

Village of Vicksburg
Kalamazoo County, Michigan

FINANCIAL STATEMENTS

Year ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Vicksburg, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the remaining fund information of the Village of Vicksburg, Michigan, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the remaining fund information of the Village of Vicksburg, Michigan, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules, as listed in the 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.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Vicksburg, Michigan's basic financial statements. The component unit financial statements and budgetary comparison schedules, and the schedules of bond retirement and annual interest requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The component unit financial statements and budgetary comparison schedules, and the schedules of bond retirement and annual interest requirements (supplementary information) 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Sigfried Crandall P.C.

December 16, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Village of Vicksburg's (the Village) financial performance provides a narrative overview of the Village's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Village's financial statements.

FINANCIAL HIGHLIGHTS

- The Village's total net position increased by \$996,190 (13 percent) as a result of this year's activities. The net position of the governmental activities increased by \$559,647 and the net position of the business-type activities increased by \$436,543.
- Of the \$8,479,757 total net position reported, \$1,083,781 (13 percent) is available to be used at the Council's discretion, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$280,598, which represents 14 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Village's annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents additional supplementary information. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Village government, reporting the Village's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Proprietary funds statements offer short-term and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2016 and 2015 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the Village's net position and how it has changed. Net position (the difference between the Village's assets and liabilities) is one way to measure the Village's financial health, or position.

- Over time, increases or decreases in the Village's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village, you need to consider additional nonfinancial factors, such as changes in the Village's property tax base and the condition of the Village's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the Village's basic services are included here, such as police protection, fire protection, and general government. Property taxes and state grants finance most of these activities.
- *Business-type activities* - The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's sewer and water systems are reported here.
- *Component units* - The Village includes three other entities in its report - the Vicksburg Building Authority, the Downtown Development Authority, and the Brownfield Redevelopment Authority. Although legally separate, these "component units" are important because the Village is financially accountable for them.

Fund financial statements

The fund financial statements provide more detailed information about the Village's most significant funds - not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Village Council establishes other funds to show that it is properly using certain taxes and other restricted revenues (like the motor fuel taxes collected for the street funds).

The Village has two kinds of funds:

- *Governmental funds*. Most of the Village's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Proprietary funds*. Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-term and short-term financial information.
 - The Village's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net position

The total net position at the end of the fiscal year was \$8,479,757. Of this total, \$6,983,525 represents a net investment in capital assets and \$412,451 is restricted for various purposes. Consequently, unrestricted net position was \$1,083,781 or 13 percent of the total.

*Condensed financial information
Net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 964,506	\$ 859,944	\$ 1,809,516	\$ 1,365,397	\$ 2,774,022	\$ 2,225,341
Capital assets	3,804,315	3,172,020	6,871,361	6,917,116	10,675,676	10,089,136
Total assets	4,768,821	4,031,964	8,680,877	8,282,513	13,449,698	12,314,477
Deferred outflows of resources	174,892	40,810	136,956	40,600	311,848	81,410
Current and other liabilities	928,614	590,966	661,024	422,147	1,589,638	1,013,113
Long-term debt	588,692	615,048	3,103,459	3,284,159	3,692,151	3,899,207
Total liabilities	1,517,306	1,206,014	3,764,483	3,706,306	5,281,789	4,912,320
Net position:						
Net investment in capital assets	3,215,623	2,656,820	3,767,902	3,622,084	6,983,525	6,278,904
Restricted	243,240	288,486	169,211	73,320	412,451	361,806
Unrestricted (deficit)	(32,456)	(78,546)	1,116,237	921,403	1,083,781	842,857
Total net position	\$ 3,426,407	\$ 2,866,760	\$ 5,053,350	\$ 4,616,807	\$ 8,479,757	\$ 7,483,567

Changes in net position

The Village's total revenues for the current fiscal year were \$4,841,846. In the current year, nearly 47 percent of the Village's revenues comes from charges for services and more than 24 percent comes from property taxes.

The total cost of the Village's programs, covering a wide range of services, totaled \$3,845,656. More than 29 percent of the Village's expenses relates to the provision of utility services. Public safety and public works expenses account for 22 and 12 percent of the Village's total expenses, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Condensed financial information
Changes in net position

	Governmental activities		Business-type activities		Totals	
	2016	2015	2016	2015	2016	2015
Program revenues:						
Charges for services	\$ 235,076	\$ 86,582	\$ 2,019,592	\$ 1,850,255	\$ 2,254,668	\$ 1,936,837
Grants and contributions:						
Operating grants	363,263	261,616	390,913	71,193	754,176	332,809
Capital grants	337,250	467,000	-	-	337,250	467,000
General revenues:						
Property taxes	1,139,699	1,120,003	-	-	1,139,699	1,120,003
State shared revenue	253,257	264,133	-	-	253,257	264,133
Unrestricted investment return	3,289	2,780	3,283	2,451	6,572	5,231
Franchise fees	19,866	15,426	-	-	19,866	15,426
Gain (loss) on sale of assets	76,358	25,567	-	(3,859)	76,358	21,708
Total revenues	<u>2,428,058</u>	<u>2,243,107</u>	<u>2,413,788</u>	<u>1,920,040</u>	<u>4,841,846</u>	<u>4,163,147</u>
Expenses:						
General government	196,386	288,779	-	-	196,386	288,779
Public safety	858,156	646,695	-	-	858,156	646,695
Public works	451,093	405,793	-	-	451,093	405,793
Community and economic development	209,601	34,128	-	-	209,601	34,128
Recreation and culture	130,395	71,622	-	-	130,395	71,622
Interest	22,780	18,371	-	-	22,780	18,371
Sewer	-	-	798,885	492,505	798,885	492,505
Water	-	-	319,780	345,189	319,780	345,189
Golf	-	-	858,580	802,195	858,580	802,195
	<u>1,868,411</u>	<u>1,465,388</u>	<u>1,977,245</u>	<u>1,639,889</u>	<u>3,845,656</u>	<u>3,105,277</u>
Excess of revenues over expenses before transfers	559,647	777,719	436,543	280,151	996,190	1,057,870
Transfers	-	(40,000)	-	40,000	-	-
Changes in net position	<u>\$ 559,647</u>	<u>\$ 737,719</u>	<u>\$ 436,543</u>	<u>\$ 320,151</u>	<u>\$ 996,190</u>	<u>\$ 1,057,870</u>
Net position, end of year	<u>\$ 3,426,407</u>	<u>\$ 2,866,760</u>	<u>\$ 5,053,350</u>	<u>\$ 4,616,807</u>	<u>\$ 8,479,757</u>	<u>\$ 7,483,567</u>

Governmental activities

Governmental activities increased the Village's net position by \$559,647, in the current year, compared to a \$737,719 increase in the prior year. The increase in the net position is lower in the current year, as revenues increased by \$184,951 and expenses increased by \$403,023, while net transfers decreased by \$40,000.

Total revenues were higher, primarily due to a \$143,819 increase in building permits due to increased construction in the village. Total expenses were higher, primarily because public safety and community and economic development expenses increased by \$211,461 and \$175,473, respectively. Public safety increased due to increases in building inspection costs for reasons noted above, and community and economic development costs increased due to Village improvement plans and fund raising costs.

The total cost of governmental activities this year was \$1,868,411. After subtracting the direct charges to those who directly benefited from the programs (\$235,076) and operating and capital grants (\$700,513), the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was \$932,822.

Business-type activities

Business-type activities increased the Village's net position by \$436,543 in the current year compared to a \$320,151 increase in the prior year. Utility billing rates have been set to keep pace with rising costs of the Village's enterprise operations so that the net position increased in both years. Net position increased by a higher amount in the current year due to increases in usage during the year.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental funds

At the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$640,965, a decrease of \$69,318 in comparison with the prior year. Of the total fund balances, \$280,598 (44 percent) constitutes unassigned fund balance, which is available for spending at the Village's discretion. The remainder of fund balance is either nonspendable (\$16,481), restricted (\$243,240), or assigned (\$100,646) to indicate that it is not available for new spending. The restrictions relate to public works (\$243,240).

The General Fund is the primary operating fund of the Village. At the end of the fiscal year, its fund balance was \$397,725, an increase of \$75,776, as revenues of \$2,048,423, net capital asset sales of \$76,358 and transfers in of \$76,222 exceeded expenditures of \$2,064,227 and transfers to other funds of \$61,000.

The Major Street Fund experienced a decrease in fund balance of \$24,438, as the fund's expenditures of \$224,955 exceeded revenues of \$200,517 in the current year. The fund balance at the end of the fiscal year was \$237,021 and is restricted for future street preservation costs of the Village's major streets.

The Capital Improvements Fund experienced a decrease of \$99,848 in fund balance, as the fund's investment return of \$22 was exceeded by expenses of \$23,648 and transfers out of \$76,222. The fund was closed at the end of the year.

Proprietary funds

The Sewer Fund experienced an increase in net position of \$201,271 in the current year, primarily because user fees have been set so the fund is covering its costs. Total net position is \$2,921,621 at year end, of which \$467,860 is unrestricted.

The Water Fund experienced an increase in net position of \$182,813 in the current year, primarily because user fees have been set so the fund is covering its costs. Total net position is \$1,558,493 at year end, of which \$777,762 is unrestricted.

The Golf Course Fund experienced an increase in net position of \$52,459 in the current year, primarily because user fees exceeded its costs. Total net position is \$573,236 at year end, including a deficit unrestricted net position balance of \$129,385.

General Fund budgetary highlights

The Village amended its revenue budget to increase total revenues by \$365,900, primarily to increase other revenues for contributions and grants that were not expected to be received. The Village also amended its appropriations during the current year so that net budgeted expenditures increased by \$490,100 (33 percent) to reflect changes that occurred over the course of the year. The most significant amendments increased capital outlay expenditures by \$199,400.

Total revenues were \$49,123 more than budgeted, primarily because licenses and permits revenue was \$138,827 more than anticipated, while other revenues were \$79,057 less than anticipated. Expenditures were \$95,927 more than the amounts appropriated, as expenditures were lower than appropriations in most functions, except for public safety and public works that were over budget by \$122,587 and \$59,033, respectively. In addition, net other financing sources /uses were \$11,720 less than expected. These variances resulted in a \$58,524 net negative budget variance with a \$75,776 increase in fund balance compared to a budgeted increase of \$134,300.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$10,675,676, net of accumulated depreciation. Governmental capital assets amount to \$3,804,315 and business-type capital assets totaled \$6,871,361. These investments include a broad range of assets, including buildings, equipment, streets, and sewer and water facilities. The increase in the Village's net investment in capital assets for the current fiscal year was \$586,541.

	<u>Governmental activities</u>	<u>Business-type activities</u>
Land	\$ 1,087,935	\$ 1,000,000
Infrastructure	-	4,888,242
Golf course	-	983,119
Land improvements	2,251,750	-
Buildings and improvements	235,759	-
Furniture and equipment	135,766	-
Vehicles	93,105	-
	<u> </u>	<u> </u>
Totals	<u>\$ 3,804,315</u>	<u>\$ 6,871,361</u>

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

- Land purchased at a cost of \$141,737
- Street improvements at a cost of \$653,741
- Purchase of plow trucks at a cost of \$30,000
- Purchase of equipment for the golf course at a cost of \$81,227
- Sewer system improvements of \$80,639

More detailed information about the Village's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt

At the end of the fiscal year, the Village had total long-term debt outstanding, in the amount of \$3,692,151, which represents a net decrease of \$213,250. Debt decreased by \$213,250 due to timely principal payments.

Other long-term debt obligations of the governmental and business-type activities totaling \$38,827 and \$21,124, respectively, represent accrued compensated absences. The Village also recognized a net pension liability, associated with its defined benefit pension plan, in the amount of \$560,902 for governmental activities and \$406,172 for business-type activities.

More detailed information about the Village's long-term liabilities is presented in Note 9 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Village plans to primarily use current revenues to provide essential services in fiscal year 2017, in order to maintain current fund balances. The Village continues to review all budget line-items for opportunities to reduce expenditures. The budget will be monitored during the year to identify any necessary amendments.

Sewer and water charges for services are not expected to increase for fiscal year 2017.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Bill Adams, President
Village of Vicksburg
126 North Kalamazoo Avenue
Vicksburg, Michigan 49097

Phone: (269) 649-1919
E-mail: badams@vicksburgmi.org

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

June 30, 2016

	<i>Primary government</i>		
	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
ASSETS			
Current assets:			
Cash	\$ 817,074	\$ 1,292,880	\$ 2,109,954
Receivables	146,747	319,286	466,033
Due from primary government	-	-	-
Inventory and prepaids	16,481	1,530	18,011
Internal balances	(15,796)	15,796	-
Total current assets	<u>964,506</u>	<u>1,629,492</u>	<u>2,593,998</u>
Noncurrent assets:			
Restricted cash	-	180,024	180,024
Capital assets not being depreciated	1,087,935	1,000,000	2,087,935
Capital assets, net of depreciation	<u>2,716,380</u>	<u>5,871,361</u>	<u>8,587,741</u>
Total noncurrent assets	<u>3,804,315</u>	<u>7,051,385</u>	<u>10,855,700</u>
Total assets	<u>4,768,821</u>	<u>8,680,877</u>	<u>13,449,698</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	174,892	126,645	301,537
Loss on bond refunding, net	-	10,311	10,311
Total deferred outflows of resources	<u>174,892</u>	<u>136,956</u>	<u>311,848</u>
LIABILITIES			
Current liabilities:			
Payables	271,206	233,728	504,934
Due to component units	57,679	-	57,679
Bonds and notes payable	<u>25,000</u>	<u>180,000</u>	<u>205,000</u>
Total current liabilities	<u>353,885</u>	<u>413,728</u>	<u>767,613</u>
Noncurrent liabilities:			
Compensated absences	38,827	21,124	59,951
Net pension liability	560,902	406,172	967,074
Bonds and notes payable	<u>563,692</u>	<u>2,923,459</u>	<u>3,487,151</u>
Total noncurrent liabilities	<u>1,163,421</u>	<u>3,350,755</u>	<u>4,514,176</u>
Total liabilities	<u>1,517,306</u>	<u>3,764,483</u>	<u>5,281,789</u>
NET POSITION			
Net investment in capital assets	3,215,623	3,767,902	6,983,525
Restricted for:			
Public works	243,240	-	243,240
Debt service	-	169,211	169,211
Unrestricted (deficit)	<u>(32,456)</u>	<u>1,116,237</u>	<u>1,083,781</u>
Total net position	<u>\$ 3,426,407</u>	<u>\$ 5,053,350</u>	<u>\$ 8,479,757</u>

Component units	
Downtown Development Authority	Brownfield Redevelopment Authority
\$ 334,925	\$ 419,951
10,000	-
51,279	6,400
-	-
-	-
<u>396,204</u>	<u>426,351</u>
-	-
-	-
-	-
<u>396,204</u>	<u>426,351</u>
-	-
-	-
-	-
4,646	3,105
-	-
-	29,333
<u>4,646</u>	<u>32,438</u>
-	-
-	-
-	58,675
-	58,675
<u>4,646</u>	<u>91,113</u>
-	-
-	-
-	-
<u>391,558</u>	<u>335,238</u>
<u>\$ 391,558</u>	<u>\$ 335,238</u>

See notes to financial statements

Village of Vicksburg

STATEMENT OF ACTIVITIES

Year ended June 30, 2016

Functions/Programs	Expenses	Program revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
Primary government				
Governmental activities:				
General government	\$ 196,386	\$ 23,586	\$ -	\$ -
Public safety	858,156	211,490	3,508	-
Public works	451,093	-	326,976	-
Community and economic development	209,601	-	7,715	-
Recreation and culture	130,395	-	25,064	337,250
Interest on long-term debt	22,780	-	-	-
Total governmental activities	<u>1,868,411</u>	<u>235,076</u>	<u>363,263</u>	<u>337,250</u>
Business-type activities:				
Sewer	798,885	609,227	389,062	-
Water	319,780	499,816	1,851	-
Golf course	858,580	910,549	-	-
Total business-type activities	<u>1,977,245</u>	<u>2,019,592</u>	<u>390,913</u>	<u>-</u>
Total primary government	<u>\$ 3,845,656</u>	<u>\$ 2,254,668</u>	<u>\$ 754,176</u>	<u>\$ 337,250</u>
Component units				
Downtown Development Authority	\$ 131,372	\$ 3,076	\$ 287,812	\$ -
Brownfield Redevelopment Authority	5,732	-	-	-
Total component units	<u>\$ 137,104</u>	<u>\$ 3,076</u>	<u>\$ 287,812</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State shared revenue				
Cable television franchise fees				
Unrestricted interest income				
Gain on sale of assets				
Totals				
Changes in net position				
Net position - beginning				
Net position - ending				

Net (expenses) revenues and changes in net position				
Primary government			Component units	
Governmental activities	Business-type activities	Totals	Downtown Development Authority	Brownfield Redevelopment Authority
\$ (172,800)		\$ (172,800)		
(643,158)		(643,158)		
(124,117)		(124,117)		
(201,886)		(201,886)		
231,919		231,919		
<u>(22,780)</u>		<u>(22,780)</u>		
<u>(932,822)</u>		<u>(932,822)</u>		
	\$ 199,404	199,404		
	181,887	181,887		
	<u>51,969</u>	<u>51,969</u>		
	<u>433,260</u>	<u>433,260</u>		
<u>(932,822)</u>	<u>433,260</u>	<u>(499,562)</u>		
			\$ 159,516	\$ -
			<u>-</u>	<u>(5,732)</u>
			<u>159,516</u>	<u>(5,732)</u>
1,139,699	-	1,139,699	59,328	179,733
253,257	-	253,257	-	-
19,866	-	19,866	-	-
3,289	3,283	6,572	6,418	838
<u>76,358</u>	<u>-</u>	<u>76,358</u>	<u>-</u>	<u>-</u>
<u>1,492,469</u>	<u>3,283</u>	<u>1,495,752</u>	<u>65,746</u>	<u>180,571</u>
559,647	436,543	996,190	225,262	174,839
<u>2,866,760</u>	<u>4,616,807</u>	<u>7,483,567</u>	<u>166,296</u>	<u>160,399</u>
<u>\$ 3,426,407</u>	<u>\$ 5,053,350</u>	<u>\$ 8,479,757</u>	<u>\$ 391,558</u>	<u>\$ 335,238</u>

See notes to financial statements

BALANCE SHEET - governmental funds

June 30, 2016

	<u>General</u>	<u>Special revenue Major Street</u>	<u>Capital projects Capital Improvements</u>	<u>Nonmajor fund</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 462,150	\$ 282,603	\$ -	\$ 72,321	\$ 817,074
Receivables	84,694	34,835	-	27,218	146,747
Due from component units	620	-	-	-	620
Prepays	16,481	-	-	-	16,481
Due from other funds	5,078	720	-	9,019	14,817
	<u>569,023</u>	<u>318,158</u>	<u>-</u>	<u>108,558</u>	<u>995,739</u>
Total assets	<u>\$ 569,023</u>	<u>\$ 318,158</u>	<u>\$ -</u>	<u>\$ 108,558</u>	<u>\$ 995,739</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 87,464	\$ 78,598	\$ -	\$ 99,800	\$ 265,862
Due to component units	58,299	-	-	-	58,299
Due to other funds	25,535	2,539	-	2,539	30,613
	<u>171,298</u>	<u>81,137</u>	<u>-</u>	<u>102,339</u>	<u>354,774</u>
Total liabilities	<u>171,298</u>	<u>81,137</u>	<u>-</u>	<u>102,339</u>	<u>354,774</u>
Fund balances:					
Nonspendable - prepaids	16,481	-	-	-	16,481
Restricted for - public works	-	237,021	-	6,219	243,240
Assigned for - Department of Public Works	100,646	-	-	-	100,646
Unassigned	280,598	-	-	-	280,598
	<u>397,725</u>	<u>237,021</u>	<u>-</u>	<u>6,219</u>	<u>640,965</u>
Total fund balances	<u>397,725</u>	<u>237,021</u>	<u>-</u>	<u>6,219</u>	<u>640,965</u>
Total liabilities and fund balances	<u>\$ 569,023</u>	<u>\$ 318,158</u>	<u>\$ -</u>	<u>\$ 108,558</u>	<u>\$ 995,739</u>

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds \$ 640,965

Amounts reported for *governmental activities* in the statement of net position (page 12) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 3,804,315

Certain pension contributions and unamortized changes in pension plan net position are reported as deferred outflows of resources in the statement of net position but are not reported in the funds. 174,892

Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. (38,827)

Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. (588,692)

Interest payable, related to long-term liabilities, is not due and payable in the current period and, therefore, is not reported in the funds. (5,344)

The net pension liability is not due and payable in the current period and is not reported in the funds. (560,902)

Net position of *governmental activities* \$ 3,426,407

Village of Vicksburg

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds

Year ended June 30, 2016

	<u>General</u>	<u>Special revenue</u> <u>Major</u> <u>Street</u>
REVENUES		
Property taxes	\$ 1,152,273	\$ -
Licenses and permits	166,327	-
State grants	279,804	199,133
Intergovernmental	59,592	-
Fines and forfeitures	12,427	-
Interest and rentals	7,857	1,384
Other	370,143	-
	<u>2,048,423</u>	<u>200,517</u>
Total revenues		
EXPENDITURES		
Current:		
General government	270,926	-
Public safety	823,887	-
Public works	386,633	224,955
Community and economic development	209,601	-
Recreation and culture	102,039	-
Capital outlay	221,870	-
Debt service:		
Principal	27,470	-
Interest	21,801	-
	<u>2,064,227</u>	<u>224,955</u>
Total expenditures		
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(15,804)</u>	<u>(24,438)</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from the sale of capital assets	76,358	-
Transfers in	76,222	-
Transfers out	(61,000)	-
	<u>91,580</u>	<u>-</u>
Net other financing sources (uses)		
NET CHANGES IN FUND BALANCES	75,776	(24,438)
FUND BALANCES - BEGINNING	<u>321,949</u>	<u>261,459</u>
FUND BALANCES - ENDING	<u>\$ 397,725</u>	<u>\$ 237,021</u>

<u>Capital projects</u>		<u>Total</u>
<u>Capital</u>	<u>Nonmajor</u>	<u>governmental</u>
<u>Improvements</u>	<u>fund</u>	<u>funds</u>
\$ -	\$ -	\$ 1,152,273
-	-	166,327
-	102,712	581,649
-	-	59,592
-	-	12,427
22	26	9,289
-	-	370,143
<u>22</u>	<u>102,738</u>	<u>2,351,700</u>
-	-	270,926
-	-	823,887
-	184,546	796,134
-	-	209,601
-	-	102,039
23,648	-	245,518
-	-	27,470
-	-	21,801
<u>23,648</u>	<u>184,546</u>	<u>2,497,376</u>
<u>(23,626)</u>	<u>(81,808)</u>	<u>(145,676)</u>
-	-	76,358
-	61,000	137,222
<u>(76,222)</u>	<u>-</u>	<u>(137,222)</u>
<u>(76,222)</u>	<u>61,000</u>	<u>76,358</u>
(99,848)	(20,808)	(69,318)
<u>99,848</u>	<u>27,027</u>	<u>710,283</u>
<u>\$ -</u>	<u>\$ 6,219</u>	<u>\$ 640,965</u>

See notes to financial statements

Village of Vicksburg

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended June 30, 2016

Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:

Net change in fund balance - total governmental funds (page 15) \$ (69,318)

Amounts reported for *governmental activities* in the statement of activities (page 13) are different because:

Capital assets:

Assets acquired 863,558
Provision for depreciation (231,263)

Long-term debt:

Retirements 27,470
Amortization of bond discount (1,114)

Changes in other assets/liabilities:

Net decrease in compensated absences 16,034
Net decrease in interest payable 135
Increase in net pension liability (179,937)

Changes in deferred outflows of resources:

Decrease in deferred outflows of resources - pension 134,082

Change in net position of *governmental activities* \$ 559,647

STATEMENT OF NET POSITION - *proprietary funds*

June 30, 2016

	<i>Business-type activities</i>			
	<i>Enterprise funds</i>			
	<i>Sewer</i>	<i>Water</i>	<i>Golf Course</i>	<i>Totals</i>
ASSETS				
Current assets:				
Cash	\$ 401,665	\$ 729,206	\$ 162,009	\$ 1,292,880
Receivables	183,517	135,769	-	319,286
Due from other funds	5,904	8,595	1,297	15,796
Inventory and prepaids	1,021	509	-	1,530
Total current assets	<u>592,107</u>	<u>874,079</u>	<u>163,306</u>	<u>1,629,492</u>
Noncurrent assets:				
Restricted cash	180,024	-	-	180,024
Capital assets not being depreciated - land	-	-	1,000,000	1,000,000
Capital assets, net of depreciation	3,381,449	1,506,793	983,119	5,871,361
Total noncurrent assets	<u>3,561,473</u>	<u>1,506,793</u>	<u>1,983,119</u>	<u>7,051,385</u>
Total assets	<u>4,153,580</u>	<u>2,380,872</u>	<u>2,146,425</u>	<u>8,680,877</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	15,077	39,199	72,369	126,645
Loss on bond refunding, net	-	10,311	-	10,311
Total deferred outflows of resources	<u>15,077</u>	<u>49,510</u>	<u>72,369</u>	<u>136,956</u>
LIABILITIES				
Current liabilities:				
Payables	101,783	20,107	111,838	233,728
Bonds payable	95,000	35,000	50,000	180,000
Total current liabilities	<u>196,783</u>	<u>55,107</u>	<u>161,838</u>	<u>413,728</u>
Noncurrent liabilities:				
Compensated absences	-	-	21,124	21,124
Net pension liability	48,354	125,720	232,098	406,172
Bonds payable	1,001,899	691,062	1,230,498	2,923,459
Total noncurrent liabilities	<u>1,050,253</u>	<u>816,782</u>	<u>1,483,720</u>	<u>3,350,755</u>
Total liabilities	<u>1,247,036</u>	<u>871,889</u>	<u>1,645,558</u>	<u>3,764,483</u>
NET POSITION				
Net investment in capital assets	2,284,550	780,731	702,621	3,767,902
Restricted for debt service	169,211	-	-	169,211
Unrestricted	467,860	777,762	(129,385)	1,116,237
Total net position	<u>\$ 2,921,621</u>	<u>\$ 1,558,493</u>	<u>\$ 573,236</u>	<u>\$ 5,053,350</u>

See notes to financial statements

Village of Vicksburg

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
proprietary funds**

Year ended June 30, 2016

	<i>Business-type activities</i>			
	<i>Enterprise funds</i>			
	<u>Sewer</u>	<u>Water</u>	<u>Golf Course</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services	\$ 589,918	\$ 499,816	\$ 904,393	\$ 1,994,127
State grants	-	1,851	-	1,851
Other	19,309	-	6,156	25,465
	<u>609,227</u>	<u>501,667</u>	<u>910,549</u>	<u>2,021,443</u>
Total operating revenues				
OPERATING EXPENSES				
Administration	50,048	116,593	410,919	577,560
Professional services	11,818	20,056	6,543	38,417
Repairs and maintenance	417,683	3,592	27,381	448,656
Rent expense	-	-	50,287	50,287
Other	21,517	42,140	68,747	132,404
Treatment	160,046	-	-	160,046
Supplies	10,295	39,165	183,410	232,870
Depreciation	89,306	69,643	62,222	221,171
	<u>760,713</u>	<u>291,189</u>	<u>809,509</u>	<u>1,861,411</u>
Total operating expenses				
OPERATING INCOME (LOSS)	<u>(151,486)</u>	<u>210,478</u>	<u>101,040</u>	<u>160,032</u>
NONOPERATING REVENUES (EXPENSES)				
State grants	389,062	-	-	389,062
Interest revenue	1,867	926	490	3,283
Interest expense	(38,172)	(28,591)	(49,071)	(115,834)
	<u>352,757</u>	<u>(27,665)</u>	<u>(48,581)</u>	<u>276,511</u>
Net nonoperating revenues (expenses)				
CHANGES IN NET POSITION	201,271	182,813	52,459	436,543
NET POSITION - BEGINNING	<u>2,720,350</u>	<u>1,375,680</u>	<u>520,777</u>	<u>4,616,807</u>
NET POSITION - ENDING	<u>\$ 2,921,621</u>	<u>\$ 1,558,493</u>	<u>\$ 573,236</u>	<u>\$ 5,053,350</u>

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds

Year ended June 30, 2016

	<i>Business-type activities</i>			
	<i>Enterprise funds</i>			
	<i>Sewer</i>	<i>Water</i>	<i>Golf Course</i>	<i>Totals</i>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 608,849	\$ 518,048	\$ 910,549	\$ 2,037,446
Payments to suppliers	(620,324)	(137,713)	(442,870)	(1,200,907)
Payments to employees	(22,868)	(64,114)	(205,615)	(292,597)
Net cash provided by (used in) operating activities	(34,343)	316,221	262,064	543,942
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Nonoperating grants	389,062	-	-	389,062
Increase in due from other funds	(5,335)	53,323	1,453	49,441
Decrease in due to other funds	(20,963)	(26,281)	(61,213)	(108,457)
Net cash provided by (used in) noncapital financing activities	362,764	27,042	(59,760)	330,046
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(83,181)	(1,027)	(91,208)	(175,416)
Principal paid on capital debt	(95,024)	(35,000)	(55,756)	(185,780)
Interest paid on capital debt	(37,926)	(26,655)	(46,906)	(111,487)
Net cash provided by (used in) capital and related financing activities	(216,131)	(62,682)	(193,870)	(472,683)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	1,867	926	490	3,283
NET INCREASE IN CASH	114,157	281,507	8,924	404,588
CASH - BEGINNING				
(including restricted cash: Sewer Fund - \$85,179)	467,532	447,699	153,085	1,068,316
CASH - ENDING				
(including restricted cash: Sewer Fund - \$180,024)	\$ 581,689	\$ 729,206	\$ 162,009	\$ 1,472,904

STATEMENT OF CASH FLOWS - proprietary funds (Continued)

Year ended June 30, 2016

	<i>Business-type activities</i>			
	<i>Enterprise funds</i>			
	<i>Sewer</i>	<i>Water</i>	<i>Nonmajor</i>	<i>Totals</i>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (151,486)	\$ 210,478	\$ 101,040	\$ 160,032
Adjustments to reconcile operating income (loss) to net cash provided (used in) by operating activities:				
Depreciation expense	89,306	69,643	62,222	221,171
Changes in assets and liabilities:				
Receivables	(378)	16,381	-	16,003
Deferred outflows of resources - pension	(11,559)	(30,052)	(55,482)	(97,093)
Inventory and prepaids	201	1,583	1,698	3,482
Payables	24,061	7,857	75,377	107,295
Compensated absences	-	-	2,752	2,752
Net pension liability	15,512	40,331	74,457	130,300
Net cash provided by (used in) operating activities	<u>\$ (34,343)</u>	<u>\$ 316,221</u>	<u>\$ 262,064</u>	<u>\$ 543,942</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Vicksburg, Michigan (the Village), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:

As required by generally accepted accounting principles, these financial statements present the Village (the primary government, located in Kalamazoo County) and its component units described below, for which the Village is financially accountable. The blended and discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government.

Blended component unit - Vicksburg Building Authority:

The *Vicksburg Building Authority* is governed by a four-member board of directors appointed by the Village Council. Although it is legally separate from the Village, the *Vicksburg Building Authority* is reported as if it were part of the primary government because its sole purpose is to finance and construct the Village's public buildings. However, due to the absence of financial transactions during the year, and any carryforward balances, no information regarding the component unit has been included in the accompanying financial statements.

Discretely presented component units:

The *Downtown Development Authority* was established pursuant to Public Act 197 of 1975, as amended, to correct and prevent deterioration and promote economic growth within the downtown district. The Authority is fiscally dependent on the Village because the Village Council appoints the Authority's governing body and approves its budget. The Village is also obligated to provide some of its tax revenues to the Authority, through tax increment financing, which represents a financial burden on the Village. Fiscal dependence and the financial burden relationship make the Village financially accountable for the Authority and require the Village to report it in its financial statements. Separate financial statements for the component unit have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component unit.

The *Brownfield Redevelopment Authority* was established pursuant to Public Act 381 of 1996, as amended, to promote the revitalization of environmentally distressed areas within the Village. The Authority is fiscally dependent on the Village because the Village Council appoints the authority's governing body and approves its budget. The Village is also obligated to provide some of its tax revenues to the Authority, through tax increment financing, which represents a financial burden on the Village. Fiscal dependence and the financial burden relationship make the Village financially accountable for the Authority and require the Village to report it in its financial statements. Separate financial statements for the component unit have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component unit.

Government-wide and fund financial statements:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and fund financial statements (continued):

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation:

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

Governmental funds 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 if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Village generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, 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. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund, a special revenue fund, accounts for state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the Village's local streets.

The Capital Improvements Fund, a capital projects fund, accounts for debt proceeds from the 2014 refunding and a capital improvement bond that is to be used to finance the costs of capital acquisitions.

The Village reports the following major proprietary funds:

The Sewer Fund accounts for operation and maintenance of the Village's sewage collection systems and treatment plant.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):

The Water Fund accounts for the operation and maintenance of the Village's water distribution system and treatment plant.

The Golf Course Fund accounts for the operation and maintenance of the Angels Crossing Golf Course. Financing is provided by user charges.

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. 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 proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary 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.

Assets, deferred outflows of resources, liabilities, and net position or equity:

Cash and investments - Cash is considered to be cash on hand, demand deposits, time deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value, with changes in value recognized in the operating statement of each fund. Realized and unrealized gains and losses are included in investment income. Pooled investment income is allocated proportionately to all funds.

Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded, as the Village considers all receivables to be fully collectible.

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

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

Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., streets and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Village 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 market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Village has elected to account for infrastructure assets prospectively, beginning July 1, 2003.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, and net position or equity (continued):

Capital assets (continued) - Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	3 - 20 years
Vehicles	4 - 20 years
Sewer and water systems	50 years
Streets	20 - 30 years

Compensated absences - It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the Village. Vested compensated absences are accrued when earned in the government-wide and proprietary funds financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Deferred outflows of resources - The statement of net position and the proprietary funds statement of net position include a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The related expense will not be recognized until a future event occurs. The Village has two items in this category: a deferred amount arising from the refunding of bonds in a previous year and a deferred amount relating to pensions (Village contributions made after the measurement date of the net pension liability, as well as the unamortized difference between projected and actual investment earnings of the defined benefit pension plan). The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. The deferred pension contributions will be expensed in the subsequent year and the net difference between projected and actual earnings on pension plan investments is being amortized over a closed, five-year period using the straight-line method. No deferred outflows of resources affect the governmental funds financial statements.

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

Net position - Net position represents the difference between assets and deferred outflows of resources, and liabilities. The Village reports three categories of net position, as follows: (1) *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets, and increases by balances of deferred outflows of resources related to those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the Village's debt. Restricted net position is reduced by liabilities related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the Village.

Net position flow assumption - Sometimes, the Village will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government wide and proprietary funds financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, and net position or equity (continued):

Fund equity - Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are not in spendable form. Restricted fund balance is reported when externally imposed constraints are placed on the use of these resources by grantors, contributors, or laws and regulations of other governments. The Village Council has delegated the authority to assign fund balance to the Village President. Unassigned fund balance is the residual classification for the General Fund. When the Village incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Village’s policy to use restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

Property tax revenue recognition - Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before August 10, at which time the bill becomes delinquent and penalties and interest may be assessed by the Village. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Village levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

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. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Village’s general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - The following schedule sets forth the reportable budget variances:

<u>Fund</u>	<u>Function</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public safety	\$ 701,300	\$ 823,887	\$ 122,587
	Public works	327,600	386,633	59,033
Major Street	Public works	174,400	224,955	50,555
Local Street	Public works	130,500	184,546	54,046

NOTE 3 - CASH

At June 30, 2016, cash is classified in the accompanying financial statements as follows:

Primary government:	
Cash	\$ 2,109,954
Restricted cash	180,024
Component unit - cash	<u>754,876</u>
Total cash	<u>\$ 3,044,854</u>

NOTE 3 - CASH (Continued)

At June 30, 2016, cash consists of the following:

Cash on hand	\$	1,565
Deposits with financial institutions		<u>3,043,289</u>
Total	\$	<u><u>3,044,854</u></u>

Deposits - Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) and the Village’s investment policy authorize the Village to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Village’s deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Village will not be able to recover its deposits. The Village’s investment policy does not specifically address custodial credit risk for deposits. As of June 30, 2016, \$2,868,356 of the Village’s bank balances of \$3,141,032 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Village maintains individual and pooled bank accounts for all of its funds and its component units. Due to the use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and the component units.

NOTE 4 - RECEIVABLES

Receivables as of June 30, 2016, for the Village’s individual major funds and nonmajor fund, all of which are due within one year and are considered fully collectible, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Totals</u>
Primary government:			
Governmental:			
General	\$ 18,669	\$ 66,025	\$ 84,694
Major Street	-	34,835	34,835
Nonmajor	-	<u>27,218</u>	<u>27,218</u>
Total governmental	<u>\$ 18,669</u>	<u>\$ 128,078</u>	<u>\$ 146,747</u>
Proprietary:			
Enterprise:			
Sewer	\$ 168,380	\$ 15,137	\$ 183,517
Water	<u>135,769</u>	<u>-</u>	<u>135,769</u>
Total proprietary	<u>\$ 304,149</u>	<u>\$ 15,137</u>	<u>\$ 319,286</u>
Component unit:			
Downtown Development Authority	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 946,198	\$ 141,737	\$ -	\$ 1,087,935
Construction in progress	512,644	-	(512,644)	512,644
Total capital assets not being depreciated, net	<u>1,458,842</u>	<u>141,737</u>	<u>(512,644)</u>	<u>1,600,579</u>
Capital assets being depreciated:				
Land improvements	2,818,445	653,741	-	3,472,186
Buildings and improvements	1,262,327	3,000	-	1,265,327
Furniture and equipment	1,179,068	35,080	(46,089)	1,168,059
Vehicles	136,115	30,000	-	166,115
Subtotal	<u>5,395,955</u>	<u>721,821</u>	<u>(46,089)</u>	<u>6,071,687</u>
Less accumulated depreciation for:				
Land improvements	(1,065,520)	(154,916)	-	(1,220,436)
Buildings and improvements	(1,004,400)	(25,168)	-	(1,029,568)
Furniture and equipment	(1,039,900)	(38,482)	46,089	(1,032,293)
Vehicles	(60,313)	(12,697)	-	(73,010)
Subtotal	<u>(3,170,133)</u>	<u>(231,263)</u>	<u>46,089</u>	<u>(3,355,307)</u>
Total capital assets being depreciated, net	<u>2,225,822</u>	<u>490,558</u>	<u>-</u>	<u>2,716,380</u>
Governmental activities capital assets, net	<u>\$ 3,684,664</u>	<u>\$ 632,295</u>	<u>\$ (512,644)</u>	<u>\$ 4,316,959</u>

From time to time, the Village records capitalizable costs, as part of current expenditure functions, for purposes of administrative control. In fiscal year 2016, \$522,393 of capitalized costs was reported within public works in the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 15).

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to the Village’s governmental functions as follows:

Governmental activities:				
General government	\$	56,583		
Public safety		16,653		
Public works		129,671		
Recreation and culture		<u>28,356</u>		
Total governmental activities	\$	<u>231,263</u>		
		<i>Beginning</i>		<i>Ending</i>
		<i>balance</i>	<i>Increases</i>	<i>Decreases</i>
				<i>balance</i>
Business-type activities:				
Capital assets not being depreciated - land	\$	<u>1,000,000</u>	\$ -	\$ -
Capital assets being depreciated:				
Sewer system		5,252,558	83,181	-
Water system		2,831,548	1,027	-
Golf course		<u>1,209,459</u>	<u>91,208</u>	<u>-</u>
Subtotal		<u>9,293,565</u>	<u>175,416</u>	<u>-</u>
Less accumulated depreciation for:				
Sewer system		(1,864,984)	(89,306)	-
Water system		(1,256,140)	(69,643)	-
Golf course		<u>(255,325)</u>	<u>(62,222)</u>	<u>-</u>
Subtotal		<u>(3,376,449)</u>	<u>(221,171)</u>	<u>-</u>
Total capital assets being depreciated, net		<u>5,917,116</u>	<u>(45,755)</u>	<u>-</u>
Business-type activities capital assets, net	\$	<u>6,917,116</u>	\$ <u>(45,755)</u>	\$ <u>-</u>
				\$ <u>6,871,361</u>

NOTE 6 - PAYABLES

Payables as of June 30, 2016, for the Village’s individual major funds and for the discretely presented component units, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Primary government:				
Governmental:				
General	\$ 63,595	\$ 23,869	\$ -	\$ 87,464
Major Street	78,598	-	-	78,598
Nonmajor	<u>99,800</u>	<u>-</u>	<u>-</u>	<u>99,800</u>
Total governmental	<u>\$ 241,993</u>	<u>\$ 23,869</u>	<u>\$ -</u>	<u>\$ 265,862</u>
Proprietary:				
Enterprise:				
Sewer	\$ 90,366	\$ 604	\$ 10,813	\$ 101,783
Water	12,196	1,334	6,577	20,107
Golf Course	<u>76,706</u>	<u>23,530</u>	<u>11,602</u>	<u>111,838</u>
Total proprietary	<u>\$ 179,268</u>	<u>\$ 25,468</u>	<u>\$ 28,992</u>	<u>\$ 233,728</u>
Component units:				
Downtown Development Authority	\$ 4,646	\$ -	\$ -	\$ 4,646
Brownfield Redevelopment Authority	<u>3,105</u>	<u>-</u>	<u>-</u>	<u>3,105</u>
Total component units	<u>\$ 7,751</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,751</u>

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2016, the composition of interfund balances was as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
		Major Street	\$ 2,539
		Nonmajor	<u>2,539</u>
General	\$ <u>5,078</u>		5,078
Major Street	720		
Nonmajor	9,019		
Sewer	5,904		
Water	8,595		
Golf Course	<u>1,297</u>		
	<u>25,535</u>	General	<u>25,535</u>
Total	<u>\$ 30,613</u>	Total	<u>\$ 30,613</u>

Interfund balances arise in the normal course of business and primarily represent timing differences between dates that transactions are recorded for payments between funds.

For the year ended June 30, 2016, interfund transfers consisted of the following:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Nonmajor governmental fund	\$ 61,000	General Fund	\$ 61,000
General Fund	<u>76,222</u>	Capital Projects Fund	<u>76,222</u>
Subtotal	<u>\$ 137,222</u>	General	<u>\$ 137,222</u>

The transfer out of the General Fund to the nonmajor fund represents unrestricted revenues, collected in the General Fund, that were used to support street improvement and maintenance expenditures accounted for in the Local Street Fund. The transfer from the Capital Projects Fund to the General Fund represents the balance remaining, which was used to pay debt on the capital project.

NOTE 8 - JOINT VENTURE

The Village is a member of the South Kalamazoo County Fire Authority (the Authority), which is a joint venture of the Townships of Schoolcraft, Brady, Prairie Ronde, and Wakeshma, and the Villages of Schoolcraft and Vicksburg. The administrative board of the Authority consists of members appointed by each participating unit and a member at-large. The Authority was formed to jointly provide fire protection services within the combined service area, which encompasses the participating municipalities. The interlocal agreement governing the Authority does not convey an equity interest to its members. During the year ended June 30, 2016, the Village contributed \$87,967 as its proportionate share of the Authority's budgeted costs. The Village is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete audited financial statements for the Authority can be obtained from the Treasurer of the Authority.

NOTE 9 - LONG-TERM OBLIGATIONS

At June 30, 2016, long-term obligations are comprised of the following:

Primary government:

Governmental activities:

Installment purchase agreement and bond:

\$625,000 - 2014 Capital improvement and refunding bonds - payable in annual installments ranging from \$14,000 to \$16,000, plus interest at 0.70% to 2.55%; final payment due June 2023

\$ 600,000

Net discount on bonds payable

(11,308)

Total bonds and installment notes payable

588,692

Compensated absences

38,827

Total governmental activities long-term obligations

\$ 627,519

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Primary government (continued):

Business-type activities:

Bonds:

\$1,000,000 - 2007 Sanitary Sewer Improvements revenue bonds - payable in annual installments ranging from \$25,000 to \$126,666, plus interest at 5.42%; final payment due July 2022	\$ 415,000
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\$2,855,000 - 2014 Capital and refunding bonds - payable in annual installments ranging from \$115,000 to \$210,000, plus interest at 2.00%; final payment due October 2033	2,740,000
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Less discounts on bonds	<u>(51,541)</u>
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Total bonds and installment notes payable	3,103,459
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Compensated absences	<u>21,124</u>
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Total business-type activities long-term obligations	<u>\$ 3,124,583</u>
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Component unit:

Installment purchase agreement:

\$440,000 - 2004 Installment purchase agreement - payable in annual installments of \$29,333, plus interest at 2.00%; final payment due July 2018	<u>\$ 88,008</u>
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NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Long-term obligation activity for the year ended June 30, 2016, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Primary government:					
Governmental activities:					
2011 Installment purchase agreement	\$ 2,470	\$ -	\$ (2,470)	\$ -	\$ -
2014 Capital and refunding bonds	<u>625,000</u>	<u>-</u>	<u>(25,000)</u>	<u>600,000</u>	<u>25,000</u>
Subtotal	627,470	-	(27,470)	600,000	25,000
Less discounts on bonds	<u>(12,422)</u>	<u>-</u>	<u>1,114</u>	<u>(11,308)</u>	<u>-</u>
Total bonds and notes	615,048	-	(26,356)	588,692	25,000
Compensated absences	<u>54,861</u>	<u>57,683</u>	<u>(73,717)</u>	<u>38,827</u>	<u>-</u>
Total governmental activities	<u>\$ 669,909</u>	<u>\$ 57,683</u>	<u>\$ (100,073)</u>	<u>\$ 627,519</u>	<u>\$ 25,000</u>
Business-type activities:					
2007 Sewer revenue bonds	\$ 480,024	\$ -	\$ (65,024)	\$ 415,000	65,000
2010 Installment purchase agreement	5,756	-	(5,756)	-	-
2014 Capital and refunding bonds	<u>2,855,000</u>	<u>-</u>	<u>(115,000)</u>	<u>2,740,000</u>	<u>115,000</u>
Subtotal	3,340,780	-	(185,780)	3,155,000	180,000
Less discounts on bonds	<u>(56,621)</u>	<u>-</u>	<u>5,080</u>	<u>(51,541)</u>	<u>-</u>
Total bonds and notes	3,284,159	-	(180,700)	3,103,459	180,000
Compensated absences	<u>18,372</u>	<u>11,044</u>	<u>(8,292)</u>	<u>21,124</u>	<u>-</u>
Total business-type activities	<u>\$ 3,302,531</u>	<u>\$ 11,044</u>	<u>\$ (188,992)</u>	<u>\$ 3,124,583</u>	<u>\$ 180,000</u>
Component units:					
Brownfield Redevelopment Authority -					
2004 Note payable	<u>\$ 117,341</u>	<u>\$ -</u>	<u>\$ (29,333)</u>	<u>\$ 88,008</u>	<u>\$ 29,333</u>

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

At June 30, 2016, debt service requirements, with the exception of compensated absences, are as follows:

<i>Year ended</i> <i>June 30:</i>	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Component unit</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2017	\$ 25,000	\$ 21,125	\$ 180,000	\$ 106,349	\$ 29,333	\$ 2,939
2018	25,000	20,625	185,000	102,262	29,333	1,947
2019	25,000	20,125	185,000	98,155	29,342	974
2020	25,000	19,500	190,000	93,373	-	-
2021	30,000	18,675	190,000	87,927	-	-
2022 - 2026	155,000	79,175	785,000	361,503	-	-
2027 - 2031	185,000	46,700	845,000	213,791	-	-
2032 - 2035	130,000	14,775	595,000	38,663	-	-
Totals	<u>\$ 600,000</u>	<u>\$ 240,700</u>	<u>\$ 3,155,000</u>	<u>\$ 1,102,023</u>	<u>\$ 88,008</u>	<u>\$ 5,860</u>

All debt is secured by the full faith and credit of the Village.

NOTE 10 - DEFINED BENEFIT PENSION PLAN

Plan description:

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

Benefits provided:

The Village’s defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries and covers employees of the Village’s police department. Retirement benefits for eligible employees are calculated as 2.00% of the employee’s three-year final average compensation times the employee’s years of service. Normal retirement age is 60, with early retirement at a reduced benefit at age 50, with 25 years of service, or age 55 with 15 years of service. Deferred retirement benefits vest after 10 years of credited service but are not paid until the date retirement would have occurred had the member remained an employee. Covered employees are not required to contribute to the plan. An employee who leaves service may withdraw their contributions, plus any accumulated interest. Benefit terms, within the parameters of MERS, are established and amended by the authority of the Village Council.

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

Employees covered by benefit terms:

At the December 31, 2015, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to, but not yet receiving, benefits	9
Active employees	<u>15</u>
 Total	 <u><u>34</u></u>

Contributions:

The Village is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Covered employees are not required to contribute to the plan. For the fiscal year ended June 30, 2016, Village contributions ranged from 9.12% to 19.65% of monthly covered payroll. For the fiscal year ended June 30, 2016, the Village contributed \$114,546 to the plan.

Net pension liability:

The Village's net pension liability reported at June 30, 2016, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2015. The total pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions:

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	(3 - 4% for 2014)
Salary increases	3.75%	In the long term (4.5% for 2014)
Investment rate of return	8.25%	Gross of pension plan investment expense, including inflation (7.75% net of investment and administrative expenses, including inflation)

Mortality rates used for plan members were based on the RP-2014 Group Annuity Mortality Tables of a 50% Male and 50% Female blend. The actuarial assumptions used in the December 31, 2015, valuation were based on the results of the most recent actuarial experience study.

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Global equity	57.50%	5.02%
Global fixed income	20.00%	2.18%
Real assets	12.50%	4.23%
Diversifying strategies	10.00%	6.56%

Discount rate:

The discount rate used to measure the total pension liability is 8.25% for 2015. The projection of cash flows used to determine the discount rate assumes that employer contributions will be made at the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability:

	<u>Increase (decrease)</u>		
	<u>Total pension liability</u> <i>(a)</i>	<u>Plan fiduciary net position</u> <i>(b)</i>	<u>Net pension liability</u> <i>(a) - (b)</i>
Balances at December 31, 2014	\$ 2,411,804	\$ 1,754,967	\$ 656,837
Changes for the year:			
Service cost	66,434	-	66,434
Interest	196,303	-	196,303
Difference in experience	16,084	-	16,084
Changes in assumptions	105,307	-	105,307
Employer contributions	-	103,872	(103,872)
Net investment income	-	(26,146)	26,146
Benefit payments, including refunds	(131,141)	(131,141)	-
Administrative expenses	-	(3,833)	3,833
Other	2	-	2
Net changes	252,989	(57,248)	310,237
Balances at December 31, 2015	\$ 2,664,793	\$ 1,697,719	\$ 967,074

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the net pension liability to changes in the discount rate:

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

	<u>1% Decrease (7.25%)</u>	<u>Current rate (8.25%)</u>	<u>1% Increase (9.25%)</u>
Village's net pension liability	\$ 1,310,200	\$ 967,074	\$ 681,174

Pension plan fiduciary net position:

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

Pension expense and deferred outflows of resources related to pensions:

For the fiscal year ended June 30, 2016, the Village recognized pension expense of \$193,608. At June 30, 2016, the Village reported deferred outflows of resource related to pensions from the following sources:

<u>Source</u>	<u>Deferred outflows of resources</u>
Deficit investment returns	\$ 154,498
Differences in experience	12,063
Differences in assumptions	78,980
Contributions made subsequent to the measurement date*	<u>55,996</u>
Total	<u>\$ 301,537</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in fiscal year 2017.

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

<u>Year ended June 30,</u>	<u>Deferred outflows of resources</u>
2017	\$ 126,534
2018	70,538
2019	70,537
2020	<u>33,928</u>
	<u>\$ 301,537</u>

NOTE 11 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, and employee medical claims. The risks of loss arising from general liability, property losses, workers' compensation, and employee medical costs are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

NOTE 12 - PROPERTY TAX REVENUE

The 2015 taxable valuation of the Village approximated 78,384,000, on which ad valorem taxes levied consisted of 15.9000 mills for operating purposes raising approximately \$1,136,000, which is recognized in the fund financial statements as property tax revenue.

NOTE 13 - CONSTRUCTION CODE ACT

A summary of construction code enforcement transactions for the year ended June 30, 2016, is as follows:

Cumulative excess revenues, beginning of year	<u>\$ -</u>
Revenues	\$ 145,345
Expenses	<u>145,345</u>
Excess of revenues over expenses	<u>\$ -</u>
Cumulative excess revenues, end of year	<u>\$ -</u>

NOTE 14 - RESTRICTED NET POSITION

In the government-wide statement of net position, the governmental activities report restricted net position in the amount of \$243,240. Of this amount, \$243,240 is restricted by enabling legislation for public works expenditures.

NOTE 15 - UNAMORTIZED LOSS ON BOND REFUNDING

On September 24, 2014, the Village issued \$775,000 in general obligation limited tax bonds, with an interest rate of 2.00%, to refund \$734,514 of outstanding 1991 Water Supply Bonds with average interest rates of 4.32%. The net proceeds of \$758,994 were used to pay outstanding debt of \$734,514 and issuance costs of \$12,696.

The Village completed the refunding to reduce its total debt service payments over the next six years by \$123,008 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$119,194. The issuance costs are considered a current period cost and were expensed in the current year. The net loss on advance refunding of \$10,311 is reported as a deferred outflow of resources and is being amortized over the life of the new bonds using the interest method.

NOTE 16 - PENDING ACCOUNTING PRONOUNCEMENT

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about (1) the Village's own tax abatement agreements and (2) those that are entered into by other governments, which reduce the Village's tax revenues. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

The Village is currently evaluating the impact this Statement will have on the financial statements when adopted during the year ending June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Vicksburg

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended June 30, 2016

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 1,258,200	\$ 1,162,900	\$ 1,152,273	\$ (10,627)
Licenses and permits	20,000	27,500	166,327	138,827
State grants	270,300	277,200	279,804	2,604
Intergovernmental	61,100	61,100	59,592	(1,508)
Fines and forfeitures	11,000	13,500	12,427	(1,073)
Interest	7,300	7,900	7,857	(43)
Other	5,500	449,200	370,143	(79,057)
Total revenues	<u>1,633,400</u>	<u>1,999,300</u>	<u>2,048,423</u>	<u>49,123</u>
EXPENDITURES				
General government:				
Legislative - City Council	19,500	9,300	7,459	1,841
Village president	2,200	1,300	1,168	132
Village manager	19,700	31,000	30,017	983
Treasurer	44,200	45,400	44,904	496
Administration	109,200	182,400	175,457	6,943
Building and grounds	17,400	42,800	11,921	30,879
Total general government	<u>212,200</u>	<u>312,200</u>	<u>270,926</u>	<u>41,274</u>
Public safety:				
Department of Public Safety:				
Police protection	587,100	611,800	589,118	22,682
Fire protection	83,600	89,500	89,424	76
Building inspections	-	-	145,345	(145,345)
Total public safety	<u>670,700</u>	<u>701,300</u>	<u>823,887</u>	<u>(122,587)</u>
Public works:				
Department of Public Works	251,900	302,600	370,811	(68,211)
Recycling	8,800	13,000	12,783	217
Sidewalks	12,000	12,000	3,039	8,961
Total public works	<u>272,700</u>	<u>327,600</u>	<u>386,633</u>	<u>(59,033)</u>
Community and economic development - community development	<u>168,200</u>	<u>210,000</u>	<u>209,601</u>	<u>399</u>
Recreation and culture:				
Parks	29,000	90,200	76,712	13,488
Historic village	15,800	20,300	17,016	3,284
Community center	10,500	12,400	8,311	4,089
Total recreation and culture	<u>55,300</u>	<u>122,900</u>	<u>102,039</u>	<u>20,861</u>

Village of Vicksburg

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2016

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
EXPENDITURES (Continued)				
Capital outlay	\$ 45,500	\$ 244,900	\$ 221,870	\$ 23,030
Debt service - principal	31,400	27,700	27,470	230
Debt service - interest	22,200	21,700	21,801	(101)
Total expenditures	<u>1,478,200</u>	<u>1,968,300</u>	<u>2,064,227</u>	<u>(95,927)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>155,200</u>	<u>31,000</u>	<u>(15,804)</u>	<u>(46,804)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of capital assets	12,500	112,600	76,358	(36,242)
Transfers in - Capital Project Fund	46,700	46,700	76,222	29,522
Transfers out - Local Street Fund	<u>(56,000)</u>	<u>(56,000)</u>	<u>(61,000)</u>	<u>(5,000)</u>
Net other financing sources	<u>3,200</u>	<u>103,300</u>	<u>91,580</u>	<u>(11,720)</u>
NET CHANGES IN FUND BALANCES	158,400	134,300	75,776	(58,524)
FUND BALANCES - BEGINNING	<u>321,949</u>	<u>321,949</u>	<u>321,949</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 480,349</u>	<u>\$ 456,249</u>	<u>\$ 397,725</u>	<u>\$ (58,524)</u>

Village of Vicksburg

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended June 30, 2016

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
State grants	\$ 182,000	\$ 182,000	\$ 199,133	\$ 17,133
Interest	500	700	1,384	684
Total revenues	<u>182,500</u>	<u>182,700</u>	<u>200,517</u>	<u>17,817</u>
EXPENDITURES				
Public works:				
Preservation	137,500	148,300	203,763	(55,463)
Winter maintenance	10,000	10,000	8,394	1,606
Traffic service	14,000	14,200	12,059	2,141
Administration	1,700	1,900	739	1,161
Total expenditures	<u>163,200</u>	<u>174,400</u>	<u>224,955</u>	<u>(50,555)</u>
NET CHANGES IN FUND BALANCES	19,300	8,300	(24,438)	(32,738)
FUND BALANCES - BEGINNING	<u>261,459</u>	<u>261,459</u>	<u>261,459</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 280,759</u>	<u>\$ 269,759</u>	<u>\$ 237,021</u>	<u>\$ (32,738)</u>

Village of Vicksburg

SCHEDULE OF CHANGES IN THE VILLAGE'S NET PENSION LIABILITY AND RELATED RATIOS

Last fiscal year only (schedule is built prospectively upon implementation of GASB 68)

	<u>2016</u>	<u>2015</u>
Total pension liability:		
Service cost	\$ 66,434	\$ 53,971
Interest	196,303	187,244
Difference in experience	16,084	-
Change in assumptions	105,307	-
Other	2	-
Benefit payments, including refunds	<u>(131,141)</u>	<u>(144,114)</u>
Net change in total pension liability	252,989	97,101
Total pension liability, beginning of year	<u>2,411,804</u>	<u>2,314,703</u>
Total pension liability, end of year	<u>\$ 2,664,793</u>	<u>\$ 2,411,804</u>
Plan fiduciary net position:		
Contributions - employer	\$ 103,872	\$ 84,447
Net investment income	(26,146)	107,258
Benefit payments, including refunds	(131,141)	(144,114)
Administrative expenses	<u>(3,833)</u>	<u>(3,926)</u>
Net change in plan fiduciary net position	(57,248)	43,665
Plan fiduciary net position, beginning of year	<u>1,754,967</u>	<u>1,711,302</u>
Plan fiduciary net position, end of year	<u>\$ 1,697,719</u>	<u>\$ 1,754,967</u>
Village's net pension liability, end of year	<u>\$ 967,074</u>	<u>\$ 656,837</u>
Plan fiduciary net position as a percent of total pension liability	63.71%	72.77%
Covered employee payroll	\$ 758,554	\$ 628,481
Village's net pension liability as a percentage of covered employee payroll	127.49%	104.51%

SUPPLEMENTARY INFORMATION

Village of Vicksburg

BALANCE SHEET - component units

June 30, 2016

	<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>
ASSETS		
Cash	\$ 334,925	\$ 419,951
Receivables	10,000	-
Due from primary government	<u>51,899</u>	<u>6,400</u>
Total assets	<u><u>\$ 396,824</u></u>	<u><u>\$ 426,351</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Payables	\$ 4,646	\$ 3,105
Due to primary government	<u>620</u>	<u>-</u>
Total liabilities	5,266	3,105
Fund balances - unassigned	<u>391,558</u>	<u>423,246</u>
Total liabilities and fund balances	<u><u>\$ 396,824</u></u>	<u><u>\$ 426,351</u></u>
Reconciliation of the balance sheet to the statement of net position:		
Total fund balances	\$ 391,558	\$ 423,246
Amounts reported for the <i>component units</i> in the statement of net position (page 12) are different because:		
Long-term liabilities, consisting of a note payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>-</u>	<u>(88,008)</u>
Net position of the <i>component units</i>	<u><u>\$ 391,558</u></u>	<u><u>\$ 335,238</u></u>

Village of Vicksburg

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - component units

Year ended June 30, 2016

	<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>
REVENUES		
Property taxes	\$ 59,328	\$ 179,733
Charges for services	3,076	-
Interest	6,418	838
Other	<u>287,812</u>	<u>-</u>
Total revenues	<u>356,634</u>	<u>180,571</u>
EXPENDITURES		
Current - community and economic development	131,372	4,257
Debt service:		
Principal	-	29,333
Interest	<u>-</u>	<u>2,911</u>
Total expenditures	<u>131,372</u>	<u>36,501</u>
NET CHANGES IN FUND BALANCES	225,262	144,070
FUND BALANCES - BEGINNING	<u>166,296</u>	<u>279,176</u>
FUND BALANCES - ENDING	<u><u>\$ 391,558</u></u>	<u><u>\$ 423,246</u></u>
Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:		
Net changes in fund balances, per above	\$ 225,262	\$ 144,070
Amounts reported for <i>component units</i> in the statement of activities (page 13) are different because:		
Long-term debt - principal	-	29,333
Net decrease in accrued interest	<u>-</u>	<u>1,436</u>
Change in net position of <i>component units</i>	<u><u>\$ 225,262</u></u>	<u><u>\$ 174,839</u></u>

Village of Vicksburg

BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority

Year ended June 30, 2016

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 62,500	\$ 60,100	\$ 59,328	\$ (772)
Charges for services	-	3,000	3,076	76
Interest and rentals	200	6,600	6,418	(182)
Other	<u>1,934,800</u>	<u>269,800</u>	<u>287,812</u>	<u>18,012</u>
Total revenues	1,997,500	339,500	356,634	17,134
EXPENDITURES				
Community and economic development	<u>1,576,300</u>	<u>143,600</u>	<u>131,372</u>	<u>12,228</u>
NET CHANGES IN FUND BALANCES	421,200	195,900	225,262	29,362
FUND BALANCES - BEGINNING	<u>166,296</u>	<u>166,296</u>	<u>166,296</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 587,496</u>	<u>\$ 362,196</u>	<u>\$ 391,558</u>	<u>\$ 29,362</u>

Village of Vicksburg

BUDGETARY COMPARISON SCHEDULE - Brownfield Redevelopment Authority

Year ended June 30, 2016

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 162,300	\$ 173,500	\$ 179,733	\$ 6,233
Interest	400	900	838	(62)
Total revenues	<u>162,700</u>	<u>174,400</u>	<u>180,571</u>	<u>6,171</u>
EXPENDITURES				
Community and economic development	6,600	2,700	4,257	(1,557)
Debt service:				
Principal	29,400	29,400	29,333	67
Interest	<u>3,200</u>	<u>3,000</u>	<u>2,911</u>	<u>89</u>
Total expenditures	<u>39,200</u>	<u>35,100</u>	<u>36,501</u>	<u>(1,401)</u>
NET CHANGES IN FUND BALANCES	123,500	139,300	144,070	4,770
FUND BALANCES - BEGINNING	<u>279,176</u>	<u>279,176</u>	<u>279,176</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 402,676</u>	<u>\$ 418,476</u>	<u>\$ 423,246</u>	<u>\$ 4,770</u>

Village of Vicksburg

**SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$3,480,000 2014 CAPITAL AND REFUNDING BONDS**

June 30, 2016

<u>Fiscal period</u>	<u>Interest</u>	<u>Principal</u>	<u>Total requirements</u>
2017	\$ 117,406	\$ 140,000	\$ 257,406
2018	114,556	145,000	259,556
2019	111,656	145,000	256,656
2020	107,956	150,000	257,956
2021	103,381	155,000	258,381
2022	98,656	160,000	258,656
2023	93,781	165,000	258,781
2024	88,756	170,000	258,756
2025	82,706	175,000	257,706
2026	75,606	180,000	255,606
2027	68,206	190,000	258,206
2028	60,506	195,000	255,506
2029	52,506	205,000	257,506
2030	44,106	215,000	259,106
2031	35,166	225,000	260,166
2032	25,782	230,000	255,782
2033	15,938	240,000	255,938
2034	5,419	255,000	260,419
	<u>\$ 1,302,089</u>	<u>\$ 3,340,000</u>	<u>\$ 4,642,089</u>
	<u>Interest</u>	<u>Principal</u>	<u>Totals</u>
Allocation by activity:			
Governmental activities	\$ 240,700	\$ 600,000	\$ 840,700
Business-type activities	<u>1,061,389</u>	<u>2,740,000</u>	<u>3,801,389</u>
	<u>\$ 1,302,089</u>	<u>\$ 3,340,000</u>	<u>\$ 4,642,089</u>

Village of Vicksburg

**SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$1,000,000 2007 SEWER BONDS**

June 30, 2016

<u><i>Fiscal period</i></u>	<u><i>Interest</i></u>	<u><i>Principal</i></u>	<u><i>Total requirements</i></u>
2017	\$ 10,068	\$ 65,000	\$ 75,068
2018	8,330	65,000	73,330
2019	6,624	65,000	71,624
2020	4,917	65,000	69,917
2021	3,221	65,000	68,221
2022	1,172	65,000	66,172
2023	-	25,000	25,000
	<u>\$ 34,332</u>	<u>\$ 415,000</u>	<u>\$ 449,332</u>