

Village of Vicksburg
Kalamazoo County, Michigan

FINANCIAL STATEMENTS

Year ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Vicksburg, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of the Village of Vicksburg, Michigan (the Village), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of the Village of Vicksburg, Michigan, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Manes Costeiran PC

December 11, 2020

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, 2020. Please read it in conjunction with the Village's financial statements.

FINANCIAL HIGHLIGHTS

- The Village's total net position increased by \$1,336,705 (12 percent) as a result of this year's activities. The net position of the governmental activities increased by \$718,521 and the net position of the business-type activities increased by \$618,184.
- Of the \$12,449,750 total net position reported, \$3,228,880 (26 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 \$868,784, which represents 54 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 government services, like general government and 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 2020 and 2019 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, deferred outflow of resources, liabilities, and deferred inflows of resources. 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 deferred outflow of resources, and liabilities and deferred inflows of resources) 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 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 \$12,449,750. Of this total, \$8,342,447 represents a net investment in capital assets and \$878,423 is restricted for various purposes. Consequently, unrestricted net position was \$3,228,880 or 26 percent of the total.

Condensed financial information
Net position

	Governmental activities		Business-type activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 3,026,192	\$ 2,580,103	\$ 2,458,154	\$ 2,285,969	\$ 5,484,346	\$ 4,866,072
Capital assets	<u>4,090,687</u>	<u>3,661,343</u>	<u>7,061,390</u>	<u>6,868,931</u>	<u>11,152,077</u>	<u>10,530,274</u>
Total assets	<u>7,116,879</u>	<u>6,241,446</u>	<u>9,519,544</u>	<u>9,154,900</u>	<u>16,636,423</u>	<u>15,396,346</u>
Deferred outflows of resources	<u>63,355</u>	<u>126,533</u>	<u>50,417</u>	<u>94,087</u>	<u>113,772</u>	<u>220,620</u>
Current and other liabilities	<u>153,261</u>	<u>56,464</u>	<u>388,769</u>	<u>493,703</u>	<u>542,030</u>	<u>550,167</u>
Noncurrent liabilities	<u>1,170,178</u>	<u>1,187,648</u>	<u>2,564,040</u>	<u>2,766,106</u>	<u>3,734,218</u>	<u>3,953,754</u>
Total liabilities	<u>1,323,439</u>	<u>1,244,112</u>	<u>2,952,809</u>	<u>3,259,809</u>	<u>4,276,248</u>	<u>4,503,921</u>
Deferred inflows of resources	<u>14,407</u>	<u>-</u>	<u>9,790</u>	<u>-</u>	<u>24,197</u>	<u>-</u>
Net position:						
Net investment in capital assets	<u>3,597,950</u>	<u>3,144,548</u>	<u>4,744,497</u>	<u>4,366,327</u>	<u>8,342,447</u>	<u>7,510,875</u>
Restricted	<u>651,919</u>	<u>736,232</u>	<u>226,504</u>	<u>225,093</u>	<u>878,423</u>	<u>961,325</u>
Unrestricted	<u>1,592,519</u>	<u>1,243,087</u>	<u>1,636,361</u>	<u>1,397,758</u>	<u>3,228,880</u>	<u>2,640,845</u>
Total net position	<u>\$ 5,842,388</u>	<u>\$ 5,123,867</u>	<u>\$ 6,607,362</u>	<u>\$ 5,989,178</u>	<u>\$ 12,449,750</u>	<u>\$ 11,113,045</u>

Changes in net position

The Village's total revenues for the current fiscal year were \$5,284,241. In the current year, nearly 55 percent of the Village's revenues comes from charges for services and approximately 27 percent comes from property taxes.

The total cost of the Village's programs, covering a wide range of services, totaled \$3,947,536. More than 52 percent of the Village's expenses relates to the provision of utility and golf services. General government, public safety and public works expenses account for 11, 21 and 13 percent of the Village's total expenses, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Condensed financial information
Changes in net position

	Governmental activities		Business-type activities		Totals	
	2020	2019	2020	2019	2020	2019
Program revenues:						
Charges for services	\$ 207,436	\$ 195,680	\$ 2,666,361	\$ 2,543,922	\$ 2,873,797	\$ 2,739,602
Grants and contributions:						
Operating grants	431,173	473,482	-	3,662	431,173	477,144
Capital grants	162,503	62,958	-	-	162,503	62,958
General revenues:						
Property taxes	1,401,909	1,372,458	-	-	1,401,909	1,372,458
State shared revenue	282,546	288,382	-	-	282,546	288,382
Local community stabilization revenue	72,852	69,292	-	-	72,852	69,292
Unrestricted investment return	16,851	9,482	3,566	4,872	20,417	14,354
Franchise fees	16,452	16,153	-	-	16,452	16,153
Other	-	58,997	-	-	-	58,997
Insurance recoveries	17,842	-	4,750	-	22,592	-
Total revenues	<u>2,609,564</u>	<u>2,546,884</u>	<u>2,674,677</u>	<u>2,552,456</u>	<u>5,284,241</u>	<u>5,099,340</u>
Expenses:						
General government	416,775	282,053	-	-	416,775	282,053
Public safety	811,744	848,884	-	-	811,744	848,884
Public works	519,296	634,890	-	-	519,296	634,890
Community and economic development	19,001	23,298	-	-	19,001	23,298
Recreation and culture	103,973	92,298	-	-	103,973	92,298
Interest	20,254	20,988	-	-	20,254	20,988
Sewer	-	-	648,567	597,577	648,567	597,577
Water	-	-	466,247	573,830	466,247	573,830
Golf	-	-	941,679	813,285	941,679	813,285
Total expenses	<u>1,891,043</u>	<u>1,902,411</u>	<u>2,056,493</u>	<u>1,984,692</u>	<u>3,947,536</u>	<u>3,887,103</u>
Changes in net position	<u>\$ 718,521</u>	<u>\$ 644,473</u>	<u>\$ 618,184</u>	<u>\$ 567,764</u>	<u>\$ 1,336,705</u>	<u>\$ 1,212,237</u>
Net position, end of year	<u>\$ 5,842,388</u>	<u>\$ 5,123,867</u>	<u>\$ 6,607,362</u>	<u>\$ 5,989,178</u>	<u>\$ 12,449,750</u>	<u>\$ 11,113,045</u>

Governmental activities

Governmental activities increased the Village's net position by \$718,521, in the current year, compared to a \$644,473 increase in the prior year. The increase in the net position is higher in the current year, as revenues increased by \$62,680 and expenses decreased by \$11,368.

Total revenues were higher primarily due to a \$99,545 increase in capital grants related to trail projects, coupled with a \$42,309 decrease in operating grants, due to a reduction in state grants. Expenses decreased by \$11,368 as public works and public safety costs decreased by \$115,594 and \$37,140 respectively. General governmental expenses increased by \$134,722.

The total cost of governmental activities this year was \$1,891,043. After subtracting the direct charges to those who directly benefited from the programs (\$207,436) and operating and capital grants (\$593,676), the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was \$1,089,931.

Business-type activities

Business-type activities increased the Village's net position by \$618,184 in the current year compared to a \$567,764 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 total net position increased in both years.

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 \$2,836,161, an increase of \$357,230 from the prior year. Of the total fund balances, \$868,784 (31 percent) constitutes unassigned fund balance, which is available for spending at the Village's discretion. The remainder of fund balance is either nonspendable (\$23,803), restricted for public works (\$642,437), committed (\$900,000) or assigned (\$401,137) 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 \$2,184,242, an increase of \$441,543, as revenues of \$2,043,525 and other financing sources of \$17,842, exceeded expenditures of \$1,619,824.

The Major Street Fund, a special revenue fund, accounts for the use of motor fuel taxes that are earmarked by state statute for major street repairs and improvements. Its fund balance at June 30, 2020, was \$533,350, a decrease of \$18,583, as revenues of \$269,149 were lower than street maintenance costs of \$287,732.

The Local Street Fund, a special revenue fund, accounts for the use of motor fuel taxes that are earmarked by state statute for local street repairs and improvements. Its fund balance at June 30, 2020, was \$118,569, a decrease of \$65,730, as revenues of \$119,671 were lower than street maintenance costs of \$185,401.

Proprietary funds

The Sewer Fund experienced an increase in net position of \$454,513 in the current year, as user fees of \$1,101,629 and nonoperating revenues of \$1,451 were higher than total costs of \$648,567. Total net position is \$3,827,918 at year end, of which \$799,645 is unrestricted.

The Water Fund experienced an increase in net position of \$64,729 in the current year, as user fees of \$529,285 and nonoperating revenues of \$1,691 exceeded total costs of \$466,247. Total net position is \$1,881,600 at year end, of which \$656,892 is unrestricted.

The Golf Course Fund experienced an increase in net position of \$98,942 in the current year, as user fees of \$1,035,447 and nonoperating revenues of \$5,174 exceeded total costs of \$941,679. Total net position is \$897,844 at year end, of which \$179,824 is unrestricted.

General Fund budgetary highlights

The Village amended its revenue budget to increase total revenues by \$128,099, due to anticipated increases in various revenue sources. The Village also amended its appropriations during the current year so that net budgeted expenditures increased by \$199,318 to reflect changes that occurred over the course of the year. The most significant amendments increased amounts appropriated for capital outlay expenditures by \$91,722 for an anticipated increase in project costs.

Total revenues were \$80,326 higher than budgeted, primarily because state grants were \$39,014 greater than anticipated. Expenditures were \$530,658 less than the amounts appropriated, as expenditures were lower than appropriations in all functions. These variances resulted in a \$628,826 positive budget variance with a \$441,543 increase in fund balance compared to a budgeted decrease of \$187,283.

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, 2020, amounts to \$11,152,077, net of accumulated depreciation. Governmental capital assets amount to \$4,090,687 and business-type capital assets totaled \$7,061,390. These investments include a broad range of assets, including buildings, equipment, streets, and sewer and water facilities. The increase in the Village's net investment in capital assets for the current fiscal year was \$621,803 as additions of \$1,213,047 exceeded current year depreciation of \$591,244.

	<u>Governmental activities</u>	<u>Business-type activities</u>
Land	\$ 1,087,935	\$ 1,000,000
Infrastructure	2,041,365	4,740,522
Golf course	-	777,281
Buildings and improvements	186,486	-
Furniture and equipment	119,136	-
Vehicles	229,963	-
Construction in progress	<u>425,802</u>	<u>543,587</u>
Totals	<u>\$ 4,090,687</u>	<u>\$ 7,061,390</u>

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

- Construction of trail expansion project for \$198,538, which is in process at year end
- Street improvements for \$345,035
- Paving of N. Kalamazoo parking lot for \$124,566
- Sewer and Water infrastructure improvements \$250,213
- 2014 truck purchased for \$156,257

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 \$2,809,630, which represents a net decrease of \$209,769, due to timely principal payments. Other long-term debt obligations of the governmental activities of \$159,797, represent accrued compensated absences. The Village also recognized a net pension liability, associated with its defined benefit pension plan, in the amount of \$547,644 for governmental activities and \$372,147 for business-type activities.

More detailed information about the Village's long-term obligations is presented in Notes 8 and 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 2021, 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.

COVID-19 has created uncertainties that are likely to negatively impact our operations and financial condition. While it is difficult to estimate the financial impact of COVID-19, we expect certain revenues to decline. Because economic activity has weakened, state shared revenue and code inspection fees are expected to decrease, and interest revenue will be reduced due to lower interest rates.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Village's finances to its citizens, taxpayers, customers, investors, and creditors 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, MI 49097

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

June 30, 2020

	Primary government			Component units	
	Governmental activities	Business-type activities	Totals	Downtown Development Authority	Brownfield Redevelopment Authority
ASSETS					
Current assets:					
Cash	\$ 2,787,849	\$ 1,709,340	\$ 4,497,189	\$ 129,914	\$ 418,856
Receivables	149,779	447,832	597,611	21,806	-
Due from component units	7,898	-	7,898	-	-
Restricted cash	-	237,673	237,673	-	-
Inventory and prepaids	23,803	63,309	87,112	-	-
Total current assets	2,969,329	2,458,154	5,427,483	151,720	418,856
Noncurrent assets:					
Receivables	56,863	-	56,863	-	-
Capital assets not being depreciated	1,513,737	1,543,587	3,057,324	-	-
Capital assets, net of depreciation	2,576,950	5,517,803	8,094,753	147,834	-
Total noncurrent assets	4,147,550	7,061,390	11,208,940	147,834	-
Total assets	7,116,879	9,519,544	16,636,423	299,554	418,856
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension amounts	63,355	43,052	106,407	-	-
Loss on bond refunding, net	-	7,365	7,365	-	-
Total deferred outflows of resources	63,355	50,417	113,772	-	-
LIABILITIES					
Current liabilities:					
Payables	123,261	159,310	282,571	200	-
Unearned revenue	-	104,459	104,459	-	-
Due to primary government	-	-	-	1,080	6,818
Bonds payable	30,000	125,000	155,000	-	-
Total current liabilities	153,261	388,769	542,030	1,280	6,818
Noncurrent liabilities:					
Compensated absences	159,797	-	159,797	-	-
Net pension liability	547,644	372,147	919,791	-	-
Bonds payable	462,737	2,191,893	2,654,630	-	-
Total noncurrent liabilities	1,170,178	2,564,040	3,734,218	-	-
Total liabilities	1,323,439	2,952,809	4,276,248	1,280	6,818
DEFERRED INFLOWS OF RESOURCES					
Pension	14,407	9,790	24,197	-	-
NET POSITION					
Net investment in capital assets	3,597,950	4,744,497	8,342,447	147,834	-
Restricted for:					
Public works	651,919	-	651,919	-	-
Debt service	-	226,504	226,504	-	-
Economic development	-	-	-	42,000	-
Unrestricted	1,592,519	1,636,361	3,228,880	108,440	412,038
Total net position	\$ 5,842,388	\$ 6,607,362	\$ 12,449,750	\$ 298,274	\$ 412,038

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended June 30, 2020

Functions/Programs	Program revenues				Net (expenses) revenues and changes in net position				
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government			Component units	
					Governmental activities	Business-type activities	Totals	Downtown Development Authority	Brownfield Redevelopment Authority
Primary government									
Governmental activities:									
General government	\$ 416,775	\$ 57,377	\$ 37,500	\$ -	\$ (321,898)		\$ (321,898)		
Public safety	811,744	149,120	4,317	-	(658,307)		(658,307)		
Public works	519,296	939	387,881	-	(130,476)		(130,476)		
Community and economic development	19,001	-	-	-	(19,001)		(19,001)		
Recreation and culture	103,973	-	1,475	162,503	60,005		60,005		
Interest on long-term debt	20,254	-	-	-	(20,254)		(20,254)		
Total governmental activities	<u>1,891,043</u>	<u>207,436</u>	<u>431,173</u>	<u>162,503</u>	<u>(1,089,931)</u>		<u>(1,089,931)</u>		
Business-type activities:									
Sewer	648,567	1,101,629	-	-		\$ 453,062	453,062		
Water	466,247	529,285	-	-		63,038	63,038		
Golf course	941,679	1,035,447	-	-		93,768	93,768		
Total business-type activities	<u>2,056,493</u>	<u>2,666,361</u>	<u>-</u>	<u>-</u>		<u>609,868</u>	<u>609,868</u>		
Total primary government	<u>\$ 3,947,536</u>	<u>\$ 2,873,797</u>	<u>\$ 431,173</u>	<u>\$ 162,503</u>	<u>(1,089,931)</u>	<u>609,868</u>	<u>(480,063)</u>		
Component units									
Downtown Development Authority	\$ 178,759	\$ -	\$ 19,142	\$ -			\$ (159,617)	\$ -	
Brownfield Redevelopment Authority	135,453	-	-	-			-	(135,453)	
Total component units	<u>\$ 314,212</u>	<u>\$ -</u>	<u>\$ 19,142</u>	<u>\$ -</u>			<u>(159,617)</u>	<u>(135,453)</u>	
General revenues:									
Property taxes					1,401,909	-	1,401,909	57,624	28,903
State shared revenue					282,546	-	282,546	-	-
Local community stabilization revenue					72,852	-	72,852	-	-
Cable television franchise fees					16,452	-	16,452	-	-
Unrestricted interest income					16,851	3,566	20,417	-	1,266
Insurance recoveries					17,842	4,750	22,592	-	-
Totals					<u>1,808,452</u>	<u>8,316</u>	<u>1,816,768</u>	<u>57,624</u>	<u>30,169</u>
Changes in net position					718,521	618,184	1,336,705	(101,993)	(105,284)
Net position - beginning					5,123,867	5,989,178	11,113,045	400,267	517,322
Net position - ending					<u>\$ 5,842,388</u>	<u>\$ 6,607,362</u>	<u>\$ 12,449,750</u>	<u>\$ 298,274</u>	<u>\$ 412,038</u>

See notes to financial statements

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total governmental funds</u>
ASSETS				
Cash	\$ 2,197,818	\$ 486,414	\$ 103,617	\$ 2,787,849
Receivables	154,236	37,454	14,952	206,642
Due from component units	7,898	-	-	7,898
Prepays	<u>14,321</u>	<u>9,482</u>	<u>-</u>	<u>23,803</u>
Total assets	<u>\$ 2,374,273</u>	<u>\$ 533,350</u>	<u>\$ 118,569</u>	<u>\$ 3,026,192</u>
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Payables	<u>\$ 118,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,480</u>
Deferred inflows of resources:				
Unavailable sales contract revenue	<u>71,551</u>	<u>-</u>	<u>-</u>	<u>71,551</u>
Fund balances:				
Nonspendable - prepaids	14,321	9,482	-	23,803
Restricted for - public works	-	523,868	118,569	642,437
Committed for:				
General government stabilization	150,000	-	-	150,000
New village hall	750,000	-	-	750,000
Assigned for - capital acquisitions	401,137	-	-	401,137
Unassigned	<u>868,784</u>	<u>-</u>	<u>-</u>	<u>868,784</u>
Total fund balances	<u>2,184,242</u>	<u>533,350</u>	<u>118,569</u>	<u>2,836,161</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,374,273</u>	<u>\$ 533,350</u>	<u>\$ 118,569</u>	<u>\$ 3,026,192</u>

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

Total fund balance - total governmental funds	\$ 2,836,161
Amounts reported for <i>governmental activities</i> in the statement of net position (page 12) are different because:	
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	4,090,687
Deferred outflows of resources, related to the pension plan, relate to future years and, therefore, are not reported in the funds.	63,355
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(159,797)
Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(492,737)
Interest payable, related to long-term liabilities, is not due and payable in the current period and, therefore, is not reported in the funds.	(4,781)
Certain receivables are not available to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds.	71,551
Deferred inflows of resources, related to the pension plan, relate to future years and, therefore, are not reported in the funds.	(14,407)
The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(547,644)</u>
Net position of <i>governmental activities</i>	<u>\$ 5,842,388</u>

Village of Vicksburg

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds

Year ended June 30, 2020

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total governmental funds</u>
REVENUES				
Property taxes	\$ 1,416,144	\$ -	\$ -	\$ 1,416,144
Licenses and permits	110,181	-	-	110,181
State grants	359,715	268,364	119,517	747,596
Intergovernmental	93,000	-	-	93,000
Fines and forfeitures	3,391	-	-	3,391
Interest and rentals	17,139	785	154	18,078
Other	43,955	-	-	43,955
	<u>2,043,525</u>	<u>269,149</u>	<u>119,671</u>	<u>2,432,345</u>
Total revenues				
EXPENDITURES				
Current:				
General government	346,242	-	-	346,242
Public safety	759,539	-	-	759,539
Public works	240,281	287,732	185,401	713,414
Community and economic development	19,001	-	-	19,001
Recreation and culture	79,541	-	-	79,541
Capital outlay	130,720	-	-	130,720
Debt service:				
Principal	25,000	-	-	25,000
Interest	19,500	-	-	19,500
	<u>1,619,824</u>	<u>287,732</u>	<u>185,401</u>	<u>2,092,957</u>
Total expenditures				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>423,701</u>	<u>(18,583)</u>	<u>(65,730)</u>	<u>339,388</u>
OTHER FINANCING SOURCES				
Insurance recoveries	17,842	-	-	17,842
	<u>17,842</u>	<u>-</u>	<u>-</u>	<u>17,842</u>
NET CHANGES IN FUND BALANCES	441,543	(18,583)	(65,730)	357,230
FUND BALANCES - BEGINNING	<u>1,742,699</u>	<u>551,933</u>	<u>184,299</u>	<u>2,478,931</u>
FUND BALANCES - ENDING	<u>\$ 2,184,242</u>	<u>\$ 533,350</u>	<u>\$ 118,569</u>	<u>\$ 2,836,161</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, 2020

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) \$ 357,230

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

Capital assets:

Assets acquired:

Donated	162,503
Purchased	607,276
Provision for depreciation	(340,435)

Long-term debt:

Retirements	25,000
Amortization of bond discount	(942)

Changes in other assets/liabilities:

Net increase in compensated absences	(35,655)
Net decrease in interest payable	188
Decrease in net pension liability	24,067
Decrease in deferred inflows of resources related to unavailable revenue	(3,126)
Net decrease in deferred outflows of resources related to pension	(63,178)
Net increase in deferred inflows of resources related to pension	<u>(14,407)</u>

Change in net position of *governmental activities* \$ 718,521

STATEMENT OF NET POSITION - *proprietary funds*

June 30, 2020

	<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	\$ 715,909	\$ 694,741	\$ 298,690	\$ 1,709,340
Receivables	305,412	123,840	18,580	447,832
Restricted cash	139,517	98,156	-	237,673
Inventory and prepaids	1,185	483	61,641	63,309
Total current assets	<u>1,162,023</u>	<u>917,220</u>	<u>378,911</u>	<u>2,458,154</u>
Noncurrent assets:				
Capital assets not being depreciated	436,907	106,680	1,000,000	1,543,587
Capital assets, net of depreciation	<u>3,113,939</u>	<u>1,626,583</u>	<u>777,281</u>	<u>5,517,803</u>
Total noncurrent assets	<u>3,550,846</u>	<u>1,733,263</u>	<u>1,777,281</u>	<u>7,061,390</u>
Total assets	<u>4,712,869</u>	<u>2,650,483</u>	<u>2,156,192</u>	<u>9,519,544</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	19,930	19,930	3,192	43,052
Loss on bond refunding, net	<u>-</u>	<u>7,365</u>	<u>-</u>	<u>7,365</u>
Total deferred outflows of resources	<u>19,930</u>	<u>27,295</u>	<u>3,192</u>	<u>50,417</u>
LIABILITIES				
Current liabilities:				
Payables	71,487	18,322	69,501	159,310
Unearned operating revenue	-	-	104,459	104,459
Bonds payable	<u>30,000</u>	<u>35,000</u>	<u>60,000</u>	<u>125,000</u>
Total current liabilities	<u>101,487</u>	<u>53,322</u>	<u>233,960</u>	<u>388,769</u>
Noncurrent liabilities:				
Net pension liability	172,277	172,277	27,593	372,147
Bonds payable	<u>626,585</u>	<u>566,047</u>	<u>999,261</u>	<u>2,191,893</u>
Total noncurrent liabilities	<u>798,862</u>	<u>738,324</u>	<u>1,026,854</u>	<u>2,564,040</u>
Total liabilities	<u>900,349</u>	<u>791,646</u>	<u>1,260,814</u>	<u>2,952,809</u>
DEFERRED INFLOWS OF RESOURCES				
Pension	<u>4,532</u>	<u>4,532</u>	<u>726</u>	<u>9,790</u>
NET POSITION				
Net investment in capital assets	2,894,261	1,132,216	718,020	4,744,497
Restricted for debt service	134,012	92,492	-	226,504
Unrestricted	<u>799,645</u>	<u>656,892</u>	<u>179,824</u>	<u>1,636,361</u>
Total net position	<u>\$ 3,827,918</u>	<u>\$ 1,881,600</u>	<u>\$ 897,844</u>	<u>\$ 6,607,362</u>

See notes to financial statements

Village of Vicksburg

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

proprietary funds

Year ended June 30, 2020

	<i>Business-type activities</i>			
	<i>Enterprise funds</i>			
	<i>Sewer</i>	<i>Water</i>	<i>Golf Course</i>	<i>Totals</i>
OPERATING REVENUES				
Charges for services	\$ 1,101,629	\$ 529,285	\$ 1,032,975	\$ 2,663,889
Other	-	-	2,472	2,472
Total operating revenues	<u>1,101,629</u>	<u>529,285</u>	<u>1,035,447</u>	<u>2,666,361</u>
OPERATING EXPENSES				
Administration	197,502	211,519	296,276	705,297
Professional services	11,887	54,452	107,791	174,130
Repairs and maintenance	45,491	14,055	57,113	116,659
Rent expense	-	105	66,016	66,121
Other	37,659	35,071	72,575	145,305
Treatment	223,125	-	-	223,125
Supplies	9,960	44,000	224,749	278,709
Depreciation	95,640	81,705	73,464	250,809
Total operating expenses	<u>621,264</u>	<u>440,907</u>	<u>897,984</u>	<u>1,960,155</u>
OPERATING INCOME	<u>480,365</u>	<u>88,378</u>	<u>137,463</u>	<u>706,206</u>
NONOPERATING REVENUES (EXPENSES)				
Insurance recoveries	-	-	4,750	4,750
Interest revenue	1,451	1,691	424	3,566
Interest expense	(27,303)	(25,340)	(43,695)	(96,338)
Net nonoperating revenues (expenses)	<u>(25,852)</u>	<u>(23,649)</u>	<u>(38,521)</u>	<u>(88,022)</u>
CHANGES IN NET POSITION	454,513	64,729	98,942	618,184
NET POSITION - BEGINNING	<u>3,373,405</u>	<u>1,816,871</u>	<u>798,902</u>	<u>5,989,178</u>
NET POSITION - ENDING	<u>\$ 3,827,918</u>	<u>\$ 1,881,600</u>	<u>\$ 897,844</u>	<u>\$ 6,607,362</u>

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds

Year ended June 30, 2020

	<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	\$ 1,033,497	\$ 513,966	\$ 1,036,003	\$ 2,583,466
Payments to suppliers	(384,442)	(459,245)	(826,475)	(1,670,162)
Payments to employees	(96,185)	-	(24,242)	(120,427)
Net cash provided by operating activities	<u>552,870</u>	<u>54,721</u>	<u>185,286</u>	<u>792,877</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Insurance recoveries	-	-	4,750	4,750
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(243,037)	(163,431)	(36,800)	(443,268)
Principal paid on capital debt	(95,000)	(35,000)	(60,000)	(190,000)
Interest paid on capital debt	(26,439)	(23,880)	(42,105)	(92,424)
Net cash (used in) capital and related financing activities	<u>(364,476)</u>	<u>(222,311)</u>	<u>(138,905)</u>	<u>(725,692)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>1,451</u>	<u>1,691</u>	<u>424</u>	<u>3,566</u>
NET INCREASE (DECREASE) IN CASH	189,845	(165,899)	51,555	75,501
CASH - BEGINNING (including restricted cash: Sewer Fund - \$139,166 and Water Fund - \$97,909)	<u>665,581</u>	<u>958,796</u>	<u>247,135</u>	<u>1,871,512</u>
CASH - ENDING (including restricted cash: Sewer Fund - \$139,517 and Water Fund - \$98,156)	<u>\$ 855,426</u>	<u>\$ 792,897</u>	<u>\$ 298,690</u>	<u>\$ 1,947,013</u>

STATEMENT OF CASH FLOWS - proprietary funds (Continued)

Year ended June 30, 2020

	<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	\$ 480,365	\$ 88,378	\$ 137,463	\$ 706,206
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	95,640	81,705	73,464	250,809
Changes in assets and liabilities:				
Receivables	(68,132)	(15,319)	(12,342)	(95,793)
Deferred outflows of resources - pension	12,777	12,925	17,231	42,933
Inventory and prepaids	(96)	1	(795)	(890)
Payables	3,283	(141,329)	23,796	(114,250)
Unearned revenue	-	-	10,426	10,426
Deferred inflows of resources - pension	4,533	4,532	726	9,791
Net pension liability	24,500	23,828	(64,683)	(16,355)
Net cash provided by operating activities	<u>\$ 552,870</u>	<u>\$ 54,721</u>	<u>\$ 185,286</u>	<u>\$ 792,877</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 the use of motor fuel taxes that are earmarked by state statute for major street repairs and improvements.

The Local Street Fund, a special revenue fund, accounts for the use of motor fuel taxes that are earmarked by state statute for local street repairs and improvements.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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, deferred inflows of resources, and 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.

Inventory of supplies - Supplies inventory is stated at cost (as determined on the first-in, first-out basis).

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 \$5,000 (\$50,000 for infrastructure assets) and an estimated useful life in excess of one year. 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:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and equity (continued):

Buildings and improvements	20 - 40 years
Equipment and vehicles	3 - 20 years
Sewer and water systems	50 years
Streets	5 - 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.

Unearned revenue - Unearned revenue represents resources related to certain golf course fees, which have been 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 two items. 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. The deferred amounts relating to the pension plan are discussed in Note 9.

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. The deferred amounts relating to the pension plan are discussed in Note 9.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and equity (continued):

Net position - Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. 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.

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. There were no reportable budget variations at year end.

NOTE 3 - CASH

At June 30, 2020, cash is classified in the accompanying financial statements as follows:

Primary government:	
Cash	\$ 4,497,189
Restricted cash	237,673
Component unit - cash	<u>548,770</u>
Total cash	<u>\$ 5,283,632</u>

At June 30, 2020, cash consists of the following:

Cash on hand	\$ 2,055
Deposits with financial institutions	<u>5,281,577</u>
Total	<u>\$ 5,283,632</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, 2020, \$4,401,026 of the Village’s bank balances of \$5,145,304 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, 2020, for the Village's individual major funds and for the discretely presented component units, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Totals</u>
Primary government:			
Governmental:			
General	\$ 117,508	\$ 36,728	\$ 154,236
Major street	-	37,454	37,454
Nonmajor	-	14,952	14,952
Total governmental	<u>\$ 117,508</u>	<u>\$ 89,134</u>	<u>\$ 206,642</u>
Noncurrent portion	<u>\$ 56,863</u>	<u>\$ -</u>	<u>\$ 56,863</u>
Proprietary:			
Enterprise:			
Sewer	\$ 305,412	\$ -	\$ 305,412
Water	123,840	-	123,840
Golf	18,580	-	18,580
Total proprietary	<u>\$ 447,832</u>	<u>\$ -</u>	<u>\$ 447,832</u>
Component unit:			
Downtown Development Authority	<u>\$ 21,806</u>	<u>\$ -</u>	<u>\$ 21,806</u>

NOTES TO FINANCIAL STATEMENTS (Continued)**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020, 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
Construction in progress	<u>70,005</u>	<u>355,797</u>	<u>-</u>	<u>425,802</u>
Total capital assets not being depreciated	<u>1,157,940</u>	<u>355,797</u>	<u>-</u>	<u>1,513,737</u>
Capital assets being depreciated:				
Land improvements	3,900,629	345,035	-	4,245,664
Buildings and improvements	1,285,062	-	-	1,285,062
Furniture and equipment	1,255,165	20,354	-	1,275,519
Vehicles	<u>328,060</u>	<u>48,593</u>	<u>-</u>	<u>376,653</u>
Subtotal	<u>6,768,916</u>	<u>413,982</u>	<u>-</u>	<u>7,182,898</u>
Less accumulated depreciation for:				
Land improvements	(1,939,017)	(265,282)	-	(2,204,299)
Buildings and improvements	(1,084,892)	(13,684)	-	(1,098,576)
Furniture and equipment	(1,128,746)	(27,637)	-	(1,156,383)
Vehicles	<u>(112,858)</u>	<u>(33,832)</u>	<u>-</u>	<u>(146,690)</u>
Subtotal	<u>(4,265,513)</u>	<u>(340,435)</u>	<u>-</u>	<u>(4,605,948)</u>
Total capital assets being depreciated, net	<u>2,503,403</u>	<u>73,547</u>	<u>-</u>	<u>2,576,950</u>
Governmental activities capital assets, net	<u>\$ 3,661,343</u>	<u>\$ 429,344</u>	<u>\$ -</u>	<u>\$ 4,090,687</u>
Component unit - DDA:				
Capital assets being depreciated:				
Land improvements	194,954	-	-	194,954
Less accumulated depreciation for:				
Land improvements	<u>(31,887)</u>	<u>(15,233)</u>	<u>-</u>	<u>(47,120)</u>
Total capital assets being depreciated, net	<u>163,067</u>	<u>(15,233)</u>	<u>-</u>	<u>147,834</u>
Component unit - DDA capital assets, net	<u>\$ 163,067</u>	<u>\$ (15,233)</u>	<u>\$ -</u>	<u>\$ 147,834</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Construction in progress	<u>293,374</u>	<u>250,213</u>	<u>-</u>	<u>543,587</u>
Total capital assets not being depreciated	<u>\$ 1,293,374</u>	<u>\$ 250,213</u>	<u>\$ -</u>	<u>\$ 1,543,587</u>
Capital assets being depreciated:				
Sewer system	5,368,741	59,498	-	5,428,239
Water system	3,148,789	96,757	-	3,245,546
Golf course	<u>1,341,167</u>	<u>36,800</u>	<u>-</u>	<u>1,377,967</u>
Subtotal	<u>9,858,697</u>	<u>193,055</u>	<u>-</u>	<u>10,051,752</u>
Less accumulated depreciation for:				
Sewer system	(2,218,660)	(95,640)	-	(2,314,300)
Water system	(1,537,258)	(81,705)	-	(1,618,963)
Golf course	<u>(527,222)</u>	<u>(73,464)</u>	<u>-</u>	<u>(600,686)</u>
Subtotal	<u>(4,283,140)</u>	<u>(250,809)</u>	<u>-</u>	<u>(4,533,949)</u>
Total capital assets being depreciated, net	<u>5,575,557</u>	<u>(57,754)</u>	<u>-</u>	<u>5,517,803</u>
Business-type activities capital assets, net	<u>\$ 6,868,931</u>	<u>\$ 192,459</u>	<u>\$ -</u>	<u>\$ 7,061,390</u>

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

Governmental activities:	
General government	\$ 25,146
Public safety	13,345
Public works	277,512
Recreation and culture	<u>24,432</u>
Total governmental activities	<u>\$ 340,435</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - PAYABLES

Payables as of June 30, 2020, 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	\$ 99,952	\$ 18,528	\$ -	\$ 118,480
Proprietary:				
Enterprise:				
Sewer	\$ 62,364	\$ 3,618	\$ 5,505	\$ 71,487
Water	9,622	3,036	5,664	18,322
Golf Course	<u>58,463</u>	<u>736</u>	<u>10,302</u>	<u>69,501</u>
Total proprietary	<u>\$ 130,449</u>	<u>\$ 7,390</u>	<u>\$ 21,471</u>	<u>\$ 159,310</u>
Component units - Downtown Development Authority	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200</u>

NOTE 7 - 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, 2020, the Village contributed \$121,955 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM OBLIGATIONS

At June 30, 2020, long-term obligations are comprised of the following:

Primary government:

Governmental activities:

Bond:

\$625,000 - 2014 Capital improvement and refunding bonds - payable in annual installments ranging from \$20,000 to \$45,000, plus interest at 2.00% to 4.00%; final payment due October 2033	\$ 500,000
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Net discount on bonds payable	<u>(7,263)</u>
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Total bonds payable	492,737
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Compensated absences	<u>159,797</u>
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Total governmental activities long-term obligations	<u><u>\$ 652,534</u></u>
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Business-type activities:

Bonds:

\$1,000,000 - 2007 Sanitary Sewer Improvements revenue bonds - payable in annual installments ranging from \$25,000 to \$90,000, plus interest at 5.42%; final payment due July 2022	\$ 90,000
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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% to 4.00%; final payment due October 2033	2,260,000
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Less discounts on bonds	<u>(33,107)</u>
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Total bonds payable	<u><u>\$ 2,316,893</u></u>
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NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

Long-term obligation activity for the year ended June 30, 2020, 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:					
Refunding bonds					
2014 Capital and refunding bonds	\$ 525,000	\$ -	\$ (25,000)	\$ 500,000	\$ 30,000
Other long-term obligations					
Compensated absences	<u>124,142</u>	<u>92,578</u>	<u>(56,923)</u>	<u>159,797</u>	<u>-</u>
Subtotal	649,142	92,578	(81,923)	659,797	30,000
Less discounts on bonds	<u>(8,205)</u>	<u>-</u>	<u>942</u>	<u>(7,263)</u>	<u>-</u>
Total governmental activities	<u>\$ 640,937</u>	<u>\$ 92,578</u>	<u>\$ (80,981)</u>	<u>\$ 652,534</u>	<u>\$ 30,000</u>
Business-type activities:					
Revenue bonds					
2007 Sewer revenue bonds	\$ 155,000	\$ -	\$ (65,000)	\$ 90,000	\$ -
Refunding bonds					
2014 Capital and refunding bonds	<u>2,385,000</u>	<u>-</u>	<u>(125,000)</u>	<u>2,260,000</u>	<u>125,000</u>
Subtotal	2,540,000	-	(190,000)	2,350,000	125,000
Less discounts on bonds	<u>(37,396)</u>	<u>-</u>	<u>4,289</u>	<u>(33,107)</u>	<u>-</u>
Total business-type activities	<u>\$ 2,502,604</u>	<u>\$ -</u>	<u>\$ (185,711)</u>	<u>\$ 2,316,893</u>	<u>\$ 125,000</u>
Component units:					
Downtown Development Authority -					
Direct borrowings and direct placements					
2017 Loan payable	<u>\$ 8,330</u>	<u>\$ -</u>	<u>\$ (8,330)</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

At June 30, 2020, debt service requirements, with the exception of compensated absences, are as follows:

<i>Year ended</i>	<u><i>Governmental activities</i></u>		<u><i>Business-type activities</i></u>	
	<u><i>Other debt - bonds</i></u>		<u><i>Other debt - bonds</i></u>	
<u><i>June 30:</i></u>	<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Principal</i></u>	<u><i>Interest</i></u>
2021	\$ 30,000	\$ 18,675	\$ 125,000	\$ 84,706
2022	30,000	17,775	220,000	82,053
2023	30,000	16,875	135,000	76,906
2024	30,000	15,975	140,000	72,781
2025	30,000	14,925	145,000	67,781
2026 - 2030	180,000	54,025	805,000	246,906
2031 - 2035	<u>170,000</u>	<u>14,775</u>	<u>780,000</u>	<u>67,528</u>
Totals	<u>\$ 500,000</u>	<u>\$ 153,025</u>	<u>\$ 2,350,000</u>	<u>\$ 698,661</u>

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

NOTE 9 - 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, 2019, 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	15
Active employees	<u>7</u>
Total	<u><u>33</u></u>

NOTE 9 - 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, 2020, Village contributions ranged from 8.77% to 23.56% of monthly covered payroll. For the fiscal year ended June 30, 2020, the Village contributed \$87,679 to the plan.

Net pension liability:

The Village's net pension liability reported at June 30, 2020, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2019. 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, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.00%	in the long term
Investment rate of return	7.35%	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, 2019, 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	60%	6.15%
Global fixed income	20%	1.26%
Private investments	20%	6.56%

Discount rate:

The discount rate used to measure the total pension liability is 7.60% for 2019. 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 9 - 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, 2018	\$ 2,821,013	\$ 1,860,800	\$ 960,213
Changes for the year:			
Service cost	30,888	-	30,888
Interest	220,202	-	220,202
Difference in experience	(48,397)	-	(48,397)
Change in assumptions	104,791	-	104,791
Benefit change	(576)	-	(576)
Employer contributions	-	96,214	(96,214)
Employee contributions	-	4,953	(4,953)
Net investment income	-	250,481	(250,481)
Benefit payments, including refunds	(167,839)	(167,839)	-
Administrative expenses	-	(4,318)	4,318
Net changes	139,069	179,491	(40,422)
Balances at December 31, 2019	<u>\$ 2,960,082</u>	<u>\$ 2,040,291</u>	<u>\$ 919,791</u>

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 7.60%, as well as what the Village's net pension liability would be using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	<i>1% Decrease</i>	<i>Current Rate</i>	<i>1% Increase</i>
	<i>(6.60%)</i>	<i>(7.60%)</i>	<i>(8.60%)</i>
Village's net pension liability	<u>\$ 1,282,767</u>	<u>\$ 919,791</u>	<u>\$ 616,177</u>

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 9 - DEFINED BENEFIT PENSION PLAN (Continued)

Pension expense and deferred outflows of resources related to pensions:

For the fiscal year ended June 30, 2020, the Village recognized pension expense of \$177,994. At June 30, 2020, the Village reported deferred outflows of resource related to pensions from the following sources:

<u>Source</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between projected and actual earnings	\$ 7,474	\$ -
Difference between expected and actual experience	-	24,197
Difference in assumptions	<u>52,396</u>	<u>-</u>
	59,870	24,197
Contributions made subsequent to the measurement date	<u>46,537</u>	<u>-</u>
Totals	<u>\$ 106,407</u>	<u>\$ 24,197</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 2021.

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>	<u>Deferred inflows of resources</u>
2020	\$ 47,599	\$ 24,197
2021	6,913	-
2022	26,250	-
2023	<u>(20,892)</u>	<u>-</u>
	<u>\$ 59,870</u>	<u>\$ 24,197</u>

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN

The Village contributes to the Village of Vicksburg MERS Defined Contribution Plan (the Plan), a defined contribution pension plan, which is administered by a third-party administrator. The plan covers all full-time employees, who are eligible to participate immediately after they are hired.

Benefit terms, including contribution requirements, for the Plan are established, and may be amended, by the Village Council. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate as described above. The Village contributes between 4% to 8% of eligible wages to the plan. Employees are not required to make contributions to the Plan, but can make contributions up to the maximum allowed. For the year ended June 30, 2020, the Village made contributions of \$30,195. At June 30, 2020, the Village reported no amount as accrued liability as part of the contributions to the plan.

The Employee's contributions (and investment earnings allocated to the employee's account) are fully vested upon entering the plan. Forfeitures may be used to reduce or reallocate employer contributions. There were no forfeitures during the current fiscal year.

The Village is not a trustee of the defined contribution pension plan, nor is the Village responsible for investment management of the pension plan assets. Accordingly, plan assets, and changes therein, are not reported in these financial statements.

NOTE 11 - DEFERRED COMPENSATION PLAN

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The assets of the plans were held in trust (custodial account or annuity contract), as described in IRC Section 457(b) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Village's financial statements.

NOTE 12 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Village manages its workers compensation risk, by participating in Michigan Municipal Workers Compensation Fund, and its liability and property risk by participating in the Michigan Municipal League's Liability and Property Pool.

The Michigan Municipal Liability and Property Pool is self-sustaining through member premiums. The Michigan Municipal Liability and Property Pool provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 13 - PROPERTY TAX REVENUE

The 2019 taxable valuation of the Village approximated \$92,873,000, on which ad valorem taxes levied consisted of 15.1630 mills for operating purposes raising approximately \$1,391,000, which is recognized in the fund financial statements as property tax revenue.

NOTE 14 - 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, 2020, the Village abated property taxes totaling \$28,019 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 15 - CONSTRUCTION CODE ACT

A summary of construction code enforcement transactions for the year ended June 30, 2020, is as follows:

Cumulative excess revenues, beginning of year	\$ <u> -</u>
Revenues	\$ 93,729
Expenses	<u> 93,729</u>
Excess of revenues over expenses	\$ <u> -</u>
Cumulative excess revenues, end of year	\$ <u> -</u>

NOTE 16 - RESTRICTED NET POSITION

In the government-wide statement of net position, the governmental activities report restricted net position in the amount of \$651,919. Of this amount, all is restricted by enabling legislation for public works expenditures.

NOTE 17 - PENDING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for periods beginning after June 15, 2021. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

NOTE 18 - CORONAVIRUS PANDEMIC

In March 2020, the World Health Organization categorized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary closures, and wide-sweeping quarantines and stay-at-home orders. As a result, the Village has experienced negative impacts to its operating revenues. As of the date these financial statements were available to be issued the COVID-19 pandemic was ongoing and the related governmental preventive and protective measures continued, and as a result, the related financial impact and duration of the pandemic cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Vicksburg

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended June 30, 2020

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 1,353,250	\$ 1,386,594	\$ 1,416,144	\$ 29,550
Licenses and permits	61,500	96,500	110,181	13,681
State grants	287,100	320,701	359,715	39,014
Intergovernmental	92,500	92,500	93,000	500
Fines and forfeitures	2,500	3,500	3,391	(109)
Interest	8,250	8,250	17,139	8,889
Other	30,000	55,154	43,955	(11,199)
Total revenues	<u>1,835,100</u>	<u>1,963,199</u>	<u>2,043,525</u>	<u>80,326</u>
EXPENDITURES				
General government:				
Legislative - City Council	18,300	18,300	7,573	10,727
Village president	3,200	3,200	1,292	1,908
Village manager	95,150	95,150	80,392	14,758
Treasurer	24,600	27,600	20,497	7,103
Clerk	31,100	31,100	26,038	5,062
Administration	223,050	254,050	190,619	63,431
Building and grounds	29,650	29,650	19,831	9,819
Total general government	<u>425,050</u>	<u>459,050</u>	<u>346,242</u>	<u>112,808</u>
Public safety:				
Department of Public Safety:				
Police protection	623,464	645,360	542,179	103,181
Fire protection	128,800	128,800	123,631	5,169
Building inspections	50,000	100,000	93,729	6,271
Total public safety	<u>802,264</u>	<u>874,160</u>	<u>759,539</u>	<u>114,621</u>
Public works:				
Department of Public Works	351,100	351,100	233,021	118,079
Recycling	18,750	18,750	597	18,153
Sidewalks	6,000	6,700	6,663	37
Total public works	<u>375,850</u>	<u>376,550</u>	<u>240,281</u>	<u>136,269</u>
Community and economic development - community development and planning				
	<u>42,000</u>	<u>43,000</u>	<u>19,001</u>	<u>23,999</u>
Recreation and culture:				
Parks	154,500	154,500	79,414	75,086
Historic village	-	-	127	(127)
Total recreation and culture	<u>154,500</u>	<u>154,500</u>	<u>79,541</u>	<u>74,959</u>

Village of Vicksburg

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2020

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
EXPENDITURES (Continued)				
Capital outlay	\$ 104,500	\$ 196,222	\$ 130,720	\$ 65,502
Debt service - principal	25,500	25,500	25,000	500
Debt service - interest	21,500	21,500	19,500	2,000
Total expenditures	<u>1,951,164</u>	<u>2,150,482</u>	<u>1,619,824</u>	<u>530,658</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(116,064)</u>	<u>(187,283)</u>	<u>423,701</u>	<u>610,984</u>
OTHER FINANCING SOURCES				
Insurance recoveries	-	-	17,842	17,842
Transfers in	<u>142,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources	<u>142,000</u>	<u>-</u>	<u>17,842</u>	<u>17,842</u>
NET CHANGES IN FUND BALANCES	25,936	(187,283)	441,543	628,826
FUND BALANCES - BEGINNING	<u>1,742,699</u>	<u>1,742,699</u>	<u>1,742,699</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,768,635</u>	<u>\$ 1,555,416</u>	<u>\$ 2,184,242</u>	<u>\$ 628,826</u>

Village of Vicksburg

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended June 30, 2020

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
State grants	\$ 165,000	\$ 237,000	\$ 268,364	\$ 31,364
Interest	<u>500</u>	<u>500</u>	<u>785</u>	<u>285</u>
Total revenues	<u>165,500</u>	<u>237,500</u>	<u>269,149</u>	<u>31,649</u>
EXPENDITURES				
Public works:				
Construction	188,400	203,400	203,235	165
Preservation	62,500	102,500	56,409	46,091
Winter maintenance	13,000	13,000	6,526	6,474
Traffic service	23,500	23,500	19,171	4,329
Administration	<u>3,300</u>	<u>3,300</u>	<u>2,391</u>	<u>909</u>
Total expenditures	<u>290,700</u>	<u>345,700</u>	<u>287,732</u>	<u>57,968</u>
NET CHANGES IN FUND BALANCES	(125,200)	(108,200)	(18,583)	89,617
FUND BALANCES - BEGINNING	<u>551,933</u>	<u>551,933</u>	<u>551,933</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 426,733</u>	<u>\$ 443,733</u>	<u>\$ 533,350</u>	<u>\$ 89,617</u>

Village of Vicksburg

BUDGETARY COMPARISON SCHEDULE - Local Street Fund

Year ended June 30, 2020

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
State grants	\$ 75,000	\$ 84,000	\$ 119,517	\$ 35,517
Interest	<u>150</u>	<u>150</u>	<u>154</u>	<u>4</u>
Total revenues	<u>75,150</u>	<u>84,150</u>	<u>119,671</u>	<u>35,521</u>
EXPENDITURES				
Public works:				
Construction	151,600	151,600	147,800	3,800
Preservation	28,000	28,000	21,379	6,621
Winter maintenance	17,500	17,500	9,288	8,212
Traffic service	3,700	7,000	3,328	3,672
Administration	<u>4,400</u>	<u>4,400</u>	<u>3,606</u>	<u>794</u>
Total expenditures	<u>205,200</u>	<u>208,500</u>	<u>185,401</u>	<u>23,099</u>
NET CHANGES IN FUND BALANCES	(130,050)	(124,350)	(65,730)	58,620
FUND BALANCES - BEGINNING	<u>184,299</u>	<u>184,299</u>	<u>184,299</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 54,249</u>	<u>\$ 59,949</u>	<u>\$ 118,569</u>	<u>\$ 58,620</u>

Village of Vicksburg

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:						
Service cost	\$ 30,888	\$ 23,991	\$ 35,296	\$ 55,959	\$ 66,434	\$ 53,971
Interest	220,202	218,178	222,773	209,559	196,303	187,244
Difference in experience	(48,397)	(51,205)	(138,507)	67,255	16,084	-
Change in assumptions	104,791	-	-	-	105,307	-
Benefit change*	(576)	(1,169)	(3,305)	-	-	-
Other	-	2	1	2	2	-
Benefit payments, including refunds	<u>(167,839)</u>	<u>(168,046)</u>	<u>(168,046)</u>	<u>(146,518)</u>	<u>(131,141)</u>	<u>(144,114)</u>
Net change in total pension liability	139,069	21,751	(51,788)	186,257	252,989	97,101
Total pension liability, beginning of year	<u>2,821,013</u>	<u>2,799,262</u>	<u>2,851,050</u>	<u>2,664,793</u>	<u>2,411,804</u>	<u>2,314,703</u>
Total pension liability, end of year	<u>\$ 2,960,082</u>	<u>\$ 2,821,013</u>	<u>\$ 2,799,262</u>	<u>\$ 2,851,050</u>	<u>\$ 2,664,793</u>	<u>\$ 2,411,804</u>
Plan fiduciary net position:						
Contributions - employer	\$ 96,214	\$ 84,759	\$ 94,773	\$ 113,293	\$ 103,872	\$ 84,447
Contributions - employee	4,953	4,690	2,182	-	-	-
Net investment income (loss)	250,481	(77,358)	241,982	192,887	(26,146)	107,258
Benefit payments, including refunds	(167,839)	(168,046)	(168,046)	(146,518)	(131,141)	(144,114)
Administrative expenses	<u>(4,318)</u>	<u>(3,878)</u>	<u>(3,834)</u>	<u>(3,805)</u>	<u>(3,833)</u>	<u>(3,926)</u>
Net change in plan fiduciary net position	179,491	(159,833)	167,057	155,857	(57,248)	43,665
Plan fiduciary net position, beginning of year	<u>1,860,800</u>	<u>2,020,633</u>	<u>1,853,576</u>	<u>1,697,719</u>	<u>1,754,967</u>	<u>1,711,302</u>
Plan fiduciary net position, end of year	<u>\$ 2,040,291</u>	<u>\$ 1,860,800</u>	<u>\$ 2,020,633</u>	<u>\$ 1,853,576</u>	<u>\$ 1,697,719</u>	<u>\$ 1,754,967</u>
Village's net pension liability, end of year	<u>\$ 919,791</u>	<u>\$ 960,213</u>	<u>\$ 778,629</u>	<u>\$ 997,474</u>	<u>\$ 967,074</u>	<u>\$ 656,837</u>
Plan fiduciary net position as a percent of total pension liability	68.93%	65.96%	72.18%	65.01%	63.71%	72.77%
Covered payroll	\$ 351,491	\$ 383,389	\$ 398,139	\$ 631,719	\$ 758,554	\$ 628,481
Village's net pension liability as a percentage of covered employee payroll	261.68%	250.45%	195.57%	157.90%	127.49%	104.51%

* Increased employee contributions from 0% to 2%

Village of Vicksburg

SCHEDULE OF VILLAGE PENSION CONTRIBUTIONS

Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contributions	\$ 87,679	\$ 94,980	\$ 98,228	\$100,613	\$134,820	\$ 89,092	\$100,000	\$ 84,000	\$101,000	\$106,000
Contributions in relation to the actuarially determined contributions	<u>87,679</u>	<u>94,980</u>	<u>98,228</u>	<u>100,613</u>	<u>134,820</u>	<u>89,092</u>	<u>100,000</u>	<u>84,000</u>	<u>101,000</u>	<u>106,000</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$351,491</u>	<u>\$398,389</u>	<u>\$398,139</u>	<u>\$666,809</u>	<u>\$758,554</u>	<u>\$628,481</u>	<u>\$619,762</u>	<u>\$624,097</u>	<u>\$631,435</u>	<u>\$744,459</u>
Contributions as a percentage of covered payroll	24.94%	23.84%	24.67%	15.09%	17.77%	14.18%	16.14%	13.46%	16.00%	14.24%

Actuarial valuation information relative to the determination of contributions:

Valuation date

Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial costs method

Entry-age normal cost

Amortization method

Level percentage of pay, open

Remaining amortization period

19 years

Asset valuation method

5-year smoothed market

Inflation

2.50%

Salary increases

3.00% (3.75% for 2015 through 2019)

Investment rate of return

7.35%, net of investment and administrative expenses, including inflation (7.75% for 2015 through 2019)

Retirement age

Normal retirement age is 60 years

Mortality

50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%

SUPPLEMENTARY INFORMATION

BALANCE SHEET - component units

June 30, 2020

	<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>
ASSETS		
Cash	\$ 129,914	\$ 418,856
Receivables	<u>21,806</u>	<u>-</u>
Total assets	<u>\$ 151,720</u>	<u>\$ 418,856</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Payables	\$ 200	\$ -
Due to primary government	<u>1,080</u>	<u>6,818</u>
Total liabilities	<u>1,280</u>	<u>6,818</u>
Fund balances:		
Restricted for - Façade loan program	42,000	-
Assigned for - holiday events	2,969	-
Unassigned	<u>105,471</u>	<u>412,038</u>
Total fund balance	<u>150,440</u>	<u>412,038</u>
Total liabilities and fund balances	<u>\$ 151,720</u>	<u>\$ 418,856</u>
Reconciliation of the balance sheet to the statement of net position:		
Total fund balances	\$ 150,440	\$ 412,038
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.	<u>147,834</u>	<u>-</u>
Net position of the <i>component units</i>	<u>\$ 298,274</u>	<u>\$ 412,038</u>

Village of Vicksburg

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - *component units*

Year ended June 30, 2020

	<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>
REVENUES		
Property taxes	\$ 57,624	\$ 28,903
Interest	-	1,266
Other	<u>19,142</u>	<u>-</u>
Total revenues	<u>76,766</u>	<u>30,169</u>
EXPENDITURES		
Current - community and economic development	163,526	135,453
Debt service - principal	<u>8,330</u>	<u>-</u>
Total expenditures	<u>171,856</u>	<u>135,453</u>
NET CHANGES IN FUND BALANCES	(95,090)	(105,284)
FUND BALANCES - BEGINNING	<u>245,530</u>	<u>517,322</u>
FUND BALANCES - ENDING	<u>\$ 150,440</u>	<u>\$ 412,038</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	\$ (95,090)	\$ (105,284)
Amounts reported for <i>component units</i> in the statement of activities (page 13) are different because:		
Capital assets:		
Provision for depreciation	(15,233)	-
Long-term debt:		
Principal payments	<u>8,330</u>	<u>-</u>
Change in net position of <i>component units</i>	<u>\$ (101,993)</u>	<u>\$ (105,284)</u>

Village of Vicksburg

BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority

Year ended June 30, 2020

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 50,600	\$ 50,600	\$ 57,624	\$ 7,024
Other	12,000	19,250	19,142	(108)
Total revenues	<u>62,600</u>	<u>69,850</u>	<u>76,766</u>	<u>6,916</u>
EXPENDITURES				
Community and economic development	282,595	289,845	163,526	126,319
Debt service - principal	<u>8,330</u>	<u>8,330</u>	<u>8,330</u>	<u>-</u>
Total expenditures	<u>290,925</u>	<u>298,175</u>	<u>171,856</u>	<u>126,319</u>
NET CHANGES IN FUND BALANCES	(228,325)	(228,325)	(95,090)	133,235
FUND BALANCES - BEGINNING	<u>245,530</u>	<u>245,530</u>	<u>245,530</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 17,205</u>	<u>\$ 17,205</u>	<u>\$ 150,440</u>	<u>\$ 133,235</u>

Village of Vicksburg

BUDGETARY COMPARISON SCHEDULE - Brownfield Redevelopment Authority

Year ended June 30, 2020

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ -	\$ 28,334	\$ 28,903	\$ 569
Interest	1,250	1,250	1,266	16
Total revenues	<u>1,250</u>	<u>29,584</u>	<u>30,169</u>	<u>585</u>
EXPENDITURES				
Community and economic development	<u>20,000</u>	<u>145,597</u>	<u>135,453</u>	<u>10,144</u>
Total expenditures	<u>20,000</u>	<u>145,597</u>	<u>135,453</u>	<u>10,144</u>
NET CHANGES IN FUND BALANCES	(18,750)	(116,013)	(105,284)	10,729
FUND BALANCES - BEGINNING	<u>517,322</u>	<u>517,322</u>	<u>517,322</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 498,572</u>	<u>\$ 401,309</u>	<u>\$ 412,038</u>	<u>\$ 10,729</u>

Village of Vicksburg

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

June 30, 2020

<u><i>Fiscal period</i></u>	<u><i>Interest</i></u>	<u><i>Principal</i></u>	<u><i>Total requirements</i></u>
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	44,107	215,000	259,107
2031	35,166	225,000	260,166
2032	25,782	230,000	255,782
2033	15,938	240,000	255,938
2034	5,417	255,000	260,417
	<u>\$ 850,514</u>	<u>\$ 2,760,000</u>	<u>\$ 3,610,514</u>
	<u><i>Interest</i></u>	<u><i>Principal</i></u>	<u><i>Totals</i></u>
Allocation by activity:			
Governmental activities	\$ 153,025	\$ 500,000	\$ 653,025
Business-type activities	697,489	2,260,000	2,957,489
	<u>\$ 850,514</u>	<u>\$ 2,760,000</u>	<u>\$ 3,610,514</u>

Village of Vicksburg

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

June 30, 2020

<i>Fiscal period</i>	<i>Interest</i>	<i>Principal</i>	<i>Total requirements</i>
2021	\$ -	\$ -	\$ -
2022	<u>1,172</u>	<u>90,000</u>	<u>91,172</u>
	<u>\$ 1,172</u>	<u>\$ 90,000</u>	<u>\$ 91,172</u>

December 11, 2020

Village Council
Village of Vicksburg, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of the Village of Vicksburg (the Village), Michigan for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 14, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2020. We noted no transactions entered into by the Village during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the governmental activities, business-type activities, Water Fund, Sewer Fund, Golf Fund, and the discretely presented component units financial statements was:

Management's calculation of depreciation expense for the current period is based on an estimate of the useful lives of the capital assets.

The most sensitive estimate affecting the governmental activities, business-type activities, Water Fund, Sewer Fund, and Golf Fund financial statements were:

The calculation of the net pension liability and related deferred inflows and outflows of resources are based on an actuarial study which utilized certain actuarial assumptions.

The most sensitive estimate affecting the governmental activities financial statements were:

Management's determination of the percentages for current and noncurrent compensated absence payments is based on an estimate of the percentage of employees' use of compensated absences.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial reporting opinion units that collectively comprise the Village's basic financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Material misstatements were not detected as a result of audit procedures.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 11, 2020.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison schedules, and pension schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the component unit fund financial statements, component unit budgetary comparison schedules, and schedule of debt retirement and annual interest required, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of members of the Village Council and management of the Village of Vicksburg and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Manes Costeiran PC