activities:				
Charges for services	1,099,916	1,015,502	1,311,888	1,225,174
Operating grants and contributions	901,754	831,575	1,205,603	1,104,710
Capital grants and contributions	179,655	1,331,436	-	78,410
Subtotal governmental activities	<u>2,181,325</u>	<u>3,178,513</u>	<u>2,517,491</u>	<u>2,408,294</u>
Business-type activities:				
Charges for services	3,157,392	3,141,911	3,190,942	3,335,940
Operating grants and contributions	-	-	14,516	28,735
Capital grants and contributions	959,616	612,406	151,740	48,007
Subtotal business-type activities	<u>4,117,008</u>	<u>3,754,317</u>	<u>3,357,198</u>	<u>3,412,682</u>
<b>Total program revenues</b>	<u>6,298,333</u>	<u>6,932,830</u>	<u>5,874,689</u>	<u>5,820,976</u>
<b>Net (expense)/revenue</b>				
Governmental activities	(6,747,267)	(6,040,053)	(6,085,794)	(7,039,215)
Business-type activities	<u>452,040</u>	<u>(102)</u>	<u>(287,870)</u>	<u>(333,674)</u>
<b>Total net expense</b>	<u>(6,295,227)</u>	<u>(6,040,155)</u>	<u>(6,373,664)</u>	<u>(7,372,889)</u>

Schedule 2  
Unaudited

2009	2010	2011	2012	2013	2014
\$ 2,651,846	\$ 2,288,992	\$ 2,133,361	\$ 2,561,086	\$ 2,399,804	\$ 1,907,990
2,592,062	2,699,110	2,614,223	2,533,668	2,459,367	2,470,080
2,197,764	2,598,554	3,564,971	3,632,031	3,464,996	3,723,792
423,422	387,857	432,747	286,858	295,499	373,443
528,976	571,296	435,084	408,244	402,862	438,503
84,203	253,864	362,748	310,003	336,862	358,732
<u>8,478,273</u>	<u>8,799,673</u>	<u>9,543,134</u>	<u>9,731,890</u>	<u>9,359,390</u>	<u>9,272,540</u>
1,796,658	2,064,000	2,118,061	2,061,234	1,995,759	2,088,090
2,074,209	2,075,638	2,102,201	1,988,042	1,915,263	2,029,409
<u>3,870,867</u>	<u>4,139,638</u>	<u>4,220,262</u>	<u>4,049,276</u>	<u>3,911,022</u>	<u>4,117,499</u>
<u>12,349,140</u>	<u>12,939,311</u>	<u>13,763,396</u>	<u>13,781,166</u>	<u>13,270,412</u>	<u>13,390,039</u>
842,624	847,849	817,098	827,998	939,501	868,844
1,212,613	590,458	617,792	722,569	765,302	752,654
200,966	1,658,023	208,899	-	-	-
<u>2,256,203</u>	<u>3,096,330</u>	<u>1,643,789</u>	<u>1,550,567</u>	<u>1,704,803</u>	<u>1,621,498</u>
3,422,718	3,415,290	3,627,342	3,754,594	3,993,257	4,016,862
29,956	7,844	14,818	30,780	57,197	24,478
11,774	2,124,000	-	328,199	788,033	84,000
<u>3,464,448</u>	<u>5,547,134</u>	<u>3,642,160</u>	<u>4,113,573</u>	<u>4,838,487</u>	<u>4,125,340</u>
<u>5,720,651</u>	<u>8,643,464</u>	<u>5,285,949</u>	<u>5,664,140</u>	<u>6,543,290</u>	<u>5,746,838</u>
(6,222,070)	(5,703,343)	(7,899,345)	(8,181,323)	(7,654,587)	(7,651,042)
(406,419)	1,407,496	(578,102)	64,297	927,465	7,841
<u>(6,628,489)</u>	<u>(4,295,847)</u>	<u>(8,477,447)</u>	<u>(8,117,026)</u>	<u>(6,727,122)</u>	<u>(7,643,201)</u>

continued...

# CITY OF HOWELL, MICHIGAN

## Changes in Net Position (Accrual Basis of Accounting)

Last Ten Fiscal Years

	2005	2006	2007	2008
General revenues				
Governmental activities:				
Property taxes	\$ 5,042,691	\$ 5,048,896	\$ 5,497,264	\$ 5,664,783
State shared revenues	867,744	860,697	837,797	833,353
Unrestricted investment earnings	127,135	183,198	252,886	230,228
Other	303,851	296,899	55,115	43,011
Transfers	62,852	63,941	62,740	63,474
Subtotal governmental activities	<u>6,404,273</u>	<u>6,453,631</u>	<u>6,705,802</u>	<u>6,834,849</u>
Business-type activities:				
Investment earnings	45,977	69,996	133,210	148,706
Other	18,394	7,552	-	-
Transfers	(62,852)	(63,941)	(62,740)	(63,474)
Subtotal business-type activities	<u>1,519</u>	<u>13,607</u>	<u>70,470</u>	<u>85,232</u>
Total general revenues	<u>6,405,792</u>	<u>6,467,238</u>	<u>6,776,272</u>	<u>6,920,081</u>
Change in net position				
Governmental activities	(342,994)	413,578	620,008	(204,366)
Business-type activities	453,559	13,505	(217,400)	(248,442)
Total change in net position	<u>\$ 110,565</u>	<u>\$ 427,083</u>	<u>\$ 402,608</u>	<u>\$ (452,808)</u>

Source: City of Howell Finance Department

Schedule 2  
Unaudited

2009	2010	2011	2012	2013	2014
\$ 5,642,269	\$ 5,928,441	\$ 5,395,808	\$ 5,060,394	\$ 5,019,889	\$ 4,923,777
793,744	714,124	713,558	759,484	779,985	808,915
97,937	33,967	35,573	6,057	7,473	4,092
10,215	46,342	-	-	375,000	-
61,021	56,818	12,884	12,090	15,890	36,135
<u>6,605,186</u>	<u>6,779,692</u>	<u>6,157,823</u>	<u>5,838,025</u>	<u>6,198,237</u>	<u>5,772,919</u>
65,230	19,724	14,033	12,859	9,008	6,422
-	-	-	-	-	-
(61,021)	(56,818)	(12,884)	(12,090)	(15,890)	(36,135)
<u>4,209</u>	<u>(37,094)</u>	<u>1,149</u>	<u>769</u>	<u>(6,882)</u>	<u>(29,713)</u>
<u>6,609,395</u>	<u>6,742,598</u>	<u>6,158,972</u>	<u>5,838,794</u>	<u>6,191,355</u>	<u>5,743,206</u>
383,116	1,076,349	(1,741,522)	(2,343,298)	(1,456,350)	(1,878,123)
(402,210)	1,370,402	(576,953)	65,066	920,583	(21,872)
<u>\$ (19,094)</u>	<u>\$ 2,446,751</u>	<u>\$ (2,318,475)</u>	<u>\$ (2,278,232)</u>	<u>\$ (535,767)</u>	<u>\$ (1,899,995)</u>

concluded.

# CITY OF HOWELL, MICHIGAN

## Fund Balances - Governmental Funds (Modified Accrual Basis of Accounting) Last Ten Fiscal Years

	2005	2006	2007	2008
General Fund				
Nonspendable				
Committed				
Unassigned				
Reserved	\$ 279,210	\$ 131,709	\$ 104,927	\$ 124,367
Unreserved	2,391,546	2,303,340	3,210,298	1,699,156
<b>Total general fund</b>	<b>\$ 2,670,756</b>	<b>\$ 2,435,049</b>	<b>\$ 3,315,225</b>	<b>\$ 1,823,523</b>
All Other Governmental Funds				
Restricted				
Committed				
Unassigned (deficit)				
Reserved	\$ 1,062,881	\$ 968,621	\$ 474,849	\$ 463,858
Unreserved, reported in:				
Special revenue funds	1,259,981	448,989	346,190	381,029
Debt service funds	-	-	409,107	300,986
Capital project funds	967,264	672,659	(190,010)	1,051,834
Permanent fund - expendable	472,436	505,330	501,241	504,927
<b>Total all other governmental funds</b>	<b>\$ 3,762,562</b>	<b>\$ 2,595,599</b>	<b>\$ 1,541,377</b>	<b>\$ 2,702,634</b>

Note: GASB 54 was adopted beginning with fiscal 2011; prior years were not retroactively restated.

Source: City of Howell Finance Department



Schedule 3  
Unaudited

2009	2010	2011	2012	2013	2014
		\$ 100,180	\$ 81,140	\$ 177,280	\$ 114,326
		127,287	-	-	-
		2,521,762	2,294,815	2,074,633	1,868,337
\$ 106,696	\$ 93,572	-	-	-	-
2,511,128	3,080,470	-	-	-	-
<u>\$ 2,617,824</u>	<u>\$ 3,174,042</u>	<u>\$ 2,749,229</u>	<u>\$ 2,375,955</u>	<u>\$ 2,251,913</u>	<u>\$ 1,982,663</u>
		\$ 1,226,499	\$ 1,012,501	\$ 1,423,917	\$ 732,228
		556,229	71,384	46,557	44,435
		-	(271,586)	-	-
\$ 456,497	\$ 456,497	-	-	-	-
391,191	319,117	-	-	-	-
187,054	57,483	-	-	-	-
3,319,513	3,824,959	-	-	-	-
522,600	524,221	-	-	-	-
<u>\$ 4,876,855</u>	<u>\$ 5,182,277</u>	<u>\$ 1,782,728</u>	<u>\$ 812,299</u>	<u>\$ 1,470,474</u>	<u>\$ 776,663</u>

# CITY OF HOWELL, MICHIGAN

## Changes in Fund Balances - Governmental Funds (Modified Accrual Basis of Accounting) Last Ten Fiscal Years

	2005	2006	2007	2008
<b>Revenue</b>				
Property taxes	\$ 5,042,691	\$ 5,048,896	\$ 5,497,264	\$ 5,664,783
Special assessments	97,330	82,973	97,910	91,080
Licenses and permits	239,650	195,127	325,669	191,641
Intergovernmental	1,515,320	1,597,585	1,972,470	1,865,661
Charges for services	714,381	789,436	628,131	676,970
Fines and forfeitures	94,056	76,793	61,207	90,408
Investment earnings	109,473	131,569	190,533	170,038
Other	671,332	606,881	386,110	346,016
<b>Total revenue</b>	<b>8,484,233</b>	<b>8,529,260</b>	<b>9,159,294</b>	<b>9,096,597</b>
<b>Expenditures</b>				
General government	2,007,881	2,242,082	2,090,869	2,096,592
Public safety	2,463,515	2,549,303	2,149,547	2,230,139
Public works	2,276,665	1,738,788	1,012,289	1,292,321
Highways and streets [1]	-	-	647,685	902,227
Community development [2]	-	-	437,717	417,776
Culture and recreation	1,086,072	1,122,107	984,162	1,170,644
Other	81,862	9,000	-	-
Capital outlay	2,306,868	1,869,011	1,489,605	798,510
Debt service:				
Principal	355,000	455,000	460,000	485,000
Interest and other charges	127,312	174,856	147,206	123,625
Bond issuance costs	-	-	-	-
<b>Total expenditures</b>	<b>10,705,175</b>	<b>10,160,147</b>	<b>9,419,080</b>	<b>9,516,834</b>
<b>Revenues over (under) expenditures</b>	<b>(2,220,942)</b>	<b>(1,630,887)</b>	<b>(259,786)</b>	<b>(420,237)</b>
<b>Other financing sources (uses)</b>				
Transfers in	2,460,674	2,569,350	1,912,405	3,981,764
Transfers out	(2,441,064)	(2,505,409)	(1,826,665)	(3,891,969)
Issuance of bonds/debt	1,700,000	-	-	-
Premium on bonds	-	-	-	-
Sale of capital assets	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,719,610</b>	<b>63,941</b>	<b>85,740</b>	<b>89,795</b>
<b>Net change in fund balance</b>	<b>\$ (501,332)</b>	<b>\$ (1,566,946)</b>	<b>\$ (174,046)</b>	<b>\$ (330,442)</b>
<b>Debt services as a percentage of noncapital expenditures</b>	<b>5.99%</b>	<b>7.56%</b>	<b>7.72%</b>	<b>7.09%</b>

[1] Separately reported from public works beginning with fiscal 2007.

[2] Separately reported from recreation and culture beginning with fiscal 2007.

Source: City of Howell Finance Department

Schedule 4  
Unaudited

	2009	2010	2011	2012	2013	2014
\$	5,642,269	\$ 5,928,441	\$ 5,395,808	\$ 5,060,394	\$ 5,019,889	\$ 4,923,777
	85,511	76,911	25,943	26,099	25,866	-
	176,380	158,208	160,824	183,711	290,910	235,897
	2,075,984	2,910,015	1,496,481	1,398,507	1,384,825	1,484,362
	294,050	352,291	361,726	326,151	325,029	333,551
	127,390	95,243	86,476	109,708	59,523	54,113
	81,986	29,084	34,245	4,141	2,477	1,131
	326,722	277,977	252,794	293,810	424,423	322,490
	<u>8,810,292</u>	<u>9,828,170</u>	<u>7,814,297</u>	<u>7,402,521</u>	<u>7,532,942</u>	<u>7,355,321</u>
	2,326,320	2,069,915	1,880,503	2,262,197	2,146,987	1,809,505
	2,336,028	2,427,352	2,330,327	2,248,115	2,162,348	2,293,745
	2,047,716	1,088,200	1,244,688	1,308,309	1,253,256	1,312,768
	730,616	727,556	665,158	714,537	607,168	932,770
	389,155	351,086	396,742	249,016	260,295	340,153
	438,036	495,583	362,526	334,271	337,829	357,674
	-	-	-	-	-	-
	1,897,347	3,932,795	3,723,383	911,042	1,032,407	495,970
	510,000	535,000	310,000	453,800	463,800	472,100
	168,481	272,998	312,100	306,842	330,309	357,834
	-	-	-	-	31,126	-
	<u>10,843,699</u>	<u>11,900,485</u>	<u>11,225,427</u>	<u>8,788,129</u>	<u>8,625,525</u>	<u>8,372,519</u>
	<u>(2,033,407)</u>	<u>(2,072,315)</u>	<u>(3,411,130)</u>	<u>(1,385,608)</u>	<u>(1,092,583)</u>	<u>(1,017,198)</u>
	3,782,886	1,518,363	2,703,289	1,767,754	1,577,612	1,303,423
	(3,693,957)	(1,434,408)	(2,660,024)	(1,725,849)	(1,548,720)	(1,249,286)
	4,880,000	2,850,000	-	-	1,200,000	-
	-	-	-	-	22,824	-
	33,000	-	-	-	375,000	-
	<u>5,001,929</u>	<u>2,933,955</u>	<u>43,265</u>	<u>41,905</u>	<u>1,626,716</u>	<u>54,137</u>
\$	<u>2,968,522</u>	<u>\$ 861,640</u>	<u>\$ (3,367,865)</u>	<u>\$ (1,343,703)</u>	<u>\$ 534,133</u>	<u>\$ (963,061)</u>
	<u>9.18%</u>	<u>11.08%</u>	<u>8.16%</u>	<u>9.45%</u>	<u>10.23%</u>	<u>10.97%</u>

# CITY OF HOWELL, MICHIGAN

## Changes in Fund Balances - General Fund (Modified Accrual Basis of Accounting) Last Ten Fiscal Years

	2005	2006	2007	2008
<b>Revenue</b>				
Property taxes	\$ 5,042,691	\$ 5,048,896	\$ 5,497,264	\$ 5,664,783
Licenses and permits	239,650	195,127	325,669	191,641
Intergovernmental	912,469	919,763	883,506	876,002
Charges for services	97,572	163,312	159,740	155,279
Fines and forfeitures	94,056	76,793	60,507	77,790
Investment earnings	60,258	45,159	146,621	138,819
Other	438,184	471,488	292,308	250,638
<b>Total revenue</b>	<b>6,884,880</b>	<b>6,920,538</b>	<b>7,365,615</b>	<b>7,354,952</b>
<b>Expenditures</b>				
General government	2,007,881	2,242,082	2,010,805	1,993,404
Public safety	2,460,640	2,544,557	2,149,547	2,230,139
Public works	624,005	402,223	394,366	532,599
Community development [1]	-	-	341,617	353,576
Culture and recreation	149,733	155,952	32,143	33,054
Capital outlay	86,557	92,282	-	-
<b>Total expenditures</b>	<b>5,328,816</b>	<b>5,437,096</b>	<b>4,928,478</b>	<b>5,142,772</b>
<b>Revenues over (under) expenditures</b>	<b>1,556,064</b>	<b>1,483,442</b>	<b>2,437,137</b>	<b>2,212,180</b>
<b>Other financing sources (uses)</b>				
Transfers in	18,889	14,600	104,651	117,732
Transfers out	(1,659,242)	(1,898,025)	(1,661,612)	(3,821,614)
Issuance of bonds/debt	-	-	-	-
Sale of capital assets	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(1,640,353)</b>	<b>(1,883,425)</b>	<b>(1,556,961)</b>	<b>(3,703,882)</b>
<b>Net change in fund balance</b>	<b>\$ (84,289)</b>	<b>\$ (399,983)</b>	<b>\$ 880,176</b>	<b>\$ (1,491,702)</b>

[1] Separately reported from culture and recreation beginning with fiscal 2007.

Source: City of Howell Finance Department

Schedule 5  
Unaudited

	2009	2010	2011	2012	2013	2014
\$	5,642,269	\$ 5,928,441	\$ 5,395,808	\$ 5,060,394	\$ 4,630,077	\$ 4,543,403
	176,380	158,208	160,824	183,711	290,910	235,897
	815,507	750,782	759,760	798,024	800,914	855,444
	139,323	191,573	194,920	170,090	163,703	164,827
	110,974	95,243	78,161	89,401	59,277	54,113
	56,132	13,518	25,805	144	295	480
	283,895	245,910	223,501	247,938	356,397	277,903
	<u>7,224,480</u>	<u>7,383,675</u>	<u>6,838,779</u>	<u>6,549,702</u>	<u>6,301,573</u>	<u>6,132,067</u>
	1,932,070	1,859,549	1,876,193	2,261,137	2,142,057	1,806,040
	2,336,028	2,427,352	2,329,827	2,247,615	2,161,848	2,292,745
	454,435	450,401	603,971	585,479	540,153	586,094
	378,455	351,086	396,742	249,016	260,295	340,153
	430,675	495,583	362,526	334,271	337,829	357,674
	-	-	-	-	-	-
	<u>5,531,663</u>	<u>5,583,971</u>	<u>5,569,259</u>	<u>5,677,518</u>	<u>5,442,182</u>	<u>5,382,706</u>
	<u>1,692,817</u>	<u>1,799,704</u>	<u>1,269,520</u>	<u>872,184</u>	<u>859,391</u>	<u>749,361</u>
	1,197,927	89,886	253,469	218,854	72,871	112,406
	(2,096,443)	(1,333,372)	(2,045,006)	(1,464,312)	(1,431,304)	(1,131,017)
	-	-	-	-	-	-
	-	-	-	-	375,000	-
	<u>(898,516)</u>	<u>(1,243,486)</u>	<u>(1,791,537)</u>	<u>(1,245,458)</u>	<u>(983,433)</u>	<u>(1,018,611)</u>
\$	<u>794,301</u>	<u>556,218</u>	<u>(522,017)</u>	<u>(373,274)</u>	<u>(124,042)</u>	<u>(269,250)</u>

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**Taxable and Estimated Actual Value of Property**  
Last Ten Fiscal Years

As of Dec. 31,	FYE June 30,	Real Property (1)		Personal Property (1)		Total		(2) Total Direct Tax Rate
		Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	
2012	2014	\$251,464,646	\$540,130,678	\$44,958,900	\$89,917,800	\$296,423,546	\$630,048,478	17.2443
2011	2013	253,657,028	538,622,774	48,666,800	97,333,600	302,323,828	635,956,374	17.2443
2010	2012	283,336,944	604,625,400	48,981,300	97,962,600	332,318,244	702,588,000	15.9443
2009	2011	309,029,771	684,617,000	47,003,900	94,007,800	356,033,671	778,624,800	15.9443
2008	2010	343,756,084	806,555,950	53,998,600	107,997,200	397,754,684	914,553,150	15.9443
2007	2009	350,371,706	838,471,000	55,877,578	111,755,156	406,249,284	950,226,156	14.9443
2006	2008	347,346,063	856,348,600	60,521,500	121,043,000	407,867,563	977,391,600	14.9443
2005	2007	332,296,418	859,172,600	60,354,390	120,749,800	392,650,808	979,922,400	14.9443
2004	2006	326,307,535	806,534,800	66,317,700	132,635,400	392,625,235	939,170,200	14.9443
2003	2005	310,336,055	769,924,000	61,569,200	123,138,400	371,905,255	893,062,400	14.9443

(1) Includes properties subject to Industrial Facility Tax exemptions.  
(2) Per \$1,000 of taxable value.

Source: City of Howell Finance Department

## CITY OF HOWELL, MICHIGAN

### Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

Fiscal Year Ended June 30,	City	Rubbish	Howell Public Schools	State Education Tax	Livingston Educational Service Agency	County	Howell Carnegie District Library
2014	15.94430	1.30000	25.70000	6.00000	2.33610	3.95430	1.09200
2013	15.94430	1.30000	25.39000	6.00000	2.33610	3.95430	0.69200
2012	15.94430	-	25.57000	6.00000	2.33610	3.95430	0.69200
2011	15.94430	-	24.56000	6.00000	2.33610	3.94880	0.69200
2010	15.94430	-	24.56000	6.00000	2.33610	3.94880	0.69200
2009	14.94430	-	24.56000	6.00000	2.33610	3.88420	0.69200
2008	14.94430	-	24.56000	6.00000	2.33610	3.88420	0.69200
2007	14.94430	-	24.64000	6.00000	2.33610	3.88420	0.69200
2006	14.94430	-	24.74000	6.00000	2.35070	3.90200	0.69200
2005	14.94430	-	24.74000	6.00000	2.35070	3.90200	0.87720

Note: the total direct rate for the City of Howell includes the rates per the above City and Rubbish columns.

Source: Livingston County



Schedule 7  
Unaudited



Howell Area Fire Authority	Total Homestead	Total Non- Homestead
1.50000	39.82670	57.82670
1.50000	39.11670	57.11670
1.10000	37.59670	55.59670
1.10000	36.58120	54.58120
1.10000	36.58120	54.58120
1.10000	35.51660	53.51660
1.06940	35.48600	53.48600
1.06940	35.56600	53.56600
1.06940	35.69840	53.69840
1.07580	35.89000	53.89000

**Principal Property Taxpayers**  
 Current Year and Nine Years Ago

Taxpayer	2014			2005		
	(1) Taxable Valuation	Rank	% of Total City Taxable Value	(1) Taxable Valuation	Rank	% of Total City Taxable Value
PBG Michigan LLC	\$ 10,267,973	1	3.46%	\$ 10,396,703	3	2.80%
Citizens Insurance Co	10,182,437	2	3.44%	16,609,144	2	4.47%
Ogihara America Corp	10,014,800	3	3.38%	46,132,232	1	12.40%
Thai Summit America Corp	8,275,048	4	2.79%	-	-	-
Burwick Farms Apartments	5,326,039	5	1.80%	-	-	-
Howell Acquisition Grp LLC	3,950,284	6	1.33%	-	-	-
Key Plastics	3,872,270	7	1.31%	5,480,439	9	1.47%
DTE Electric Company	3,829,633	8	1.29%	7,707,617	4	2.07%
Howell Estates	3,435,854	9	1.16%	-	-	-
Centurion Medical Prod Corp	3,401,200	10	1.15%	-	-	-
EQR-Codelle LLC	-	-	-	6,118,383	5	1.65%
International Paper Co	-	-	-	5,938,813	6	1.60%
Alpha Technology Corp	-	-	-	5,599,642	7	1.51%
Town Commons LLC	-	-	-	5,573,111	8	1.50%
Marubeni Metal Blanking Inc	-	-	-	5,225,801	10	1.41%
	<u>\$ 62,555,538</u>		<u>21.10%</u>	<u>\$ 114,781,885</u>		<u>30.86%</u>

(1) Includes ad valorem and Industrial Facilities Tax properties.

Source: City of Howell Finance Department

**Property Tax Levies and Collections**  
Last Ten Fiscal Years

(1) Fiscal Year Ended June 30,	(2) Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		(3) Delinquent Collections	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2005	\$ 5,402,159	\$ 5,208,416	96.41%	\$ 190,985	\$ 5,399,401	99.95%
2006	5,727,045	5,433,675	94.88%	288,658	5,722,333	99.92%
2007	5,762,657	5,448,966	94.56%	308,266	5,757,232	99.91%
2008	5,978,741	5,629,130	94.15%	341,177	5,970,307	99.86%
2009	5,954,039	5,641,107	94.74%	310,316	5,951,423	99.96%
2010	6,200,928	5,879,220	94.81%	317,562	6,196,782	99.93%
2011	5,602,970	5,277,146	94.18%	323,854	5,601,000	99.96%
2012	5,266,805	4,988,017	94.71%	277,564	5,265,581	99.98%
2013	5,180,062	4,927,894	95.13%	246,553	5,174,447	99.89%
2014	5,078,096	4,837,644	95.26%	218,921	5,056,565	99.58%

(1) Property taxes are levied July 1 of the current fiscal year based on taxable property values as of the preceding December 31. Unpaid property taxes become delinquent as of August 1 of the current fiscal year. The City's delinquent real property taxes are purchased by Livingston County. Uncollected personal property taxes must be collected by the City Treasurer.

(2) Includes Industrial Facility Tax and the rubbish tax for 2013. Taxes levied for 2005 have been adjusted due to STC ruling.

(3) Includes settlement payment from Livingston County Treasurer's department for purchase of delinquent real property tax roll.

Source: City of Howell Finance Department

## CITY OF HOWELL, MICHIGAN

### Ratios of Outstanding Debt by Type Last Ten Fiscal Years

	2005	2006	2007	2008
<b>Governmental activities</b>				
General obligation bonds	\$ 2,785,000	\$ 2,510,000	\$ 2,225,000	\$ 1,920,000
Special assessment bonds	1,065,000	885,000	710,000	530,000
<b>Total Governmental activities</b>	<b>3,850,000</b>	<b>3,395,000</b>	<b>2,935,000</b>	<b>2,450,000</b>
<b>Business-type activities</b>				
Revenue bonds	1,535,000	1,300,000	1,060,000	810,000
<b>Total outstanding debt</b>	<b>\$ 5,385,000</b>	<b>\$ 4,695,000</b>	<b>\$ 3,995,000</b>	<b>\$ 3,260,000</b>
Total taxable value	\$ 371,905,255	\$ 392,625,235	\$ 392,650,808	\$ 407,867,563
Ratio of total debt to taxable value	1.45%	1.20%	1.02%	0.80%
Total population	9,720	9,755	9,854	10,012
Total debt per capita	\$ 554	\$ 481	\$ 405	\$ 326
% of personal income	1.55%	1.35%	1.11%	0.88%
Personal income	\$ 348,355	\$ 346,741	\$ 358,321	\$ 369,763

Source: City of Howell Finance Department

Details regarding the City's debt can be found in the notes to the financial statements.

Schedule 10  
Unaudited

	2009	2010	2011	2012	2013	2014
	\$ 6,475,000	\$ 8,980,000	\$8,720,000	\$8,316,200	\$9,128,702	\$9,155,080
	345,000	155,000	105,000	55,000	-	-
	6,820,000	9,135,000	8,825,000	8,371,200	9,128,702	9,155,080
	3,260,847	7,678,234	9,417,636	9,718,680	9,640,786	9,500,362
	<u>\$ 10,080,847</u>	<u>\$ 16,813,234</u>	<u>\$ 18,242,636</u>	<u>\$ 18,089,880</u>	<u>\$ 18,769,488</u>	<u>\$ 18,655,442</u>
	\$ 406,249,284	\$ 397,754,684	\$356,033,671	\$332,318,244	\$302,323,828	\$296,423,546
	2.48%	4.23%	5.12%	5.44%	6.21%	6.29%
	9,719	9,251	9,489	9,527	9,881	9,768
	\$ 1,037	\$ 1,817	\$ 1,923	\$ 1,899	\$ 1,900	\$ 1,910
	2.71%	4.66%	5.06%	4.95%	4.67%	4.39%
	\$ 372,529	\$ 361,150	\$ 360,459	\$ 365,208	\$ 401,929	\$ 425,035

**Ratios of Net General Bonded Debt Outstanding**  
Last Ten Fiscal Years

Year	Net General Bonded Debt Outstanding			% of Total Personal Income	% of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Amounts Available in Debt Service Funds	Total			
2014	\$ 9,155,080	\$ -	\$ 9,155,080	2.15%	3.09%	\$ 937.25
2013	9,128,702	-	9,128,702	2.27%	3.02%	923.86
2012	8,316,200	(53,781)	8,262,419	2.26%	2.49%	867.26
2011	8,720,000	(31,081)	8,688,919	2.41%	2.44%	915.68
2010	8,980,000	(57,483)	8,922,517	2.47%	2.24%	964.49
2009	6,475,000	(187,054)	6,287,946	1.69%	1.55%	646.97
2008	1,920,000	(300,986)	1,619,014	0.44%	0.40%	161.71
2007	2,225,000	(409,107)	1,815,893	0.51%	0.46%	184.28
2006	2,510,000	(504,963)	2,005,037	0.58%	0.51%	205.54
2005	2,785,000	(615,803)	2,169,197	0.62%	0.58%	223.17

Source: City of Howell Finance Department

Details regarding the City's debt can be found in the notes to the financial statements.

**Computation of Net Direct and Overlapping Debt**  
As of June 30, 2014

	Gross Amount Outstanding	Self-Supporting or Paid by Benefited Entity	Net Amount Outstanding
Direct debt			
General obligation bonds	\$ 9,155,080	\$ -	\$ 9,155,080
Revenue bonds	9,500,362	9,500,362	-
Net direct debt	<u>\$ 18,655,442</u>	<u>\$ 9,500,362</u>	<u>9,155,080</u>
Overlapping debt (1)			
Howell School District (14.37%)			18,797,110
Livingston County (3.90%)			562,907
Livingston Intermediate School District (4.43%)			<u>17,056</u>
Net overlapping debt			<u>19,377,073</u>
Net direct and overlapping debt			<u>\$ 28,532,153</u>

Source: Municipal Advisory Council of Michigan

(1) The percentage of overlapping debt applicable is estimated using taxable assessed values. Applicable percentages were estimated by dividing the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total taxable assessed value.

**Legal Debt Margin**  
Last Ten Fiscal Years

Legal debt margin calculation for fiscal 2014

Assessed value (excluding IFT values)	<u>\$ 310,720,139</u>
Debt limit (10% of assessed value)	\$ 31,072,014
Less: net debt applicable to limit	<u>(9,155,080)</u>
Legal debt margin	<u>\$ 21,916,934</u>

Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2014	\$ 31,072,014	\$ 9,155,080	\$ 21,916,934	29.46%
2013	31,411,839	9,107,400	22,304,439	28.99%
2012	34,731,030	9,825,000	24,906,030	28.29%
2011	38,002,780	10,345,000	27,657,780	27.22%
2010	43,939,468	10,660,000	33,279,468	24.26%
2009	45,921,448	6,755,000	39,166,448	14.71%
2008	45,927,290	2,320,000	43,607,290	5.05%
2007	47,394,820	2,735,000	44,659,820	5.77%
2006	47,522,740	3,125,000	44,397,740	6.58%
2005	45,308,710	3,500,000	41,808,710	7.72%

Source: City of Howell Finance Department



**Pledged-Revenue Coverage**  
 Last Ten Fiscal Years

Fiscal Year Ended June 30,	(1) Gross Revenue	(2) Operating Expenses	Net Revenue Available for Debt Service	Total Debt Service Requirement	(4) Coverage
<b>Water Revenue Bonds</b>					
2014	\$ 1,970,336	\$ 1,400,584	\$ 569,752	\$ 480,003	1.19
2013	2,066,755	1,368,496	698,259	461,238	1.51
2012	1,947,659	1,401,163	546,496	394,634	1.38
2011	1,881,295	1,492,664	388,631	421,177	0.92
2010	1,790,098	1,611,989	178,109	323,513	0.55
2009	1,863,878	1,457,484	406,394	292,701	1.39
2008	1,915,860	1,236,715	679,145	305,147	2.23
2007	1,805,630	1,412,583	393,047	304,208	1.29
2006	1,770,708	1,315,133	455,575	295,674	1.54
2005	1,769,570	1,330,099	439,471	294,695	1.49
<b>Sewer Revenue Bonds (3)</b>					
2014	\$ 2,077,426	\$ 1,336,806	\$ 740,620	\$ 292,238	2.53
2013	1,992,707	1,280,841	711,866	278,541	2.56
2012	1,850,574	1,333,319	517,255	282,756	1.83
2011	1,774,898	1,382,447	392,451	196,158	2.00
2010	1,652,760	1,397,208	255,552	101,796	2.51
2009	1,654,026	1,534,907	119,119	-	n/a
<b>Special Assessment Bonds (4)</b>					
2012	\$ 29,342	\$ -	\$ 29,342	\$ 54,524	0.54
2011	30,763	-	30,763	57,165	0.54
2010	83,721	-	83,721	203,859	0.41
2009	95,127	-	95,127	209,059	0.46
2008	105,859	-	105,859	213,980	0.49
2007	122,687	-	122,687	218,543	0.56
2006	122,112	-	122,112	232,952	0.52
2005	141,979	-	141,979	237,253	0.60
2004	162,559	-	162,559	241,260	0.67
2003	244,116	-	244,116	249,714	0.98

(1) Includes utility service charges along with investment income.

(2) Excludes depreciation expense.

(3) Sewer revenue bonds were issued during 2009; principal and interest was due in subsequent years.

(4) The coverage ratio for the water revenue bonds for 2010 and 2011 is combination of the 1998 and 2009 bond issues. The 1998 bond was paid off during the prior fiscal year.

Source: City of Howell Finance Department

**Demographic and Economic Statistics**

Last Ten Years

Year	Population	(1) Total Personal Income (in thousands)	(2) Per Capita Personal Income	(3) Unemployment Rate
2014	9,768	\$ 425,035	\$ 43,513	7.80%
2013	9,881	401,929	40,677	8.30%
2012	9,527	365,208	38,334	8.20%
2011	9,489	360,459	37,987	10.20%
2010	9,251	361,150	39,039	11.80%
2009	9,719	372,529	38,330	13.30%
2008	10,012	369,763	36,932	7.10%
2007	9,854	358,321	36,363	6.00%
2006	9,755	346,741	35,545	5.40%
2005	9,720	348,355	35,839	5.80%

(1) Data specific for the City is not available; accordingly, amount shown is calculated based on City population and per capita personal income for Livingston County.

(2) Data is for Livingston County (data specific for the City not available); data for listed year is from the two years previous (i.e., data shown for 2013 is from 2011).

(3) Data is for Livingston County (data specific for the City is not readily available); used data from June of each year.

Sources:

Regional Economic Information System, Bureau of Economic Analysis,  
U.S. Department of Commerce

**Principal Employers**

Current Year and Ten Years Ago

Employer	2014			2005		
	Employees	Rank	Percentage of Total	Employees	Rank	Percentage of Total
Howell Public Schools	700	1	12.07%	1,054	1	18.65%
Livingston County	674	2	11.62%	580	4	10.27%
Citizens Insurance	635	3	10.95%	950	2	16.81%
Livingston Education Service	577	4	9.95%	431	6	7.63%
St Joseph Mercy Hospital	550	5	9.48%	718	3	12.71%
Thai Summit America Corp	434	6	7.48%	*	-	-
Key Plastics	415	7	7.16%	480	5	8.50%
Pepsi Cola Company	367	8	6.33%	*	-	-
Centurion Medical Products Corp	240	9	4.14%	*	-	-
Kroger Corp	147	10	2.53%	*	-	-
	<u>4,739</u>		<u>81.71%</u>	<u>4,213</u>		<u>74.57%</u>
Estimated total city employment	<u>5,800</u>			<u>5,650</u>		

\* Not available.

Source: City of Howell Finance Dept and the above listed companies

# CITY OF HOWELL, MICHIGAN

## Full Time Equivalent Governmental Employees by Function/Program Last Ten Fiscal Years

Function/Program	Full Time Equivalent Employees as of June 30				
	2005	2006	2007	2008	2009
General Government					
City Manager	2	2	2	1.5	1.5
Asst City Manager/ Human Resources	1	1	1	1	1
City Clerk	1	1	1	1	1
Finance	7.5	7.5	7	6	6
Information Technology	1	1	1	1	1
Engineering	1.5	1.5	1	1	1
Community Development	3.5	3.5	4.5	4.5	3.5
Public Safety (Police)	26.5	26.5	24.5	24.5	24.5
Public Works					
Department of Public Works	16	16	15.5	15.5	15.5
Water Treatment Plant	6.5	5.5	5	5	5
Waste Water Treatment Plant	6.5	6.5	5	5	5
Parks and Cemetery (1)	7	7	7	6.75	6.75
Parks and Recreation (2)	8	8	7.5	7.5	-
<b>Total</b>	<b>88</b>	<b>86.75</b>	<b>81.75</b>	<b>80.25</b>	<b>71.75</b>

(1) Merged with the Department of Public Works during fiscal 2011.

(2) Starting with fiscal year ending 06/30/2009, the Parks & Recreation Department became it's own Authority.

Source: City of Howell Human Resources Department

Schedule 17  
Unaudited

2010	2011	2012	2013	2014
1.5	1.5	1.5	1.5	1.5
1	-	-	-	-
1	1	1	1	1
5.5	4.5	4.5	4.5	4.5
1	1	1	1	1
1	1	1	1	-
2.5	2.5	2.5	2.5	1.5
23.5	19.5	19.5	20.0	19.0
15.5	18.25	15	14	14
5	5	5	5	5
5	5	5	5	5
6.75	-	-	-	-
-	-	-	-	-
<u>69.25</u>	<u>59.25</u>	<u>56.00</u>	<u>55.50</u>	<u>52.50</u>

# CITY OF HOWELL, MICHIGAN

## Operating Indicators by Function/Program Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008
<b>Election Data</b>				
Registered voters	6,948	6,954	7,057	6,389
Voters (at the polls or absentee)	656	1,431	3,295	1,335
Percentage voting	9.44%	20.58%	46.69%	20.90%
<b>Police</b>				
Traffic citations	4,215	3,315	2,700	4,943
Parking citations	2,251	1,556	1,633	1,658
Arrests	339	291	228	279
Calls for service	*	9,787	7,639	10,941

\* Not readily available.

Source: City of Howell

Schedule 18  
Unaudited



2009	2010	2011	2012	2013	2014
6,618	6,544	6,650	6,642	6,766	6,815
4,367	1,395	2,721	1,176	4,120	742
65.99%	21.32%	40.92%	17.71%	60.89%	10.89%
5,052	4,619	3,196	2,409	1,854	1,672
1,588	982	728	2,025	951	926
340	392	301	359	316	316
11,092	10,052	9,579	9,286	9,838	8,931

# CITY OF HOWELL, MICHIGAN

## Capital Asset Statistics by Function/Program Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008
<b>Police</b>				
Police department building	1	1	1	1
Vehicle patrol units	11	11	11	11
<b>Fire (1)</b>				
Number of stations serving City	2	2	2	2
Fire units serving City:				
Fire engines	7	7	7	7
Ladder trucks	1	1	1	1
Rescue vehicles	2	2	2	2
Brush trucks	4	4	4	4
Boats	3	3	3	3
<b>Public Works</b>				
City streets:				
Miles of major streets	12.18	12.18	12.18	12.18
Miles of local streets	22.11	22.92	23.32	23.32
Sewer:				
Miles of sanitary mains	43.0	43.0	43.0	43.0
Miles of storm sewers	43.7	45.5	45.6	45.6
Treatment capacity	2.45/mg	2.45/mg	2.45/mg	2.45/mg
Water:				
Miles of water mains	57.9	57.9	58.3	58.3
Number of fire hydrants	398	398	400	400
Treatment capacity	3.1/mgd	3.1/mgd	3.1/mgd	3.1/mgd
<b>Parks and Recreation</b>				
Parks:				
City	11	11	11	11
Skate	-	-	1	1
Park acreage	41.3	42.3	42.3	42.3
Boat launches	1	1	1	1
Play structures	8	8	8	8
Recreation center	2	2	2	2
Tennis courts	5	5	5	5
Swimming beach area	1	1	1	1
Pavilions	6	6	6	6

(1) The City is a member of the Howell Area Fire Authority along with four surrounding townships; the Authority provides fire protection and emergency services for the City.

Source: City of Howell



Schedule 19  
Unaudited

2009	2010	2011	2012	2013	2014
1	1	1	1	1	1
11	10	10	9	9	9
2	2	2	1	1	1
7	7	7	6	6	6
1	1	1	1	1	1
2	2	2	2	2	2
4	4	4	4	4	4
3	3	3	3	3	3
12.18	12.52	12.52	12.52	12.52	12.52
23.32	23.93	24.12	24.12	24.12	24.12
43.0	43.0	43.0	43.0	43.0	43.0
45.6	45.6	45.6	45.6	45.6	45.6
2.45/mg	2.45/mg	2.45/mg	2.45/mg	2.45/mg	2.45/mg
58.3	58.3	58.3	58.3	58.3	58.3
400	409	409	409.0	409.0	409.0
3.1/mgd	3.1/mgd	3.1/mgd	3.1/mg	3.1/mg	3.1/mg
11	11	11	11	11	11
1	1	1	1	1	1
42.3	42.3	42.3	42.3	42.3	42.3
1	1	1	1	1	1
8	8	8	8	8	8
2	2	2	2	2	2
5	5	5	5	5	5
1	1	1	1	1	1
6	6	6	6	6	6

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