

Village of Vicksburg
Kalamazoo County, Michigan

FINANCIAL STATEMENTS

Year ended June 30, 2017

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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, 2017, 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, 2017, 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.

Correction of an Error

As described in Note 16 to the financial statements, the Village recorded prior period adjustments to correct an understatement of unearned revenues and an understatement of payables in business-type activities and a proprietary fund type, the Golf Course Fund. Our opinions are not modified with respect to this matter.

Other Matters

Required supplementary information

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

Siegfried Crandall P.C.

November 29, 2017

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, 2017. Please read it in conjunction with the Village's financial statements.

FINANCIAL HIGHLIGHTS

- The Village's total net position increased by \$671,360 (8 percent) as a result of this year's activities. The net position of the governmental activities increased by \$284,775 and the net position of the business-type activities increased by \$386,585.
- Of the \$9,041,217 total net position reported, \$1,656,996 (18 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 \$482,368, which represents 31 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 2017 and 2016 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 \$9,142,917. Of this total, \$6,780,694 represents a net investment in capital assets and \$603,527 is restricted for various purposes. Consequently, unrestricted net position was \$1,758,696 or 19 percent of the total.

Condensed financial information
Net position

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 1,298,531	\$ 964,506	\$ 2,110,232	\$ 1,809,516	\$ 3,408,763	\$ 2,774,022
Capital assets	3,575,164	3,804,315	6,689,605	6,871,361	10,264,769	10,675,676
Total assets	4,873,695	4,768,821	8,799,837	8,680,877	13,673,532	13,449,698
Deferred outflows of resources	126,494	174,892	105,000	136,956	231,494	311,848
Current and other liabilities	668,315	928,614	711,419	770,924	1,379,734	1,699,538
Long-term debt	620,692	588,692	2,863,383	3,103,459	3,484,075	3,692,151
Total liabilities	1,289,007	1,517,306	3,574,802	3,874,383	4,863,809	5,391,689
Net position:						
Net investment in capital assets	2,954,472	3,215,623	3,826,222	3,767,902	6,780,694	6,983,525
Restricted	500,906	243,240	102,621	169,211	603,527	412,451
Unrestricted (deficit)	255,804	(32,456)	1,401,192	1,006,337	1,656,996	973,881
Total net position	\$ 3,711,182	\$ 3,426,407	\$ 5,330,035	\$ 4,943,450	\$ 9,041,217	\$ 8,369,857

The 2016 column of the business-type activities reflects restated amounts for current liabilities and the related net position, unrestricted, as a result of prior period adjustments recorded in 2017, as discussed in Note 16 to the financial statements. Current liabilities were increased by \$109,900, likewise, net position was reduced by the same correcting the understatement of unearned revenue (\$81,600) and payables (\$28,300) in 2016.

Changes in net position

The Village's total revenues for the current fiscal year were \$4,719,889. In the current year, nearly 53 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 \$4,115,105. More than 55 percent of the Village's expenses relates to the provision of utility and golf services. Public safety and public works expenses account for 19 and 15 percent of the Village's total expenses, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

*Condensed financial information
Changes in net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	2017	2016	2017	2016	2017	2016
Program revenues:						
Charges for services	\$ 180,573	\$ 235,076	\$ 2,295,292	\$ 1,909,692	\$ 2,475,865	\$ 2,144,768
Grants and contributions:						
Operating grants	285,859	363,263	337,161	390,913	623,020	754,176
Capital grants	-	337,250	-	-	-	337,250
General revenues:						
Property taxes	1,157,001	1,139,699	-	-	1,157,001	1,139,699
State shared revenue	268,798	253,257	-	-	268,798	253,257
Local community stabilization revenue	66,576	-	-	-	66,576	-
Unrestricted investment return	2,243	3,289	3,492	3,283	5,735	6,572
Franchise fees	16,447	19,866	-	-	16,447	19,866
Gain on sale of assets	173,023	76,358	-	-	173,023	76,358
Total revenues	2,150,520	2,428,058	2,635,945	2,303,888	4,786,465	4,731,946
Expenses:						
General government	344,968	196,386	-	-	344,968	196,386
Public safety	798,652	858,156	-	-	798,652	858,156
Public works	607,630	451,093	-	-	607,630	451,093
Community and economic development	24,393	209,601	-	-	24,393	209,601
Recreation and culture	66,535	130,395	-	-	66,535	130,395
Interest	23,567	22,780	-	-	23,567	22,780
Sewer	-	-	814,188	798,885	814,188	798,885
Water	-	-	297,805	319,780	297,805	319,780
Golf	-	-	1,137,367	858,580	1,137,367	858,580
Total expenses	1,865,745	1,868,411	2,249,360	1,977,245	4,115,105	3,845,656
Changes in net position	\$ 284,775	\$ 559,647	\$ 386,585	\$ 326,643	\$ 671,360	\$ 886,290
Net position, end of year	\$ 3,711,182	\$ 3,426,407	\$ 5,330,035	\$ 4,943,450	\$ 9,041,217	\$ 8,369,857

The 2016 column of the business-type activities reflects restated amounts as result of prior period adjustments recorded in 2017, as discussed in Note 16 to the financial statements. Charges for services revenues were decreased by \$109,900, for the effects of correcting the understatement of unearned revenue (\$81,600) and sales tax payable (\$28,300) in 2016.

Governmental activities

Governmental activities increased the Village's net position by \$284,775, in the current year, compared to a \$559,647 increase in the prior year. The increase in the net position is lower in the current year, as revenues decreased by \$277,538 and expenses decreased by \$2,666.

Total revenues were lower, primarily due to a \$337,250 decrease in capital grants.

The total cost of governmental activities this year was \$1,865,745. After subtracting the direct charges to those who directly benefited from the programs (\$180,573) and operating grants (\$285,859), the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was \$1,399,313.

Business-type activities

Business-type activities increased the Village's net position by \$386,585 in the current year compared to a \$326,643 increase in the prior year. Utility and golf 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 \$1,161,077, an increase of \$520,112 in comparison with the prior year. Of the total fund balances, \$482,368 (42 percent) constitutes unassigned fund balance, which is available for spending at the Village's discretion. The remainder of fund balance is either nonspendable (\$16,014), restricted (\$500,906) for public works, or assigned (\$161,789) to indicate that it is not available for new spending.

The General Fund is the primary operating fund of the Village. At the end of the fiscal year, its fund balance was \$660,171, an increase of \$262,446, as revenues of \$1,696,269, net capital asset sales of \$80,904 and loan proceeds of \$66,316 exceeded expenditures of \$1,546,043 and transfers to other funds of \$35,000.

The Major Street Fund experienced an increase in fund balance of \$174,597, as the fund's revenues of \$201,444 exceeded expenditures of \$26,847 in the current year. The fund balance at the end of the fiscal year was \$411,618 and is restricted for future street preservation costs of the Village's major streets.

Proprietary funds

The Sewer Fund experienced an increase in net position of \$137,261 in the current year, as user fees of \$615,372 and nonoperating revenues of \$336,077 exceeded total costs of \$814,188. Total net position is \$3,058,882 at year end, of which \$592,274 is unrestricted.

The Water Fund experienced an increase in net position of \$149,511 in the current year, as user fees of \$503,105 and nonoperating revenues of \$4,211 exceeded total costs of \$297,805 and transfers to other funds of \$60,000. Total net position is \$1,708,004 at year end, of which \$964,169 is unrestricted.

The Golf Course Fund experienced an increase in net position of \$99,813 in the current year, as user fees of \$1,176,815, nonoperating revenues of \$365 and transfers from other funds of \$60,000 exceeded total costs of \$1,137,367. Total net position is \$563,149 at year end, including a deficit unrestricted net position balance of \$155,251.

General Fund budgetary highlights

The Village amended its revenue budget to decrease total revenues by \$384,269, primarily to decrease other revenues for trail grant revenue that was not expected to be received. The Village also amended its appropriations during the current year so that net budgeted expenditures decreased by \$259,246 (14 percent) to reflect changes that occurred over the course of the year. The most significant amendments decreased capital outlay expenditures by \$412,626 for delayed capital projects.

Total revenues were \$6,662 less than budgeted, primarily because property tax revenue was \$63,182 less than anticipated and state grants were \$76,580 higher than anticipated. Expenditures were \$143,711 less than the amounts appropriated, as expenditures were lower than appropriations in all functions, except for capital outlay, which was over budget by \$53,856 due to the purchase of a backhoe, which was financed. In addition, net other financing sources/uses were \$96 less than expected. These variances resulted in a \$136,953 net positive budget variance with a \$262,446 increase in fund balance compared to a budgeted increase of \$59,177.

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, 2017, amounts to \$10,264,769, net of accumulated depreciation. Governmental capital assets amount to \$3,575,164 and business-type capital assets totaled \$6,689,605. These investments include a broad range of assets, including buildings, equipment, streets, and sewer and water facilities. The decrease in the Village's net investment in capital assets for the current fiscal year was \$410,907 as depreciation of \$546,671 exceeded current year additions of \$135,764.

	<u>Governmental activities</u>	<u>Business-type activities</u>
Land	\$ 1,087,935	\$ 1,000,000
Infrastructure	-	4,743,366
Golf course	-	946,239
Land improvements	2,025,286	-
Buildings and improvements	214,208	-
Furniture and equipment	162,566	-
Vehicles	85,169	-
	<hr/>	<hr/>
Totals	<u>\$ 3,575,164</u>	<u>\$ 6,689,605</u>

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

- Purchase of a backhoe for \$66,316
- Street improvements at a cost of \$24,197
- Purchase of sewer equipment for \$10,022
- Purchase of equipment for the golf course at a cost of \$32,500
- Purchase of water equipment for \$2,729

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 \$3,540,920, which represents a net decrease of \$214,080. Debt decreased by \$280,396 due to timely principal payments and increased \$66,316 from a new installment purchase.

Other long-term debt obligations of the governmental and business-type activities totaling \$49,202 and \$22,902, respectively, represent accrued compensated absences. The Village also recognized a net pension liability, associated with its defined benefit pension plan, in the amount of \$568,560 for governmental activities and \$428,914 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 2018, 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 2018.

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:

Jim Mallery, Village Manager
Village of Vicksburg
126 North Kalamazoo Avenue
Vicksburg, Michigan 49097

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

June 30, 2017

	Primary government			Component units	
	Governmental activities	Business-type activities	Totals	Downtown Development Authority	Brownfield Redevelopment Authority
ASSETS					
Current assets:					
Cash	\$ 1,069,068	\$ 1,694,756	\$ 2,763,824	\$ 412,052	\$ 545,012
Receivables	131,330	290,046	421,376	16,643	-
Due from primary government	-	-	-	-	1,113
Inventory and prepaids	16,014	16,779	32,793	1,229	-
Total current assets	1,216,412	2,001,581	3,217,993	429,924	546,125
Noncurrent assets:					
Restricted cash	-	108,651	108,651	-	-
Receivables	82,119	-	82,119	-	-
Capital assets not being depreciated	1,087,935	1,000,000	2,087,935	109,708	-
Capital assets, net of depreciation	2,487,229	5,689,605	8,176,834	83,825	-
Total noncurrent assets	3,657,283	6,798,256	10,455,539	193,533	-
Total assets	4,873,695	8,799,837	13,673,532	623,457	546,125
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension amounts	126,494	95,425	221,919	-	-
Loss on bond refunding, net	-	9,575	9,575	-	-
Total deferred outflows of resources	126,494	105,000	231,494	-	-
LIABILITIES					
Current liabilities:					
Payables	49,440	157,903	207,343	6,049	-
Unearned revenue	-	101,700	101,700	2,100	-
Due to component units	1,113	-	1,113	-	-
Bonds and notes payable	37,813	120,000	157,813	16,667	29,341
Total current liabilities	88,366	379,603	467,969	24,816	29,341
Noncurrent liabilities:					
Compensated absences	49,202	22,902	72,104	-	-
Net pension liability	568,560	428,914	997,474	-	-
Bonds and notes payable	582,879	2,743,383	3,326,262	33,333	-
Total noncurrent liabilities	1,200,641	3,195,199	4,395,840	33,333	-
Total liabilities	1,289,007	3,574,802	4,863,809	58,149	29,341
NET POSITION					
Net investment in capital assets	2,954,472	3,826,222	6,780,694	143,533	-
Restricted for:					
Public works	500,906	-	500,906	-	-
Debt service	-	102,621	102,621	-	-
Unrestricted	255,804	1,401,192	1,656,996	421,775	516,784
Total net position	\$ 3,711,182	\$ 5,330,035	\$ 9,041,217	\$ 565,308	\$ 516,784

See notes to financial statements

Village of Vicksburg

STATEMENT OF ACTIVITIES

Year ended June 30, 2017

Functions/Programs	<u>Program revenues</u>		
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>
Primary government			
Governmental activities:			
General government	\$ 344,968	\$ 24,201	\$ -
Public safety	798,652	155,232	5,088
Public works	607,630	-	280,659
Community and economic development	24,393	-	-
Recreation and culture	66,535	1,140	112
Interest on long-term debt	23,567	-	-
Total governmental activities	<u>1,865,745</u>	<u>180,573</u>	<u>285,859</u>
Business-type activities:			
Sewer	814,188	615,372	334,812
Water	297,805	503,105	-
Golf course	1,137,367	1,176,815	-
Total business-type activities	<u>2,249,360</u>	<u>2,295,292</u>	<u>334,812</u>
Total primary government	<u>\$ 4,115,105</u>	<u>\$ 2,475,865</u>	<u>\$ 620,671</u>
Component units			
Downtown Development Authority	\$ 166,753	\$ 4,990	\$ 240,510
Brownfield Redevelopment Authority	13,966	-	-
Total component units	<u>\$ 180,719</u>	<u>\$ 4,990</u>	<u>\$ 240,510</u>
General revenues:			
			Property taxes
			State shared revenue
			Local community stabilization 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
\$ (320,767)		\$ (320,767)		
(638,332)		(638,332)		
(326,971)		(326,971)		
(24,393)		(24,393)		
(65,283)		(65,283)		
(23,567)		(23,567)		
<u>(1,399,313)</u>		<u>(1,399,313)</u>		
	\$ 135,996	135,996		
	205,300	205,300		
	<u>39,448</u>	<u>39,448</u>		
	<u>380,744</u>	<u>380,744</u>		
<u>(1,399,313)</u>	<u>380,744</u>	<u>(1,018,569)</u>		
			\$ 78,747	\$ -
			<u>-</u>	<u>(13,966)</u>
			<u>78,747</u>	<u>(13,966)</u>
1,157,001	-	1,157,001	91,258	194,328
268,798	-	268,798	-	-
66,576	-	66,576	-	-
16,447	-	16,447	-	-
2,243	3,492	5,735	3,745	1,184
<u>173,023</u>	<u>-</u>	<u>173,023</u>	<u>-</u>	<u>-</u>
<u>1,684,088</u>	<u>3,492</u>	<u>1,687,580</u>	<u>95,003</u>	<u>195,512</u>
284,775	384,236	669,011	173,750	181,546
<u>3,426,407</u>	<u>4,943,450</u>	<u>8,369,857</u>	<u>391,558</u>	<u>335,238</u>
<u>\$ 3,711,182</u>	<u>\$ 5,327,686</u>	<u>\$ 9,038,868</u>	<u>\$ 565,308</u>	<u>\$ 516,784</u>

See notes to financial statements

BALANCE SHEET - governmental funds

June 30, 2017

	General	Special revenue		Total governmental funds
		Major Street	Nonmajor fund	
ASSETS				
Cash	\$ 621,611	\$ 373,443	\$ 74,014	\$ 1,069,068
Receivables	157,899	39,226	16,324	213,449
Prepays	16,014	-	-	16,014
Total assets	<u>\$ 795,524</u>	<u>\$ 412,669</u>	<u>\$ 90,338</u>	<u>\$ 1,298,531</u>
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Payables	\$ 42,121	\$ 1,051	\$ 1,050	\$ 44,222
Due to component unit	1,113	-	-	1,113
Total liabilities	<u>43,234</u>	<u>1,051</u>	<u>1,050</u>	<u>45,335</u>
Deferred inflows of resources:				
Unavailable sales contract revenue	92,119	-	-	92,119
Fund balances:				
Nonspendable - prepaids	16,014	-	-	16,014
Restricted for - public works	-	411,618	89,288	500,906
Assigned for - Department of Public Works	161,789	-	-	161,789
Unassigned	482,368	-	-	482,368
Total fund balances	<u>660,171</u>	<u>411,618</u>	<u>89,288</u>	<u>1,161,077</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 795,524</u>	<u>\$ 412,669</u>	<u>\$ 90,338</u>	<u>\$ 1,298,531</u>

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

Total fund balance - total governmental funds \$ 1,161,077

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. 3,575,164

Deferred outflows of resources, related to the pension plan, relate to future years and, therefore, are not reported in the funds. 126,494

Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. (49,202)

Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. (620,692)

Interest payable, related to long-term liabilities, is not due and payable in the current period and, therefore, is not reported in the funds. (5,219)

Certain receivable are not available to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds. 92,119

The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds. (568,559)

Net position of *governmental activities* \$ 3,711,182

Village of Vicksburg

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds

Year ended June 30, 2017

	<u>General</u>	<u>Special revenue</u>		<u>Total governmental funds</u>
		<u>Major Street</u>	<u>Nonmajor fund</u>	
REVENUES				
Property taxes	\$ 1,169,874	\$ -	\$ -	\$ 1,169,874
Licenses and permits	113,348	-	-	113,348
State grants	338,958	200,921	79,738	619,617
Intergovernmental	45,243	-	-	45,243
Fines and forfeitures	9,105	-	-	9,105
Interest and rentals	7,674	523	46	8,243
Other	12,067	-	-	12,067
	<u>1,696,269</u>	<u>201,444</u>	<u>79,784</u>	<u>1,977,497</u>
Total revenues				
	<u>1,696,269</u>	<u>201,444</u>	<u>79,784</u>	<u>1,977,497</u>
EXPENDITURES				
Current:				
General government	287,072	-	-	287,072
Public safety	757,683	-	-	757,683
Public works	309,436	26,847	31,715	367,998
Community and economic development	24,393	-	-	24,393
Recreation and culture	38,221	-	-	38,221
Capital outlay	71,230	-	-	71,230
Debt service:				
Principal	35,396	-	-	35,396
Interest	22,612	-	-	22,612
	<u>1,546,043</u>	<u>26,847</u>	<u>31,715</u>	<u>1,604,605</u>
Total expenditures				
	<u>1,546,043</u>	<u>26,847</u>	<u>31,715</u>	<u>1,604,605</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>150,226</u>	<u>174,597</u>	<u>48,069</u>	<u>372,892</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of capital assets	80,904	-	-	80,904
Loan proceeds	66,316	-	-	66,316
Transfers in	-	-	35,000	35,000
Transfers out	(35,000)	-	-	(35,000)
	<u>112,220</u>	<u>-</u>	<u>35,000</u>	<u>147,220</u>
Net other financing sources				
	<u>112,220</u>	<u>-</u>	<u>35,000</u>	<u>147,220</u>
NET CHANGES IN FUND BALANCES	262,446	174,597	83,069	520,112
FUND BALANCES - BEGINNING	<u>397,725</u>	<u>237,021</u>	<u>6,219</u>	<u>640,965</u>
FUND BALANCES - ENDING	<u>\$ 660,171</u>	<u>\$ 411,618</u>	<u>\$ 89,288</u>	<u>\$ 1,161,077</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, 2017

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) \$ 520,112

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

Capital assets:

Assets acquired 90,513
Provision for depreciation (319,664)

Long-term debt:

Retirements 35,396
Debt issuance (66,316)
Amortization of bond discount (1,080)

Changes in other assets/liabilities:

Net decrease in compensated absences (10,375)
Net decrease in interest payable 125
Increase in net pension liability (7,657)
Increase in deferred inflows of resources 92,119

Changes in deferred outflows of resources and deferred inflows of resources:

Net increase in deferred outflows of resources related to pension (48,398)

Change in net position of *governmental activities* \$ 284,775

STATEMENT OF NET POSITION - *proprietary funds*

June 30, 2017

	<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	\$ 505,506	\$ 950,285	\$ 238,965	\$ 1,694,756
Receivables	171,961	118,085	-	290,046
Inventory and prepaids	1,106	516	15,157	16,779
Total current assets	<u>678,573</u>	<u>1,068,886</u>	<u>254,122</u>	<u>2,001,581</u>
Noncurrent assets:				
Restricted cash	108,651	-	-	108,651
Capital assets not being depreciated - land	-	-	1,000,000	1,000,000
Capital assets, net of depreciation	<u>3,302,138</u>	<u>1,441,228</u>	<u>946,239</u>	<u>5,689,605</u>
Total noncurrent assets	<u>3,410,789</u>	<u>1,441,228</u>	<u>1,946,239</u>	<u>6,798,256</u>
Total assets	<u>4,089,362</u>	<u>2,510,114</u>	<u>2,200,361</u>	<u>8,799,837</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	15,534	28,849	51,042	95,425
Loss on bond refunding, net	-	9,575	-	9,575
Total deferred outflows of resources	<u>15,534</u>	<u>38,424</u>	<u>51,042</u>	<u>105,000</u>
LIABILITIES				
Current liabilities:				
Payables	38,040	13,469	106,394	157,903
Unearned operating revenue	-	-	101,700	101,700
Bonds payable	<u>30,000</u>	<u>30,000</u>	<u>60,000</u>	<u>120,000</u>
Total current liabilities	<u>68,040</u>	<u>43,469</u>	<u>268,094</u>	<u>379,603</u>
Noncurrent liabilities:				
Compensated absences	-	-	22,902	22,902
Net pension liability	69,823	129,672	229,419	428,914
Bonds payable	<u>908,151</u>	<u>667,393</u>	<u>1,167,839</u>	<u>2,743,383</u>
Total noncurrent liabilities	<u>977,974</u>	<u>797,065</u>	<u>1,420,160</u>	<u>3,195,199</u>
Total liabilities	<u>1,046,014</u>	<u>840,534</u>	<u>1,688,254</u>	<u>3,574,802</u>
NET POSITION				
Net investment in capital assets	2,363,987	743,835	718,400	3,826,222
Restricted for debt service	102,621	-	-	102,621
Unrestricted	<u>592,274</u>	<u>964,169</u>	<u>(155,251)</u>	<u>1,401,192</u>
Total net position	<u>\$ 3,058,882</u>	<u>\$ 1,708,004</u>	<u>\$ 563,149</u>	<u>\$ 5,330,035</u>

See notes to financial statements

Village of Vicksburg

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -

proprietary funds

Year ended June 30, 2017

	<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	\$ 594,347	\$ 503,105	\$ 1,165,876	\$ 2,263,328
Other	21,025	-	10,939	31,964
Total operating revenues	<u>615,372</u>	<u>503,105</u>	<u>1,176,815</u>	<u>2,295,292</u>
OPERATING EXPENSES				
Administration	82,256	131,152	534,226	747,634
Professional services	380,707	16,852	10,191	407,750
Repairs and maintenance	11,382	1,995	36,745	50,122
Rent expense	-	-	49,518	49,518
Other	28,363	31,998	81,082	141,443
Treatment	181,403	-	-	181,403
Supplies	5,333	19,591	308,303	333,227
Depreciation	89,334	68,293	69,380	227,007
Total operating expenses	<u>778,778</u>	<u>269,881</u>	<u>1,089,445</u>	<u>2,138,104</u>
OPERATING INCOME (LOSS)	<u>(163,406)</u>	<u>233,224</u>	<u>87,370</u>	<u>157,188</u>
NONOPERATING REVENUES (EXPENSES)				
State grants	334,812	2,349	-	337,161
Interest revenue	1,265	1,862	365	3,492
Interest expense	(35,410)	(27,924)	(47,922)	(111,256)
Net nonoperating revenues (expenses)	<u>300,667</u>	<u>(23,713)</u>	<u>(47,557)</u>	<u>229,397</u>
INCOME BEFORE TRANSFERS	137,261	209,511	39,813	386,585
TRANSFERS IN (OUT)	<u>-</u>	<u>(60,000)</u>	<u>60,000</u>	<u>-</u>
CHANGES IN NET POSITION	137,261	149,511	99,813	386,585
NET POSITION - BEGINNING	<u>2,921,621</u>	<u>1,558,493</u>	<u>463,336</u>	<u>4,943,450</u>
NET POSITION - ENDING	<u>\$ 3,058,882</u>	<u>\$ 1,708,004</u>	<u>\$ 563,149</u>	<u>\$ 5,330,035</u>

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds

Year ended June 30, 2017

	<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	\$ 626,928	\$ 520,789	\$ 1,199,261	\$ 2,346,978
Payments to suppliers	(685,150)	(115,587)	(748,379)	(1,549,116)
Payments to employees	(42,360)	(78,194)	(302,232)	(422,786)
Net cash provided by (used in) operating activities	(100,582)	327,008	148,650	375,076
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State grants	334,812	2,349	-	337,161
Decrease in due from other funds	5,904	8,595	1,297	15,796
Transfers in	-	(60,000)	60,000	-
Net cash provided by (used in) noncapital financing activities	340,716	(49,056)	61,297	352,957
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(10,023)	(2,728)	(32,500)	(45,251)
Principal paid on capital debt	(160,000)	(30,000)	(55,000)	(245,000)
Interest paid on capital debt	(38,908)	(26,007)	(45,856)	(110,771)
Net cash used in capital and related financing activities	(208,931)	(58,735)	(133,356)	(401,022)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	1,265	1,862	365	3,492
NET INCREASE IN CASH	32,468	221,079	76,956	330,503
CASH - BEGINNING				
(including restricted cash: Sewer Fund - \$180,024)	581,689	729,206	162,009	1,472,904
CASH - ENDING				
(including restricted cash: Sewer Fund - \$108,651)	\$ 614,157	\$ 950,285	\$ 238,965	\$ 1,803,407

STATEMENT OF CASH FLOWS - proprietary funds (Continued)

Year ended June 30, 2017

	<i>Business-type activities</i>			
	<i>Enterprise funds</i>			
	<i>Sewer</i>	<i>Water</i>	<i>Golf Course</i>	<i>Totals</i>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (163,406)	\$ 233,224	\$ 87,370	\$ 157,188
Adjustments to reconcile operating income (loss) to net cash provided (used in) by operating activities:				
Depreciation expense	89,334	68,293	69,380	227,007
Changes in assets and liabilities:				
Receivables	11,556	17,684	-	29,240
Deferred outflows of resources - pension	(457)	10,350	21,327	31,220
Inventory and prepaids	(85)	(7)	(15,157)	(15,249)
Payables	(58,993)	(6,488)	(33,469)	(98,950)
Unearned revenue	-	-	20,100	20,100
Compensated absences	-	-	1,778	1,778
Net pension liability	21,469	3,952	(2,679)	22,742
Net cash provided by (used in) operating activities	<u>\$ (100,582)</u>	<u>\$ 327,008</u>	<u>\$ 148,650</u>	<u>\$ 375,076</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 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 acquisition value as of the date received. 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. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment and vehicles	3 - 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Unearned revenue - Unearned revenue represents resources related to certain golf course fees, which have received, but not yet been earned.

Deferred inflows of resources - The statement of net position and the governmental funds balance sheet include a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenue will not be recognized until a future event occurs. The Village has one item. The unavailable sale contract revenue will not be recognized until it is available (collected not later than 60 days after the end of the Village's fiscal year) in the fund financials, but is recognized as revenue in the current year in the government-wide financials. It is deferred and recognized as an inflow of resources in the period that the contribution becomes available in the fund statements.

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	Capital outlay	\$ 17,374	\$ 71,230	\$ 53,856

NOTE 3 - CASH

At June 30, 2017, cash is classified in the accompanying financial statements as follows:

Primary government:	
Cash	\$ 2,763,824
Restricted cash	108,651
Component unit - cash	<u>957,064</u>
Total cash	<u>\$ 3,829,539</u>

NOTE 3 - CASH (Continued)

At June 30, 2017, cash consists of the following:

Cash on hand	\$ 1,094
Deposits with financial institutions	<u>3,828,445</u>
 Total	 <u>\$ 3,829,539</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, 2017, \$3,361,189 of the Village’s bank balances of \$3,912,889 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, 2017, for the Village’s individual major funds and nonmajor fund, in the aggregate, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Totals</u>
Primary government:			
Governmental:			
General	\$ 105,804	\$ 52,095	\$ 157,899
Major Street	-	39,226	39,226
Nonmajor	<u>-</u>	<u>16,324</u>	<u>16,324</u>
Total governmental	<u>\$ 105,804</u>	<u>\$ 107,645</u>	<u>\$ 213,449</u>
Noncurrent portion	<u>\$ 82,119</u>	<u>\$ -</u>	<u>\$ 82,119</u>
Proprietary:			
Enterprise:			
Sewer	\$ 156,430	\$ 15,531	\$ 171,961
Water	<u>118,085</u>	<u>-</u>	<u>118,085</u>
Total proprietary	<u>\$ 274,515</u>	<u>\$ 15,531</u>	<u>\$ 290,046</u>
Component unit:			
Downtown Development Authority	<u>\$ 1,643</u>	<u>\$ 15,000</u>	<u>\$ 16,643</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,087,935	\$ -	\$ -	\$ 1,087,935
Capital assets being depreciated:				
Land improvements	3,472,186	24,197	-	3,496,383
Buildings and improvements	1,265,327	-	-	1,265,327
Furniture and equipment	1,168,059	66,316	-	1,234,375
Vehicles	166,115	-	-	166,115
Subtotal	<u>6,071,687</u>	<u>90,513</u>	<u>-</u>	<u>6,162,200</u>
Less accumulated depreciation for:				
Land improvements	(1,220,436)	(250,661)	-	(1,471,097)
Buildings and improvements	(1,029,568)	(21,551)	-	(1,051,119)
Furniture and equipment	(1,032,293)	(39,516)	-	(1,071,809)
Vehicles	(73,010)	(7,936)	-	(80,946)
Subtotal	<u>(3,355,307)</u>	<u>(319,664)</u>	<u>-</u>	<u>(3,674,971)</u>
Total capital assets being depreciated, net	<u>2,716,380</u>	<u>(229,151)</u>	<u>-</u>	<u>2,487,229</u>
Governmental activities capital assets, net	<u>\$ 3,804,315</u>	<u>\$ (229,151)</u>	<u>\$ -</u>	<u>\$ 3,575,164</u>

From time to time, the Village records capitalizable costs, as part of current expenditure functions, for purposes of administrative control. In fiscal year 2017, \$24,197 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)

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Business-type activities:				
Capital assets not being depreciated - land	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Capital assets being depreciated:				
Sewer system	5,335,739	10,022	-	5,345,761
Water system	2,832,575	2,729	-	2,835,304
Golf course	1,300,667	32,500	-	1,333,167
Subtotal	<u>9,468,981</u>	<u>45,251</u>	<u>-</u>	<u>9,514,232</u>
Less accumulated depreciation for:				
Sewer system	(1,954,290)	(89,334)	-	(2,043,624)
Water system	(1,325,783)	(68,293)	-	(1,394,076)
Golf course	(317,547)	(69,380)	-	(386,927)
Subtotal	<u>(3,597,620)</u>	<u>(227,007)</u>	<u>-</u>	<u>(3,824,627)</u>
Total capital assets being depreciated, net	<u>5,871,361</u>	<u>(181,756)</u>	<u>-</u>	<u>5,689,605</u>
Business-type activities capital assets, net	<u>\$ 6,871,361</u>	<u>\$ (181,756)</u>	<u>\$ -</u>	<u>\$ 6,689,605</u>

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

Governmental activities:	
General government	\$ 45,867
Public safety	13,039
Public works	232,444
Recreation and culture	<u>28,314</u>
Total governmental activities	<u>\$ 319,664</u>

NOTE 6 - PAYABLES

Payables as of June 30, 2017, 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	\$ 31,803	\$ 10,318	\$ -	\$ 42,121
Major Street	1,051	-	-	1,051
Nonmajor	<u>1,050</u>	<u>-</u>	<u>-</u>	<u>1,050</u>
Total governmental	<u>\$ 33,904</u>	<u>\$ 10,318</u>	<u>\$ -</u>	<u>\$ 44,222</u>
Proprietary:				
Enterprise:				
Sewer	\$ 30,563	\$ 1,447	\$ 6,030	\$ 38,040
Water	5,251	1,791	6,427	13,469
Golf Course	<u>91,876</u>	<u>3,191</u>	<u>11,327</u>	<u>106,394</u>
Total proprietary	<u>\$ 127,690</u>	<u>\$ 6,429</u>	<u>\$ 23,784</u>	<u>\$ 157,903</u>
Component units:				
Brownfield Redevelopment Authority	<u>\$ 6,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,049</u>

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

For the year ended June 30, 2017, interfund transfers consisted of the following:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Nonmajor governmental fund	\$ 35,000	General Fund	\$ 35,000
Golf course fund	<u>60,000</u>	Water fund	<u>60,000</u>
Subtotal	<u>\$ 95,000</u>	General	<u>\$ 95,000</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 Water Fund to the Golf Fund represents the return of monies that the Council determined were overpaid to the Water Fund by the Golf Fund.

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, 2017, the Village contributed \$115,279 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, 2017, 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	\$ 575,000
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\$66,316 - 2017 Installment purchase agreement for purchase of Backhoe - payable in monthly installments of \$1,188.36 including interest at 2.89%; final payment due June 2022	55,920
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Net discount on bonds payable	<u>(10,228)</u>
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Total bonds and installment notes payable	620,692
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Compensated absences	<u>49,202</u>
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Total governmental activities long-term obligations	<u>\$ 669,894</u>
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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	\$ 285,000
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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	2,625,000
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Less discounts on bonds	<u>(46,617)</u>
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Total bonds and installment notes payable	2,863,383
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Compensated absences	<u>22,902</u>
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Total business-type activities long-term obligations	<u><u>\$ 2,886,285</u></u>
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Component units:

Downtown Development Authority:

Contract payable:

\$50,000 - 2017 loan from LISC contract payable in quarterly installments of \$4,167; final payment due February 2020	\$ <u>50,000</u>
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Brownfield Redevelopment Authority:

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><u>29,341</u></u>
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NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Long-term obligation activity for the year ended June 30, 2017, 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:					
2017 Installment purchase agreement	\$ -	\$ 66,316	\$ (10,396)	\$ 55,920	\$ 12,813
2014 Capital and refunding bonds	<u>600,000</u>	<u>-</u>	<u>(25,000)</u>	<u>575,000</u>	<u>25,000</u>
Subtotal	600,000	66,316	(35,396)	630,920	37,813
Less discounts on bonds	<u>(11,308)</u>	<u>-</u>	<u>1,080</u>	<u>(10,228)</u>	<u>-</u>
Total bonds and notes	588,692	66,316	(34,316)	620,692	37,813
Compensated absences	<u>38,827</u>	<u>42,371</u>	<u>(31,996)</u>	<u>49,202</u>	<u>-</u>
Total governmental activities	<u>\$ 627,519</u>	<u>\$ 108,687</u>	<u>\$ (66,312)</u>	<u>\$ 669,894</u>	<u>\$ 37,813</u>
Business-type activities:					
2007 Sewer revenue bonds	\$ 415,000	\$ -	\$ (130,000)	\$ 285,000	-
2014 Capital and refunding bonds	<u>2,740,000</u>	<u>-</u>	<u>(115,000)</u>	<u>2,625,000</u>	<u>120,000</u>
Subtotal	3,155,000	-	(245,000)	2,910,000	120,000
Less discounts on bonds	<u>(51,541)</u>	<u>-</u>	<u>4,924</u>	<u>(46,617)</u>	<u>-</u>
Total bonds and notes	3,103,459	-	(240,076)	2,863,383	120,000
Compensated absences	<u>21,124</u>	<u>5,053</u>	<u>(3,275)</u>	<u>22,902</u>	<u>-</u>
Total business-type activities	<u>\$ 3,124,583</u>	<u>\$ 5,053</u>	<u>\$ (243,351)</u>	<u>\$ 2,886,285</u>	<u>\$ 120,000</u>
Component units:					
Downtown Development Authority -					
2017 Loan payable	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 16,667</u>
Brownfield Redevelopment Authority -					
2004 Note payable	<u>\$ 88,008</u>	<u>\$ -</u>	<u>\$ (58,667)</u>	<u>\$ 29,341</u>	<u>\$ 29,341</u>

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

At June 30, 2017, debt service requirements, with the exception of compensated absences, are as follows:

Year ended June 30:	Governmental activities		Business-type activities		Component units	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 37,813	\$ 22,072	\$ 120,000	\$ 97,704	\$ 16,667	\$ 365
2019	38,188	21,197	185,000	98,155	46,008	359
2020	38,575	20,185	190,000	93,373	16,666	-
2021	42,972	18,963	190,000	87,927	-	-
2022	32,372	17,780	220,000	82,053	-	-
2023 - 2027	160,000	73,625	720,000	335,431	-	-
2028 - 2032	190,000	39,125	880,000	178,941	-	-
2033 - 2035	90,000	3,825	405,000	17,531	-	-
Totals	<u>\$ 629,920</u>	<u>\$ 216,772</u>	<u>\$ 2,910,000</u>	<u>\$ 991,115</u>	<u>\$ 79,341</u>	<u>\$ 724</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.

Employees covered by benefit terms:

At the December 31, 2016, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to, but not yet receiving, benefits	9
Active employees	<u>13</u>
Total	<u>33</u>

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

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, 2017, Village contributions ranged from 9.12% to 23.56% of monthly covered payroll. For the fiscal year ended June 30, 2017, the Village contributed \$100,613 to the plan.

Net pension liability:

The Village's net pension liability reported at June 30, 2017, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2016. 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, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.75%	in the long term
Investment rate of return	7.75%	net of investment expense, including inflation

Mortality rates were based on a blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables all with a 50 percent male and 50 percent female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50 percent male and 50 percent female blend is used to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of the 2015 Experience Study, which is the most recent actuarial experience study.

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 8.00% for 2016. 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.

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

Changes in net pension liability:

	<i>Increase (decrease)</i>		
	<i>Total pension liability</i>	<i>Plan fiduciary net position</i>	<i>Net pension liability</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balances at December 31, 2015	\$ 2,664,793	\$ 1,697,719	\$ 967,074
Changes for the year:			
Service cost	55,959	-	55,959
Interest	209,559	-	209,559
Difference in experience	67,255	-	67,255
Changes in assumptions	-	-	-
Employer contributions	-	113,293	(113,293)
Net investment income	-	192,887	(192,887)
Benefit payments, including refunds	(146,518)	(146,518)	-
Administrative expenses	-	(3,805)	3,805
Other	2	-	2
Net changes	186,257	155,857	30,400
Balances at December 31, 2016	\$ 2,851,050	\$ 1,853,576	\$ 997,474

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 8.00%, as well as what the Village's net pension liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate.

	<i>1% Decrease (7.00%)</i>	<i>Current Rate (8.00%)</i>	<i>1% Increase (9.00%)</i>
Village's net pension liability	\$ 1,352,896	\$ 997,474	\$ 700,702

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.

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

Pension expense and deferred outflows of resources related to pensions:

For the fiscal year ended June 30, 2017, the Village recognized pension expense of \$210,630. At June 30, 2017, the Village reported deferred outflows of resource related to pensions from the following sources:

<u>Source</u>	<u>Deferred outflows of resources</u>
Difference between projected and actual earnings	\$ 67,467
Difference between expected and actual experience	58,483
Difference in assumptions	<u>52,653</u>
	178,603
Contributions made subsequent to the measurement date	<u>43,316</u>
Totals	<u>\$ 221,919</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>
2018	\$ 75,642
2019	75,641
2020	39,031
2021	<u>(11,711)</u>
	<u>\$ 178,603</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 2016 taxable valuation of the Village approximated 78,138,000, on which ad valorem taxes levied consisted of 15.9000 mills for operating purposes raising approximately \$1,131,000, which is recognized in the fund financial statements as property tax revenue.

NOTE 13 - TAX ABATEMENTS

The Village enters into property tax abatement agreements with local businesses for the purpose of attracting or retaining businesses within the Village. Each agreement was negotiated under a state law, which allows local units to abate property taxes for a variety of economic development purposes. The abatements may be granted to local businesses located within the Village or promising to relocate within the Village. Depending on the statute referenced for a particular abatement, the Village may grant abatements of up to 50% of annual property taxes through a direct reduction of the entity's property tax bill, not to exceed twelve years. Depending on the terms of the agreement and state law, abated taxes may be subject to recapture upon default of the entity. The Village has not made any commitments as part of the agreements other than to reduce taxes. The Village is not subject to any tax abatement agreements entered into by other governmental entities.

For the fiscal year ended June 30, 2017, the Village abated property taxes totaling \$50,669 under Public Act 198 of 1974, related to industrial facilities, which represents a 50% abatement of the millage rate on certain real and personal properties.

NOTE 14 - CONSTRUCTION CODE ACT

A summary of construction code enforcement transactions for the year ended June 30, 2017, is as follows:

Cumulative excess revenues, beginning of year	<u>\$ -</u>
Revenues	\$ 92,899
Expenses	<u>92,899</u>
Excess of revenues over expenses	<u>\$ -</u>
Cumulative excess revenues, end of year	<u>\$ -</u>

NOTE 15 - RESTRICTED NET POSITION

In the government-wide statement of net position, the governmental activities report restricted net position in the amount of \$500,906. Of this amount, all is restricted by enabling legislation for public works expenditures.

NOTE 16 - PRIOR PERIOD ADJUSTMENTS

Prior period adjustments have been recorded in 2017 to correct errors in recording unearned revenue and to correct errors in recording accounts payable that resulted in a restatement of opening net position in the business-type activities and the related proprietary fund. Net position, as of June 30, 2016, included in the government-wide financial statements and proprietary fund statements, represents a restated balance as presented below.

	<u>Net position</u>	
	<u>Business-type activities</u>	<u>Golf Course fund</u>
Beginning of year, as previously reported	\$ 8,479,757	\$ 573,236
Prior period adjustment -understatement of unearned revenue	(81,600)	(81,600)
Prior period adjustment - understatement of accounts payable	<u>(28,300)</u>	<u>(28,300)</u>
Beginning of year, as restated	<u>\$ 8,369,857</u>	<u>\$ 463,336</u>

REQUIRED SUPPLEMENTARY INFORMATION

Village of Vicksburg

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended June 30, 2017

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 1,183,500	\$ 1,233,056	\$ 1,169,874	\$ (63,182)
Licenses and permits	20,500	126,002	113,348	(12,654)
State grants	267,700	262,378	338,958	76,580
Intergovernmental	47,300	47,978	45,243	(2,735)
Fines and forfeitures	13,500	13,500	9,105	(4,395)
Interest	13,700	7,700	7,674	(26)
Other	541,000	12,317	12,067	(250)
Total revenues	<u>2,087,200</u>	<u>1,702,931</u>	<u>1,696,269</u>	<u>(6,662)</u>
EXPENDITURES				
General government:				
Legislative - City Council	9,700	9,454	8,902	552
Village president	1,500	1,525	1,427	98
Village manager	93,000	76,160	69,416	6,744
Treasurer	46,100	45,009	44,039	970
Administration	178,600	193,911	150,853	43,058
Building and grounds	15,000	16,615	12,435	4,180
Total general government	<u>343,900</u>	<u>342,674</u>	<u>287,072</u>	<u>55,602</u>
Public safety:				
Department of Public Safety:				
Police protection	631,500	597,820	546,432	51,388
Fire protection	114,600	118,379	118,352	27
Building inspections	-	109,000	92,899	16,101
Total public safety	<u>746,100</u>	<u>825,199</u>	<u>757,683</u>	<u>67,516</u>
Public works:				
Department of Public Works	263,100	305,318	289,096	16,222
Recycling	10,900	14,915	14,676	239
Sidewalks	12,000	12,000	5,664	6,336
Total public works	<u>286,000</u>	<u>332,233</u>	<u>309,436</u>	<u>22,797</u>
Community and economic development - community development	<u>35,400</u>	<u>30,226</u>	<u>24,393</u>	<u>5,833</u>
Recreation and culture:				
Parks	76,600	58,058	15,074	42,984
Historic village	19,500	21,125	19,607	1,518
Community center	-	3,540	3,540	-
Total recreation and culture	<u>96,100</u>	<u>82,723</u>	<u>38,221</u>	<u>44,502</u>

Village of Vicksburg

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2017

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
EXPENDITURES (Continued)				
Capital outlay	\$ 430,000	\$ 17,374	\$ 71,230	\$ (53,856)
Debt service - principal	11,500	36,500	35,396	1,104
Debt service - interest	-	22,825	22,612	213
Total expenditures	<u>1,949,000</u>	<u>1,689,754</u>	<u>1,546,043</u>	<u>143,711</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>138,200</u>	<u>13,177</u>	<u>150,226</u>	<u>137,049</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of capital assets	205,000	81,000	80,904	(96)
Loan proceeds	-	-	66,316	-
Transfers out - Local Street Fund	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
Net other financing sources	<u>170,000</u>	<u>46,000</u>	<u>112,220</u>	<u>(96)</u>
NET CHANGES IN FUND BALANCES	308,200	59,177	262,446	136,953
FUND BALANCES - BEGINNING	<u>397,725</u>	<u>397,725</u>	<u>397,725</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 705,925</u>	<u>\$ 456,902</u>	<u>\$ 660,171</u>	<u>\$ 136,953</u>

Village of Vicksburg

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended June 30, 2017

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
State grants	\$ 219,000	\$ 219,000	\$ 200,921	\$ (18,079)
Interest	600	600	523	(77)
Total revenues	<u>219,600</u>	<u>219,600</u>	<u>201,444</u>	<u>(18,156)</u>
EXPENDITURES				
Public works:				
Preservation	161,700	160,098	10,119	149,979
Winter maintenance	10,000	9,011	-	9,011
Traffic service	14,200	15,803	14,766	1,037
Administration	1,900	2,889	1,962	927
Total expenditures	<u>187,800</u>	<u>187,801</u>	<u>26,847</u>	<u>160,954</u>
NET CHANGES IN FUND BALANCES	31,800	31,799	174,597	142,798
FUND BALANCES - BEGINNING	<u>237,021</u>	<u>237,021</u>	<u>237,021</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 268,821</u>	<u>\$ 268,820</u>	<u>\$ 411,618</u>	<u>\$ 142,798</u>

Village of Vicksburg

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:			
Service cost	\$ 55,959	\$ 66,434	\$ 53,971
Interest	209,559	196,303	187,244
Difference in experience	67,255	16,084	-
Change in assumptions	-	105,307	-
Other	2	2	-
Benefit payments, including refunds	<u>(146,518)</u>	<u>(131,141)</u>	<u>(144,114)</u>
Net change in total pension liability	186,257	252,989	97,101
Total pension liability, beginning of year	<u>2,664,793</u>	<u>2,411,804</u>	<u>2,314,703</u>
Total pension liability, end of year	<u>\$ 2,851,050</u>	<u>\$ 2,664,793</u>	<u>\$ 2,411,804</u>
Plan fiduciary net position:			
Contributions - employer	\$ 113,293	\$ 103,872	\$ 84,447
Net investment income	192,887	(26,146)	107,258
Benefit payments, including refunds	(146,518)	(131,141)	(144,114)
Administrative expenses	<u>(3,805)</u>	<u>(3,833)</u>	<u>(3,926)</u>
Net change in plan fiduciary net position	155,857	(57,248)	43,665
Plan fiduciary net position, beginning of year	<u>1,697,719</u>	<u>1,754,967</u>	<u>1,711,302</u>
Plan fiduciary net position, end of year	<u>\$ 1,853,576</u>	<u>\$ 1,697,719</u>	<u>\$ 1,754,967</u>
Village's net pension liability, end of year	<u>\$ 997,474</u>	<u>\$ 967,074</u>	<u>\$ 656,837</u>
Plan fiduciary net position as a percent of total pension liability	65.01%	63.71%	72.77%
Covered payroll	\$ 631,719	\$ 758,554	\$ 628,481
Village's net pension liability as a percentage of covered employee payroll	157.90%	127.49%	104.51%

SUPPLEMENTARY INFORMATION

Village of Vicksburg

BALANCE SHEET - component units

June 30, 2017

	<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>
ASSETS		
Cash	\$ 412,052	\$ 545,012
Prepaid items	1,229	-
Receivables	16,643	-
Due from primary government	<u>-</u>	<u>1,113</u>
Total assets	<u>\$ 429,924</u>	<u>\$ 546,125</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Payables	\$ 6,049	\$ -
Unearned revenue	<u>2,100</u>	<u>-</u>
Total liabilities	<u>8,149</u>	<u>-</u>
Fund balances:		
Nonspendable	1,229	-
Restricted for:		
Vision campaign	182,429	-
Façade loan program	50,000	-
Assigned for - cultural arts center	11,482	-
Unassigned	<u>176,635</u>	<u>546,125</u>
Total fund balance	<u>421,775</u>	<u>546,125</u>
Total liabilities and fund balances	<u>\$ 429,924</u>	<u>\$ 546,125</u>
Reconciliation of the balance sheet to the statement of net position:		
Total fund balances	\$ 421,775	\$ 546,125
Amounts reported for the <i>component units</i> in the statement of net position (page 12) are different because:		
Certain assets of the <i>component units</i> are not current financial resources and, therefore, are not reported in the funds.		
	193,533	-
Long-term liabilities, consisting notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
	<u>(50,000)</u>	<u>(29,341)</u>
Net position of the <i>component units</i>	<u>\$ 565,308</u>	<u>\$ 516,784</u>

Village of Vicksburg

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - *component units*

Year ended June 30, 2017

	<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>
REVENUES		
Property taxes	\$ 91,258	\$ 194,328
Charges for services	4,990	-
Interest	3,745	1,184
Other	<u>240,510</u>	<u>-</u>
Total revenues	<u>340,503</u>	<u>195,512</u>
EXPENDITURES		
Current - community and economic development	163,711	11,407
Capital outlay	196,575	
Debt service:		
Principal	-	58,667
Interest	<u>-</u>	<u>2,559</u>
Total expenditures	<u>360,286</u>	<u>72,633</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(19,783)	122,879
OTHER FINANCING SOURCES		
Proceeds from the issuance of debt	<u>50,000</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	30,217	122,879
FUND BALANCES - BEGINNING	<u>391,558</u>	<u>423,246</u>
FUND BALANCES - ENDING	<u>\$ 421,775</u>	<u>\$ 546,125</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	\$ 30,217	\$ 122,879
Amounts reported for <i>component units</i> in the statement of activities (page 13) are different because:		
Capital assets:		
Capital asset acquisitions	194,954	
Provision for depreciation	(1,421)	
Long-term debt:		
Bond proceeds	(50,000)	
Principal payments	<u>-</u>	<u>58,667</u>
Change in net position of <i>component units</i>	<u>\$ 173,750</u>	<u>\$ 181,546</u>

Village of Vicksburg

BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority

Year ended June 30, 2017

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 90,000	\$ 90,390	\$ 91,258	\$ 868
Charges for services	-	-	4,990	4,990
Interest and rentals	300	75	3,745	3,670
Other	<u>139,500</u>	<u>234,790</u>	<u>240,510</u>	<u>5,720</u>
Total revenues	229,800	325,255	340,503	15,248
EXPENDITURES				
Community and economic development	215,300	170,650	163,711	6,939
Capital outlay	<u>446,300</u>	<u>195,649</u>	<u>196,575</u>	<u>(926)</u>
Total expenditures	<u>661,600</u>	<u>366,299</u>	<u>360,286</u>	<u>6,013</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(431,800)</u>	<u>(41,044)</u>	<u>(19,783)</u>	<u>21,261</u>
OTHER FINANCING SOURCES				
Proceeds from the issuance of debt	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
NET CHANGES IN FUND BALANCES	(431,800)	(41,044)	30,217	71,261
FUND BALANCES - BEGINNING	<u>391,558</u>	<u>391,558</u>	<u>391,558</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ (40,242)</u>	<u>\$ 350,514</u>	<u>\$ 421,775</u>	<u>\$ 71,261</u>

Village of Vicksburg

BUDGETARY COMPARISON SCHEDULE - Brownfield Redevelopment Authority

Year ended June 30, 2017

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 173,500	\$ 186,900	\$ 194,328	\$ 7,428
Interest	<u>500</u>	<u>1,000</u>	<u>1,184</u>	<u>184</u>
Total revenues	<u>174,000</u>	<u>187,900</u>	<u>195,512</u>	<u>7,612</u>
EXPENDITURES				
Community and economic development	4,700	13,726	11,407	2,319
Debt service:				
Principal	29,400	29,400	58,667	(29,267)
Interest	<u>2,000</u>	<u>2,000</u>	<u>2,559</u>	<u>(559)</u>
Total expenditures	<u>36,100</u>	<u>45,126</u>	<u>72,633</u>	<u>(27,507)</u>
NET CHANGES IN FUND BALANCES	137,900	142,774	122,879	(19,895)
FUND BALANCES - BEGINNING	<u>423,246</u>	<u>423,246</u>	<u>423,246</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 561,146</u>	<u>\$ 566,020</u>	<u>\$ 546,125</u>	<u>\$ (19,895)</u>

Village of Vicksburg

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

June 30, 2017

<u>Fiscal period</u>	<u>Interest</u>	<u>Principal</u>	<u>Total requirements</u>
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>\$ 1,184,683</u>	<u>\$ 3,200,000</u>	<u>\$ 4,384,683</u>
	<u>Interest</u>	<u>Principal</u>	<u>Totals</u>
Allocation by activity:			
Governmental activities	\$ 219,575	\$ 575,000	\$ 794,575
Business-type activities	<u>965,108</u>	<u>2,625,000</u>	<u>3,590,108</u>
	<u>\$ 1,184,683</u>	<u>\$ 3,200,000</u>	<u>\$ 4,384,683</u>

Village of Vicksburg

SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -

\$1,000,000 2007 SEWER BONDS

June 30, 2017

<u><i>Fiscal period</i></u>	<u><i>Interest</i></u>	<u><i>Principal</i></u>	<u><i>Total requirements</i></u>
2018	\$ 3,773	\$ -	\$ 3,773
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>\$ 19,707</u>	<u>\$ 285,000</u>	<u>\$ 304,707</u>