

VILLAGE OF SPRING LAKE, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015



Vredeveld Haefner LLC

VILLAGE OF SPRING LAKE

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Vredeveld Haefner LLC

CPA's and Consultants

4001 Granada Ct.
Grand Rapids, MI 49534
FAX (616) 828-0307

Douglas J. Vredeveld, CPA

(616) 446-7474

Peter S. Haefner, CPA

(616) 460-9388

INDEPENDENT AUDITORS' REPORT

September 11, 2015

Village Council
Village of Spring Lake, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Spring Lake, Michigan, as of and for the year ended June 30, 2015, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Spring Lake, Michigan, as of June 30, 2015, 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 on pages 3 through 8 and other information on pages 39 through 43 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 of Spring Lake, Michigan's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Uredaxold Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Village of Spring Lake (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2015.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2015 fiscal year as follows:

- The 2000 Street Improvement Bonds were paid off in fiscal year 2015.
- 75% of the Spring Lake Township Bike Path tax revenues collected from Village residents was transferred to the Village.
- The 2005 North Ottawa Water System refunding bonds were paid off in fiscal year 2015.
- Contracting for police services with the Ottawa County Sheriff's Department reduced the Village's unfunded pension liability by \$550,000.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, public works, community and economic development, culture and recreation, and interest on long-term debt. The business-type activities of the Village consist of water and sewer operations.

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

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

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

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, police department fund, and public improvement fund, which are considered to be major funds. Data is combined into a single aggregate presentation for the other governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements and schedules.

The Village adopts an annual appropriations budget for its general fund and all special revenue funds as required by state law. Budgetary comparison schedules have been provided as required supplementary information for the general and police department funds to demonstrate legal compliance.

Proprietary funds The Village maintains enterprise funds which are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its water and sewer operations. Internal service funds are accounting devices used to accumulate and allocate costs internally among the Village's various functions. The Village utilizes internal service funds to account for its central equipment and police equipment. Because these services primarily benefit the Village's governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide information for water and sewer operations, which are considered to be major funds of the Village.

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

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

Other information In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This includes this management discussion and analysis, major fund budget to actual schedules, and certain pension plan trend information.

Government-wide Financial Analysis

Statement of Net Position As noted earlier, net position may serve over time as a useful indicator of the Village's financial position. In the case of the Village of Spring Lake, assets exceeded liabilities by \$12,395,841 at the close of the most recent fiscal year. The following table illustrates the composition of net position.

Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$1,318,724	\$ 1,116,595	\$1,327,351	\$1,177,534	\$ 2,646,075	\$ 2,294,129
Capital assets	8,325,231	8,647,341	3,614,809	3,753,638	11,940,040	12,400,979
Total assets	9,643,955	9,763,936	4,942,160	4,931,172	14,586,115	14,695,108
Deferred outflows of resources	114,754	-	-	-	114,754	-
Liabilities						
Current liabilities	279,626	266,186	116,022	95,936	395,648	362,122
Long-term liabilities	1,764,015	1,317,281	145,365	166,446	1,909,380	1,483,727
Total liabilities	2,043,641	1,583,467	261,387	262,382	2,035,028	1,845,849
Net position						
Net investment in						
capital assets	7,179,682	7,360,827	3,448,363	3,542,281	10,628,045	10,903,108
Restricted	268,093	223,818	-	-	268,093	223,818
Unrestricted	267,293	595,824	1,232,410	1,126,509	1,499,703	1,722,333
Total net position	\$7,715,068	\$8,180,469	\$4,680,773	\$4,668,790	\$12,395,841	\$12,849,259

About 12% of the Village's net position reflects unrestricted net position which is available for future operation while a significant portion (86%) of net position is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Activities The Village's total revenue for the fiscal year ended June 30, 2015, was \$3,114,233 while total cost of all programs and services was \$2,894,106. This results in an increase in net position of \$220,127. The business-type activities increase in net position of \$11,983 was primarily the result of costs and rates being proper. The governmental activities increase in net position of \$208,144 is primarily due to a reduction in public safety costs.

Beginning net position of governmental activities was reduced by \$673,545 to reflect the implementation of GASB Statements 68 and 71.

The following table presents a summary of the changes in net position for the years ended June 30.

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services	\$ 341,981	\$ 366,549	\$838,304	\$867,861	\$1,180,285	\$1,234,410
Operating grants and contributions	310,465	804,236	-	-	310,465	804,236
Capital grants and contributions	159,419	203,653	-	-	159,419	203,653
General revenues						
Property taxes	1,161,475	1,062,073	-	-	1,161,475	1,062,073
State shared revenues	186,721	184,151	-	-	186,721	184,151
Other	92,040	999	23,828	24,969	115,868	25,968
Total revenues	2,252,101	2,621,661	862,132	892,830	3,114,233	3,514,491
Expenses						
General government	602,601	592,875	-	-	602,601	592,875
Public safety	540,347	1,169,697	-	-	540,347	1,169,697
Public works	356,301	478,930	-	-	356,301	478,930
Community and economic development	55,565	53,589	-	-	55,565	53,589
Culture and recreation	477,817	392,949	-	-	477,817	392,949
Interest on long-term debt	27,826	30,646	-	-	27,826	30,646
Sewer	-	-	380,209	353,371	380,209	353,371
Water	-	-	453,440	419,701	453,440	419,701
Total expenses	2,060,457	2,718,686	833,649	773,072	2,894,106	3,491,758
Increase (decrease) in net position before transfers	191,644	(97,025)	28,483	119,758	220,127	22,733
Transfers in (out)	16,500	16,500	(16,500)	(16,500)	-	-
Change in net position	208,144	(80,525)	11,983	103,258	220,127	22,733
Net position – beginning	7,506,924	8,260,994	4,668,790	4,565,532	12,175,714	12,826,526
Net position – ending	\$7,715,068	\$8,180,469	\$4,680,773	\$4,668,790	\$12,395,841	\$12,849,259

Governmental Activities During the year, the Village invested \$602,601 or 29% of governmental activities expenses in general government. Public safety, which includes the police and fire departments, was \$540,347 or 26% of governmental activities expenses while community and economic development, culture and recreation, public works and interest on long-term debt made up the remaining 45% of governmental activities expenses. The governmental activities represented above included the police and fire department operations, department of public works, streets, and administrative functions.

Business-type Activities These activities consist of the water and sewer operations.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$696,119 an increase of \$153,521 from the prior year. The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the general fund was \$302,793. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 30% of total general fund expenditures. The fund balance of the Village's general fund increased by \$26,307 during the current fiscal year.

The police department fund had a increase in fund balance of \$39,259. At the end of the current fiscal year, fund balance of the fund was \$43,812. All amounts in this fund are assigned to be used for police operations. The increase is primarily the result of the transfer of policing activities to Ottawa County at year-end.

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

The Village's enterprise operations consist of the water and sewer funds which provide services to most residents and businesses of the Village.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,232,410. The enterprise funds reported an increase in net position for the year of \$11,983. Other factors concerning the finances of these funds have already been addressed in the discussion of the Village's business-type activities.

Budgetary Highlights

Additional appropriations were made during the year as follows:

- A separate fund was established to more accurately track revenues and expenses related to sidewalks and non-motorized pathways.
- A forestry department was established within the General Fund to more accurately track expense related to tree plantings and removals.
- The Treasurer budget was increased to budget for an additional payment made to MERS to reduce the Village's unfunded pension liability.
- The Village Hall budget was increased to reflect utility costs no longer covered by the Police Fund.
- The Planning and Zoning budget was increased to cover the cost of a contracted planner.
- The Corridor Maintenance budget was increased to cover the cost of replacing damaged street lights along M-104.
- The Central Park budget was increased to cover the costs of establishing a dog park and the costs of equipment usage at the park.

Capital Asset and Debt Administration

Capital assets The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounted to \$11,940,040 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and vehicles, and infrastructure.

Current year additions included street work.

Additional information on the Village's capital assets can be found in Note 6 to these financial statements.

Long-term debt At the end of the current fiscal year, the Village had total long-term debt outstanding of \$2,016,645 including compensated absences. Of this amount, \$1,850,199 was for governmental activities while \$166,446 was for business-type activities.

The Village's total long-term debt decreased during the current fiscal year primarily as a result of payment of scheduled debt service requirements.

Additional information on the Village's long-term debt can be found in Note 8 to these financial statements.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were considered in preparing the Village's budget for the 2015-2016 fiscal year:

- Taxable value for the tax year 2015 increased by 3.8%. The millage rate was reduced from 11.0619 to 10.3600.
- The Village will receive \$33,000 from Spring Lake Township for leasing office space at the Village Hall.
- The Village will spend \$42,000 to pave local streets. The Village's share of the Ottawa County road millage will be used to pay for the paving.
- The Village anticipates a 2.3% increase in state shared revenue in fiscal year 2016.
- \$135,000 was budgeted for the purchase of a combination plow/dump truck.
- \$225,000 was budgeted for improvements to the River Street lift station.
- \$17,000 was budgeted for SCADA system upgrades to the sewer system.
- \$175,000 was budgeted for the purchase of the Spring Lake Township Hall.
- \$75,000 was budgeted for paving in the CBDDA.
- \$10,000 was budgeted for establishing a tree nursery.
- \$20,000 was budgeted Tri-Cities Connector Path improvements.

Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to 102 W. Savidge, Spring Lake, Michigan, 49456, or call us at (616) 842-1393 or email us at the address noted below:

Christine Burns
Village Manager
christine@springlakevillage.org

BASIC FINANCIAL STATEMENTS

VILLAGE OF SPRING LAKE

STATEMENT OF NET POSITION

JUNE 30, 2015

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Downtown	Tax
	Activities	Activities		Development	Increment
				Finance	
				Authority	Authority
Assets					
Cash and pooled investments	\$ 1,110,143	\$ 1,114,518	\$ 2,224,661	\$ 10,922	\$ 18,017
Accounts receivable, net	24,167	212,833	237,000	-	13,726
Due from other governments	142,725	-	142,725	4,252	-
Prepaid items and other assets	41,689	-	41,689	-	-
Noncurrent assets					
Capital assets					
Land	2,169,632	8,092	2,177,724	-	-
Construction in progress	45,385	26,232	71,617	-	-
Depreciable capital assets, net	6,110,214	3,580,485	9,690,699	-	-
Total assets	9,643,955	4,942,160	14,586,115	15,174	31,743
Deferred outflows of resources					
Deferred outflows from pension	114,754	-	114,754	-	-
Liabilities					
Accounts payable	171,684	87,297	258,981	6,110	-
Accrued liabilities	21,758	6,552	28,310	890	-
Accrued interest payable	-	1,092	1,092	-	-
Debt due within one year	86,184	21,081	107,265	-	-
Noncurrent liabilities					
Due to other governments	-	-	-	-	70,551
Net OPEB obligation	88,728	-	88,728	-	-
Net pension liability	593,504	-	593,504	-	-
Compensated absences	22,418	-	22,418	-	-
Debt due in more than one year	1,059,365	145,365	1,204,730	-	-
Total liabilities	2,043,641	261,387	2,305,028	7,000	70,551
Net position					
Net investment in capital assets	7,179,682	3,448,363	10,628,045	-	-
Restricted for					
Debt service	72	-	72	-	-
Building department	131,948	-	131,948	-	-
Transportation	136,073	-	136,073	-	-
Unrestricted	267,293	1,232,410	1,499,703	8,174	(38,808)
Total net position	\$ 7,715,068	\$ 4,680,773	\$ 12,395,841	\$ 8,174	\$ (38,808)

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

VILLAGE OF SPRING LAKE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General government	\$ 602,601	\$ 144,916	\$ 3,223	\$ -	\$ (454,462)
Public safety	540,347	78,818	94,227	-	(367,302)
Public works	356,301	415	211,565	-	(144,321)
Community and economic development	55,565	337	-	-	(55,228)
Culture and recreation	477,817	117,495	1,450	159,419	(199,453)
Interest on long-term debt	27,826	-	-	-	(27,826)
Total governmental activities	2,060,457	341,981	310,465	159,419	(1,248,592)
Business-type activities					
Sewer	380,209	450,180	-	-	69,971
Water	453,440	388,124	-	-	(65,316)
Total business-type activities	833,649	838,304	-	-	4,655
Total primary government	\$ 2,894,106	\$ 1,180,285	\$ 310,465	\$ 159,419	\$ (1,243,937)
Component units					
Downtown Development Authority	32,368	-	35,300	4,252	\$ 7,184
Tax Increment Finance Authority	379,185	-	-	-	(379,185)
Total component units	\$ 411,553	\$ -	\$ 35,300	\$ 4,252	\$ (372,001)

(Continued)

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

VILLAGE OF SPRING LAKE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Tax Increment Finance Authority
Changes in net assets					
Net (expense) revenue	\$ (1,248,592)	\$ 4,655	\$ (1,243,937)	\$ 7,184	\$ (379,185)
General revenues					
Property taxes	1,161,475	-	1,161,475	-	379,998
State shared revenues - unrestricted	186,721	-	186,721	-	-
Investment earnings	1,066	598	1,664	1	141
Other general revenues	90,973	23,230	114,203	-	1,820
Transfers - internal activities	<u>16,500</u>	<u>(16,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>1,456,735</u>	<u>7,328</u>	<u>1,464,063</u>	<u>1</u>	<u>381,959</u>
Change in net position	208,143	11,983	220,126	7,185	2,774
Net position (deficit), beginning of year, as restated	<u>7,506,925</u>	<u>4,668,790</u>	<u>12,175,715</u>	<u>989</u>	<u>(41,582)</u>
Net position (deficit), end of year	<u>\$ 7,715,068</u>	<u>\$ 4,680,773</u>	<u>\$ 12,395,841</u>	<u>\$ 8,174</u>	<u>\$ (38,808)</u>

(Concluded)

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

VILLAGE OF SPRING LAKE

GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

JUNE 30, 2015

	<u>General</u>	<u>Police Department</u>	<u>Public Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 345,630	\$ 40,597	\$ 109,956	\$ 248,979	\$ 745,162
Accounts receivable	22,655	-	-	-	22,655
Due from other governments	102,048	3,263	-	37,414	142,725
Prepaid items	12,914	28,775	-	-	41,689
Total assets	<u>\$ 483,247</u>	<u>\$ 72,635</u>	<u>\$ 109,956</u>	<u>\$ 286,393</u>	<u>\$ 952,231</u>
Liabilities, deferred inflows of resources, and fund balances					
Liabilities					
Accounts payable	\$ 79,199	\$ 28,823	\$ 41,449	\$ 14,809	\$ 164,280
Accrued liabilities	17,790	-	-	3,491	21,281
Total liabilities	<u>96,989</u>	<u>28,823</u>	<u>41,449</u>	<u>18,300</u>	<u>185,561</u>
Deferred inflows of resources					
Unavailable revenue	70,551	-	-	-	70,551
Fund balances (deficit)					
Non-spendable					
Prepaid items	12,914	28,775	-	-	41,689
Restricted					
Transportation	-	-	-	136,073	136,073
Building department	-	-	-	131,948	131,948
Debt service	-	-	-	72	72
Assigned					
Public safety	-	15,037	68,507	-	83,544
Unassigned	302,793	-	-	-	302,793
Total fund balances	<u>315,707</u>	<u>43,812</u>	<u>68,507</u>	<u>268,093</u>	<u>696,119</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 483,247</u>	<u>\$ 72,635</u>	<u>\$ 109,956</u>	<u>\$ 286,393</u>	<u>\$ 952,231</u>

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

VILLAGE OF SPRING LAKE

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

JUNE 30, 2015

Fund balances - total governmental funds	\$ 696,119
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - land	2,169,632
Add - construction in progress	45,385
Add - capital assets (net of accumulated depreciation)	5,941,574
Certain assets are not due and receivable in the current period and therefore are offset with deferred inflows in the funds.	
Add - deferred inflows	70,551
Internal service funds are used by management to charge the costs of centralized services to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.	
Add - net position of governmental activities accounted for in the internal service funds	527,252
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - OPEB payable	(88,728)
Deduct - Net pension liability	(593,504)
Add -Deferred outflows from pension	114,754
Deduct - compensated absences payable	(22,418)
Deduct - debt payable	<u>(1,145,549)</u>
Net position of governmental activities	<u>\$ 7,715,068</u>

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

VILLAGE OF SPRING LAKE

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Police Department</u>	<u>Public Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 1,004,102	\$ -	\$ -	\$ 170,601	\$ 1,174,703
Intergovernmental revenues					
State	188,312	-	-	204,978	393,290
Local	12,595	94,227	115,000	51,006	272,828
Licenses and permits	5,151	-	-	65,042	70,193
Charges for services	118,359	-	-	-	118,359
Fines	10,777	80	-	-	10,857
Interest and rents	108,204	1	4,277	9,752	122,234
Miscellaneous	80,928	22,090	-	-	103,018
Total revenues	<u>1,528,428</u>	<u>116,398</u>	<u>119,277</u>	<u>501,379</u>	<u>2,265,482</u>
Expenditures					
Current					
General government	409,221	-	-	-	409,221
Public safety	1,003	594,644	-	51,693	647,340
Public works	223,399	-	-	161,153	384,552
Community and economic development	64,561	-	-	-	64,561
Culture and recreation	308,205	-	-	106,740	414,945
Debt service					
Principal	10,965	-	-	130,000	140,965
Interest	1,630	-	-	27,346	28,976
Capital Outlay	-	-	81,259	1,010	82,269
Total expenditures	<u>1,018,984</u>	<u>594,644</u>	<u>81,259</u>	<u>477,942</u>	<u>2,172,829</u>
Revenues over (under) expenditures	<u>509,444</u>	<u>(478,246)</u>	<u>38,018</u>	<u>23,437</u>	<u>92,653</u>
Other financing sources (uses)					
Transfers in	12,500	517,505	7,500	26,000	563,505
Transfers out	(495,637)	-	-	(7,000)	(502,637)
Total other financing sources (uses)	<u>(483,137)</u>	<u>517,505</u>	<u>7,500</u>	<u>19,000</u>	<u>60,868</u>
Net changes in fund balances	26,307	39,259	45,518	42,437	153,521
Fund balances, beginning of year	<u>289,400</u>	<u>4,553</u>	<u>22,989</u>	<u>225,656</u>	<u>542,598</u>
Fund balances, end of year	<u>\$ 315,707</u>	<u>\$ 43,812</u>	<u>\$ 68,507</u>	<u>\$ 268,093</u>	<u>\$ 696,119</u>

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

VILLAGE OF SPRING LAKE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Net changes in fund balances - total governmental funds	\$ 153,521
Amounts reported for <i>governmental activities</i> in the statement of activities are different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	93,840
Deduct - depreciation expense	(364,330)
Some receivables are long-term in nature and are collectable over several years. However the current receipts are reflected as revenues on the fund statements.	
Deduct - change in long-term receivables	(10,963)
Bond or note proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Add - payment on debt	140,965
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Add - decrease in compensated absences	30,314
Add - decrease in other postemployment benefits	30,272
Add - increase in deferred outflows from pension	63,645
Add - decrease in net pension liability	131,149
Add - decrease in accrued interest	1,150
Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	
Deduct - loss from governmental activities in the internal service fund	<u>(61,420)</u>
Change in net position of governmental activities	<u>\$ 208,143</u>

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

VILLAGE OF SPRING LAKE

PROPRIETARY FUNDS STATEMENT OF NET POSITION

JUNE 30, 2015

Assets	Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
Current assets				
Cash and pooled investments	\$ 351,551	\$ 762,967	\$ 1,114,518	\$ 364,981
Accounts receivable, net	118,715	94,118	212,833	1,512
Total current assets	470,266	857,085	1,327,351	366,493
Long-term assets				
Capital assets				
Land	-	8,092	8,092	-
Construction in progress	26,232	-	26,232	-
Being depreciated, net	747,762	2,832,723	3,580,485	168,640
Total capital assets	773,994	2,840,815	3,614,809	168,640
Total assets	1,244,260	3,697,900	4,942,160	535,133
Liabilities				
Current liabilities				
Accounts payable	39,119	48,178	87,297	7,404
Accrued liabilities	2,512	4,040	6,552	477
Accrued interest payable	-	1,092	1,092	-
Current portion of bonds payable	-	21,081	21,081	-
Total current liabilities	41,631	74,391	116,022	7,881
Long-term liabilities				
Bonds payable, net of current portion	-	145,365	145,365	-
Total liabilities	41,631	219,756	261,387	7,881
Net position				
Net investment in capital assets	773,994	2,674,369	3,448,363	168,640
Unrestricted	428,635	803,775	1,232,410	358,612
Total net position	\$ 1,202,629	\$ 3,478,144	\$ 4,680,773	\$ 527,252

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

VILLAGE OF SPRING LAKE

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
Operating revenue				
Charges for services	\$ 450,180	\$ 388,124	\$ 838,304	\$ 165,661
Other	7,951	15,279	23,230	10,904
Total operating revenue	458,131	403,403	861,534	176,565
Operating expense				
Personnel services	54,419	74,774	129,193	18,842
Benefits	27,618	29,128	56,746	10,115
Contractual services	217,885	38,077	255,962	501
Materials and supplies	5,810	161,813	167,623	34,998
Utilities	9,308	-	9,308	-
Repairs and maintenance	7,684	-	7,684	43,509
Equipment rentals	7,079	14,745	21,824	-
Insurance	3,144	3,144	6,288	11,069
Depreciation	43,368	121,693	165,061	65,047
Miscellaneous	3,894	3,467	7,361	9,612
Total operating expense	380,209	446,841	827,050	193,693
Operating income (loss)	77,922	(43,438)	34,484	(17,128)
Non-operating revenue (expense)				
Interest income	53	545	598	76
Interest expense	-	(6,599)	(6,599)	-
Total non-operating revenue (expense)	53	(6,054)	(6,001)	76
Income (loss) before transfers	77,975	(49,492)	28,483	(17,052)
Transfers				
Transfers out	(8,000)	(8,500)	(16,500)	(44,368)
Changes in net position	69,975	(57,992)	11,983	(61,420)
Net position, beginning of year	1,132,654	3,536,136	4,668,790	588,672
Net position, end of year	\$ 1,202,629	\$ 3,478,144	\$ 4,680,773	\$ 527,252

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

VILLAGE OF SPRING LAKE

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
Cash flows from operating activities				
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ 165,661
Receipts from customers and users	451,446	386,454	837,900	9,392
Payments to employees	(80,845)	(101,379)	(182,224)	(28,652)
Payments to suppliers	(244,718)	(189,379)	(434,097)	(74,006)
Net cash provided by (used in) operating activities	125,883	95,696	221,579	72,395
Cash flows from non-capital financing activities				
Transfers out	(8,000)	(8,500)	(16,500)	(44,368)
Cash flows from capital and related financing activities				
Interest expense	-	(5,950)	(5,950)	-
Principal payments on bonds and notes	-	(44,911)	(44,911)	-
Acquisitions of capital assets	(26,232)	-	(26,232)	(35,177)
Net cash provided by (used in) capital and related financing activities	(26,232)	(50,861)	(77,093)	(35,177)
Cash flows from investing activities				
Interest income	53	545	598	76
Net increase (decrease) in cash and cash equivalents	91,704	36,880	128,584	(7,074)
Cash and pooled investments, beginning of year	259,847	726,087	985,934	372,055
Cash and pooled investments, end of year	\$ 351,551	\$ 762,967	\$ 1,114,518	\$ 364,981
Cash flows from operating activities				
Operating income (loss)	\$ 77,922	\$ (43,438)	\$ 34,484	\$ (17,128)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	43,368	121,693	165,061	65,047
Net book value of disposed items	-	-	-	21,750
Change in operating assets and liabilities which provided (used) cash				
Accounts receivable	(6,685)	(16,949)	(23,634)	(1,512)
Prepaid items	1,190	1,211	2,401	195
Accounts payable	8,896	30,656	39,552	3,738
Accrued liabilities	1,192	2,523	3,715	305
Net cash provided by (used in) operating activities	\$ 125,883	\$ 95,696	\$ 221,579	\$ 72,395

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

VILLAGE OF SPRING LAKE
AGENCY FUNDS
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2015

	Agency Funds
Assets	
Cash and pooled investments	\$ <u>22,239</u>
Liabilities	
Accounts payable	\$ <u>22,239</u>

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

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VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Spring Lake, Michigan (the "Village") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

These financial statements present the Village and its component units, entities for which the Village is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Village's operations, so data from these units are combined with data of the primary government. The Village has no blended component units. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the Village.

Discretely Presented Component Units

The component unit columns in the basic financial statements include the financial data of the Downtown Development Authority (DDA) and the Tax Increment Finance Authority (TIFA). These entities are reported in separate columns to emphasize that they are legally separate from the Village. The members of the governing boards of these Authorities are appointed by the Village Council. The budgets of these Authorities must be approved by the Village Council. The Village temporarily relinquishes part of its tax base to the entities and the Village has pledged its full faith and credit toward payment of the entities' debt. Financial statements are not separately issued for the component units.

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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between enterprise functions and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from discretely presented *component units* for which the primary government is financially accountable.

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

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

VILLAGE OF SPRING LAKE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use a one year collection period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

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 enterprise fund are charges for services. The principal operating revenues of the Village's internal service fund are charges to Village departments for shared costs and equipment utilization. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal service fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Village reports the following major governmental funds:

The *General Fund* is the general operating fund of the Village. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Police Department Special Revenue Fund* is used to account for restricted participating government financial resources that are used to fund police services provided by the County.

The *Public Improvement Fund* is used to account for financial resources that are used to fund improvement projects within the Village.

The Village reports the following major proprietary funds:

The *Sewer Enterprise Fund* is used to account for the operations of the Village's sewer services. The Village provides these services to most of its residents on a user charge basis.

The *Water Enterprise Fund* is used to account for the operations of the Village's water services. The Village provides these services to most of its residents on a user charge basis.

VILLAGE OF SPRING LAKE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Additionally, the Village reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The *Debt Service Funds* are used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs of governmental funds.

The *Internal Service Funds* are used to account for shared services and vehicle and equipment purchases and usage provided to the Village departments and funds on a cost reimbursement basis.

The *Agency Fund* is used to account for the collection and disbursement of property taxes that are collected on behalf of outside governments, payroll activities for the Village, and funds held on behalf of outside organizations.

Budgets and Budgetary Accounting

Comparisons to budget are presented for general and special revenue funds. General and special revenue funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to February, the Village Manager and the Village Council develop an initial schedule of goals and objectives for the next year.
2. During February, the various department heads develop spending plans which are based upon anticipated needs. These plans are then modified for the Manager's projections and are consolidated into a preliminary budget plan.
3. During April, the plan is subjected to revision by the Council as considered necessary and is then formalized as a preliminary budget resolution.
4. Prior to June 15, a public hearing is held and the budget is legally enacted through passage of a resolution.
5. The budget is integrated with the accounting system and is used as a management control device during the year. The Village Manager is authorized to transfer budgeted amounts between accounts within the same department of any fund. Transfer between departments must be approved by the Village Council.
6. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual budgets lapse at fiscal year end.
7. Budgeted amounts are as originally adopted or as amended by the Village Council during the Fiscal year. Supplemental appropriations were necessary during the year.

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Village considers cash and pooled investments to be cash and cash equivalents because the pooling of these balances allows for withdrawal of these balances at any time similar to a demand deposit account.

Investments

Investments are stated at fair value at the balance sheet date.

State statutes and Village policy authorize the Village to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers' acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial to the financial statements.

Due to and Due from Other Funds

Interfund receivables and payables are short term borrowings that arise from interfund transactions which are recorded by all funds affected in the period in which transactions are executed.

Prepaid Items

The Village incurred expenses prior to year-end for services that will be performed in the next fiscal year. In these situations, the Village records an asset to reflect the investment in future services.

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Capital Assets

Capital assets, which include land, construction in progress, buildings and equipment, vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure) is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	10-20
Buildings and improvements	10-70
Machinery and equipment	3-15
Vehicles	3-10
Infrastructure	10-50
Mains	50

Unavailable Revenue

Funds report *unavailable revenue* in connection with resources that have been earned, but not yet received.

Long-Term Obligations

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

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

Compensated Absences

Substantially all Village employees are granted vacation hours up to a maximum of 200 hours at July 1 based on years of service. Employees are permitted to carry up to 40 hours of unused vacation time into the next fiscal year upon approval of the Village Manager. In the event of termination, an employee is paid for accumulated vacation hours up to the maximum.

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Substantially all Village employees are allowed to accrue sick hours up to a maximum of 700 hours. The Village will pay out any excess sick hours at a rate of 40% of the employee's current rate of pay on or around January 1 of each year. Upon retirement employees are paid 2% of accumulated sick time for every year worked at their current rate of pay.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense; information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. 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.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Village has an item that qualifies for reporting in this category related to the net pension liability which is further discussed in note 6.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village has one type of item, which qualifies for reporting in this category. Accordingly, unavailable revenue is reported in the governmental funds balance sheet from unavailable receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted - the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed - the related assets can only be spent for a specific purpose identified by formal resolution of the governing board.
4. Assigned - the related assets can only be spent for a specific purpose but do not meet the criteria to be classified as committed.
5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

The Village Council has not delegated the authority to assign fund balance.

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Net Position and Fund Balance Flow Assumptions

Sometimes the government 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/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resource as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Property Taxes

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14. These summer tax bills include the Village's own property taxes. Real property taxes not collected as of March 1 are turned over to the County for collection, which advances the Village 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Village Treasurer.

Property taxes levied in July of each year are recognized as revenue in that year.

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgeted funds have been shown on a functional basis. The approved budgets of the Village for these budgeted funds were adopted at the department level.

During the year ended June 30, 2015, the Village incurred the following expenditures which were in excess of the amounts appropriated:

	<u>Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
General Fund			
General government			
Attorney	\$13,800	\$31,392	\$17,592

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

3. DEFICIT NET POSITION

At June 30, 2015, the Tax Increment Finance Authority component unit reported a deficit net position of \$38,808.

4. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and cash equivalents are as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	<u>Total</u>
Cash and cash equivalents	\$1,110,143	\$1,114,518	\$22,239	\$28,939	\$2,275,839

Cash and cash equivalents consists of the following at June 30, 2015:

Checking and savings accounts	\$1,970,893
Petty cash	400
Investments	304,546
Total	\$2,275,839

The deposits are in financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Village and a specific fund or common account. They are recorded in Village records at fair value. Interest is recorded when earned.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. State law does not require, and the Village does not have, a policy for deposit custodial credit risk. As of year-end, \$1,413,066 of the Village's bank balance of \$2,413,066 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investment and deposit risk

The Village chooses to disclose its investments by specifically identifying each. As of year-end, the Village had the following investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
FHLB	12/23/16	\$165,124	Aaa	Moody's
FNMA	11/07/17	39,766	Aaa	Moody's
FNMA	01/30/18	49,903	Aaa	Moody's
FFCB	07/09/18	49,753	Aaa	Moody's

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The Village's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Village does not have a policy for investment custodial credit risk. The FHLB, FNMA, and FFCB notes are uninsured and unregistered and held by the government's brokerage firm which is also the counter party for these securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The Village's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities				
Capital assets, not being depreciated				
Land	\$2,169,632	\$ -	\$ -	\$2,169,632
Construction in progress	-	45,385	-	45,385
Capital assets, being depreciated				
Land improvements	2,809,770	19,535	-	2,829,305
Buildings and improvements	2,664,206	28,920	-	2,693,126
Machinery and equipment	434,841	23,700	26,100	432,441
Vehicles	580,686	11,477	22,386	569,327
Infrastructure	8,808,565	-	-	8,808,565
Total capital assets, being depreciated	15,298,068	83,632	48,936	15,332,764
Less accumulated depreciation for				
Land improvements	916,622	107,226	-	1,024,348
Buildings and improvements	786,001	62,316	-	848,317
Machinery and equipment	274,300	37,175	4,350	307,125
Vehicles	437,748	41,794	22,836	456,706
Infrastructure	6,405,688	180,366	-	6,586,054
Total accumulated depreciation	8,820,359	429,377	27,186	9,222,550
Net capital assets, being depreciated	6,477,709	(345,745)	21,750	6,110,214
Governmental Activities capital assets, net	\$8,647,341	\$(300,360)	\$21,750	\$8,325,231

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	Balance July 1, <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2015</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 8,092	\$ -	\$ -	\$ 8,092
Construction in progress	-	26,232	-	26,232
Capital assets being depreciated				
Buildings and improvements	4,322,134	-	-	4,322,134
Mains	2,290,208	-	-	2,290,208
Machinery and equipment	733,011	-	-	733,011
Total capital assets, being depreciated	<u>7,345,353</u>	-	-	<u>7,345,353</u>
Less accumulated depreciation for				
Buildings and improvements	2,155,970	86,692	-	2,242,662
Mains	944,489	50,668	-	995,157
Machinery and equipment	499,348	27,701	-	527,049
Total accumulated depreciation	<u>3,599,807</u>	<u>165,061</u>	-	<u>3,764,868</u>
Net capital assets, being depreciated	<u>3,745,546</u>	<u>(165,061)</u>	-	<u>3,580,485</u>
Business-type Activities capital assets, net	<u>\$3,753,638</u>	<u>\$(138,829)</u>	<u>\$ -</u>	<u>\$3,614,809</u>

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

Governmental Activities	
General government	\$223,975
Public works	60,769
Recreation and culture	79,586
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	<u>65,047</u>
Total depreciation expense - governmental activities	<u>\$429,377</u>
 Business-type Activities	
Sewer	\$ 43,368
Water	<u>121,693</u>
Total depreciation expense - business- type activities	<u>\$165,061</u>

6. PENSION PLANS

MERS Defined Benefit Plan

Plan Description

The Village participates in the Municipal Employees Retirement System (MERS) of Michigan. 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 accessing the MERS website at www.mersofmich.com.

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Benefits Provided

Benefits provided include a multiplier of 1.5 to 2.75 times final average compensation. Vesting period from 6 to 10 years. Normal retirement age is 60 with early retirement at 55 with 15 years of service. Final average compensation is calculated based on from 3 to 5 years.

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2014):

Active plan members	7
Inactive employees entitled but not yet receiving benefits	10
Inactive employees or beneficiaries currently receiving benefits	<u>5</u>
Total	<u><u>22</u></u>

Contributions

The Village is required to contribute at an actuarially determined rate, which for the current year was from 0% to 9.0% of annual covered payroll depending on position and classification. Participating employees are required to contribute from 6.75% to 11.85% percent of gross wages to the Plan based on position and classification. The contribution requirements of the Village are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary Increases: 4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)

Investment rate of return: 8.25%, net of investment expense, including inflation

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the valuation were based on the results of 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.

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

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

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> <u>(a)</u>	<u>Plan Fiduciary Net Position</u> <u>(b)</u>	<u>Net Pension Liability</u> <u>(a)-(b)</u>
Balance at 12/31/13	\$3,329,811	\$2,605,158	\$724,653
Changes for the Year:			
Service cost	33,760	-	33,760
Interest	269,917	-	269,917
Change in benefits	-	-	-
Differences between expected and actual experience	-	-	-
Change in assumptions	-	-	-
Contributions: employer	-	142,827	(142,827)
Contributions: employee	-	130,834	(130,834)
Net investment income	-	167,383	(167,383)
Benefit payments, including refunds	(149,965)	(149,965)	-
Administrative expense	-	(6,218)	6,218
Other changes	-	-	-
Net changes	153,712	284,861	131,149
Balance at 12/31/14	<u>\$3,483,523</u>	<u>\$2,890,019</u>	<u>\$593,504</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate.

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

	<u>Current</u>		
	<u>1% Decrease</u>	<u>Discount rate</u>	<u>1 % Increase</u>
Total Pension Liability	\$3,518,358	\$3,483,523	\$3,448,688
Fiduciary Net Position	2,890,019	2,890,019	2,890,019
Net Pension Liability	<u>\$ 628,339</u>	<u>\$ 593,504</u>	<u>\$ 558,669</u>

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2015 the employer recognized pension expense of \$259,269. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences in experience	\$ -
Differences in assumptions	-
Excess(deficit) investment returns	41,911
Contributions subsequent to the measurement date*	72,843
Total	\$114,754

Defined contribution plan

457 plan

The Village also participates in a section 457 qualified retirement program covering the Village Manager, to which the Village is required to contribute 12% of the manager's gross wages. Total contributions by the Village for the year ended June 30, 2015 were \$9,938.

7. LONG-TERM DEBT

The following is a summary of the debt transactions of the Village for the year ended June 30, 2015:

	Balance July 1, <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2015</u>	Due Within <u>One Year</u>
Governmental Activities					
\$239,850 Mill Point Station Loan due in annual installments of \$5,174 to \$14,789 through April 2020; plus interest at 2%.	\$ 81,514	\$ -	\$ 10,965	\$ 70,549	\$ 11,184
\$1,225,000 2012 Refunding Bonds, due in annual installments of \$75,000 to \$95,000 through January 2028; plus interest at .7% to 3.15%	1,150,000	-	75,000	1,075,000	75,000
\$450,000 2000 Street Construction Bonds due in annual installments of \$45,000 to \$55,000 through October 2015; plus interest at 5.4%	55,000	-	55,000	-	-
Total debt	1,286,514	-	140,965	1,145,549	86,184
Other post-employment benefits	119,000	-	30,272	88,728	-
Long-term compensated absences	52,732	-	30,314	22,418	-
Total Governmental Activities	\$1,458,246	\$ -	\$201,551	\$1,256,695	\$86,184

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1,</u> <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2015</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Business-type Activities					
\$4,980,000 2005 NOWS Refunding Bonds (Village share \$243,474) due in annual installments of \$25,296 to \$26,350 through January 2015; plus interest at 4%.	\$ 25,296	\$ -	\$25,296	\$ -	\$ -
\$2,230,000 2010 Water Supply refunding Bonds (Village share \$221,419) due in annual installments of \$16,880 to \$26,312 through May 2021; plus interest at 2.00% to 2.625%.	164,326	-	19,362	144,965	20,851
\$10,040,000 2009 NOWS bonds (Village share \$23,092). Payments due in annual installments of \$161 to \$2,011 through May, 2034; interest at 5.0%	21,735	-	253	21,482	230
Total Business-type Activities	\$211,357	\$ -	\$44,911	\$166,446	\$21,081

Compensated absences of governmental funds are generally liquidated with general fund resources.

The annual requirements to amortize all debt outstanding (excluding long-term compensated absences) as of June 30, 2015 are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	86,184	26,376	21,081	4,368
2017	86,408	25,327	22,063	3,942
2018	86,635	24,086	23,540	3,443
2019	86,868	22,691	25,019	2,910
2020	92,106	21,029	26,473	2,344
2021-2025	427,348	75,649	33,160	5,086
2026-2030	280,000	17,427	7,601	2,610
2031-2035	-	-	7,509	906
Total	\$1,145,549	\$212,585	\$166,446	\$25,609

8. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance. The Village carries commercial insurance to cover all these risks. The Village has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

9. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2015 are as follows:

<u>Transfers out</u>	Transfers in				<u>Total</u>
	<u>General Fund</u>	<u>Police Department</u>	<u>Public Improvement</u>	<u>Nonmajor Governmental Funds</u>	
General fund	\$ -	\$473,137	\$7,500	\$15,000	\$495,637
Nonmajor governmental funds	-	-	-	7,000	7,000
Internal service fund		44,368	-	-	44,368
Sewer fund	6,000	-	-	2,000	8,000
Water fund	6,500	-	-	2,000	8,500
Total	\$12,500	\$517,505	\$7,500	\$26,000	\$563,505

Transfers are used to (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

10. OTHER POST-EMPLOYMENT BENEFITS

The Village maintains a single-employer defined benefit healthcare plan (the "Plan"). The Plan provides health insurance benefits to certain retirees and their beneficiaries, which are funded in advance on a discretionary basis. In accordance with the Village's policy, the Village pays 50-75% of premiums. The retirees must contribute the balance of premiums not paid by the Village in accordance with plan provisions. As of June 30, 2015, the date of the last plan valuation, the Plan covered 2 retirees who were receiving benefits. The Retiree Health Plan does not issue a publicly available financial report and a legal trust has not been established for the plan.

The contribution requirements of Plan members and the Village are established and may be amended by the Village Council. The required contribution is based on projected pay-as-you go financing requirements. For the year ended June 30, 2015 the Village contributed \$22,779 to the Plan.

The Village's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Village has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits calculations.

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation, the Entry Age Normal actuarial cost method was used. The actuarial assumptions included a 3 percent investment rate of return (net of administrative costs) and an inflationary rate of 2.8% for employee benefits. Amortization of the Unfunded Actuarial Accrued Liability was changed from a Level Percentage of Projected Payroll method to a Level Dollar method since retiree benefits are not related to salary level. The remaining amortization period at June 30, 2015 is 26 years.

The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Village OPEB obligation to the plan.

Annual required contribution	\$ 5,389
Interest on net OPEB obligation	3,570
Adjustment to annual required contribution	<u>(16,452)</u>
Annual OPEB cost (expense)	(7,493)
Contribution made	<u>(22,779)</u>
Decrease in net OPEB obligation	(30,272)
Net OPEB obligation, beginning of year	119,000
Net OPEB obligation, end of year	<u>\$88,728</u>

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

Three-Year Trend Information

Fiscal Year	Annual OPEB	Percentage of	Net OPEB
<u>Ending</u>	<u>Cost</u>	<u>Cost</u>	<u>Obligation</u>
		<u>Contributed</u>	
6/30/13	\$49,329	34%	\$141,164
6/30/14	1,037	2237%	119,000
6/30/15	(7,493)	-%	88,728

Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c) Not available	UAAL as a Percentage of Covered Payroll (b-a)/c
6/30/15	\$ -	\$88,728	\$88,728	0%	Not available	N/A

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

11. JOINT VENTURES

The Village is a member of the Grand Haven - Spring Lake Sewer Authority (Authority). The Village appoints two members to the joint venture's governing board, which then approves the annual budget. In the current year, the Village paid \$146,944 to the Authority for sewage treatment. The purpose of the Grand Haven - Spring Lake Sewer Authority is to acquire, own, improve, enlarge, extend and operate a sewage disposal system. The Authority is governed by a Board of Trustees containing seven members. The participating communities (Cities of Grand Haven and Ferrysburg, Townships of Spring Lake and Grand Haven and the Village of Spring Lake) pay a set rate to the Authority to process waste. This rate includes amounts to finance the Authority's debt. . At June 30, 2015, the portion of these Ottawa County bonds outstanding for which the Village has pledged its full faith and credit amounted to approximately \$108,240. The Village is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street, Grand Haven, MI 49417).

The Village is also a member of the Northwest Ottawa Water Treatment Plant. The Village appoints one member to the joint venture's governing board, which then approves the annual budget. In the current year, the Village paid \$122,459 to the plant to purchase water. The purpose of the Northwest Ottawa Water Treatment Plant is to acquire, construct, finance, operate and maintain a water production facility. The plant is governed by an administrative committee composed of one representative from each of the participating communities (Cities of Grand Haven and Ferrysburg, Townships of Grand Haven and Spring Lake and the Village of Spring Lake). These participating communities pay for water at a rate that is estimated to cover operation, maintenance, replacement and debt service. Ottawa County has issued general obligation bonds to provide for the acquisition, construction and financing of improvements to the Northwest Ottawa Water System. Each participating municipality has entered into contracts with Ottawa County pledging its full faith and credit for its respective share of the bond obligation. At June 30, 2015, the portion of these Ottawa County bonds outstanding for which the Village has pledged its full faith and credit amounted to approximately \$341,946. The Village is unaware of any other circumstances that would cause an additional benefit or burden to the participating government in the near future. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street, Grand Haven, MI 49417).

12. CONTINGENT LIABILITIES

Property Taxes

In the normal course of its activities, the Village has become a party in various legal actions, including property tax assessment appeals. Management of the Village is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Village and, therefore, has not reflected loss reserves in the financial statements.

Grants

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement to the grantor or regulatory agencies. However, management believes such disallowances, if any, will not be material to the financial position of the Village.

VILLAGE OF SPRING LAKE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

13. PRIOR PERIOD ADJUSTMENTS

Beginning net position of governmental activities of the Village was decreased by \$724,653 to record the net pension liability in accordance with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68.

Beginning net position of governmental activities of the Village was increased by \$51,108 to record deferred outflows in accordance with the implementation of GASB Statement No. 71 (an amendment to GASB Statement No. 68).

14. COMMITMENTS

At year end the Village had construction and contract commitments of approximately \$175,000 outstanding.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF SPRING LAKE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property taxes	\$ 984,000	\$ 984,790	\$ 985,805	\$ 1,015
Penalties and interest	4,850	5,050	5,069	19
Administration fees	13,450	13,225	13,228	3
Intergovernmental revenues				
State	189,317	189,317	188,312	(1,005)
Local	-	12,595	12,595	-
Licenses and permits	5,050	5,050	5,151	101
Charges for services				
Cable TV franchise fees	48,000	52,000	54,368	2,368
Cellular tower usage	20,400	20,400	20,751	351
Zoning Fees	1,000	1,000	337	(663)
Housing inspection fees	4,200	3,675	3,700	25
Launch ramp fees	4,000	4,000	4,685	685
Other charges for services	7,840	34,840	34,518	(322)
Fines	21,150	10,150	10,777	627
Rent	80,400	101,700	107,192	5,492
Interest	100	600	1,012	412
Refunds	10,100	10,100	10,075	(25)
Other revenue	(10,353)	85,275	70,853	(14,422)
Total revenues	<u>1,383,504</u>	<u>1,533,767</u>	<u>1,528,428</u>	<u>(5,339)</u>
Expenditures				
Current				
General government				
Village Council	51,510	12,810	11,507	1,303
Village Manager	78,065	83,958	80,516	3,442
Clerk-Treasurer	132,840	212,411	201,416	10,995
Village hall and grounds	47,064	68,806	62,498	6,308
Attorney	16,300	13,800	31,392	(17,592)
Barber Street School	18,453	23,495	21,892	1,603
Public safety - fire department	1,250	1,250	1,003	247
Public works				
Public works	187,086	172,067	171,555	512
Storm water system	14,129	13,929	10,456	3,473
Maintenance	15,500	29,400	27,352	2,048
Street lighting	20,000	16,000	14,036	1,964
Community and economic development				
Planning and zoning	61,108	72,398	64,561	7,837
Culture and recreation				
Parks	210,322	218,885	216,129	2,756
Park maintenance	62,437	59,801	58,204	1,597
Community promotion	17,035	20,675	20,584	91
Recreation department	7,068	16,150	13,288	2,862
Historic conservation commission	2,200	2,200	-	2,200
Debt service				
Principal	-	10,965	10,965	-
Interest and fiscal charges	-	1,630	1,630	-
Total expenditures	<u>942,367</u>	<u>1,050,630</u>	<u>1,018,984</u>	<u>31,646</u>
Revenues over (under) expenditures	<u>441,137</u>	<u>483,137</u>	<u>509,444</u>	<u>26,307</u>
Other financing sources (uses)				
Transfers in	39,500	12,500	12,500	-
Transfers out	(480,637)	(495,637)	(495,637)	-
Total other financing sources (uses)	<u>(441,137)</u>	<u>(483,137)</u>	<u>(483,137)</u>	<u>-</u>
Net changes in fund balance	-	-	26,307	26,307
Fund balance, beginning of year	<u>289,400</u>	<u>289,400</u>	<u>289,400</u>	<u>-</u>
Fund balance, end of year	<u>\$ 289,400</u>	<u>\$ 289,400</u>	<u>\$ 315,707</u>	<u>\$ 26,307</u>

VILLAGE OF SPRING LAKE
POLICE DEPARTMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State	\$ 985	\$ -	\$ -	\$ -
Local	556,052	97,000	94,227	(2,773)
Fines	-	-	80	80
Interest and rents	220	-	1	1
Miscellaneous	90	20,000	22,090	2,090
Total revenues	557,347	117,000	116,398	(602)
Expenditures				
Current				
Public safety	1,030,484	634,505	594,644	39,861
Revenues over (under) expenditures	(473,137)	(517,505)	(478,246)	39,259
Other financing sources (uses)				
Transfers in	473,137	517,505	517,505	-
Net changes in fund balance	-	-	39,259	39,259
Fund balance, beginning of year	4,553	4,553	4,553	-
Fund balance, end of year	<u>\$ 4,553</u>	<u>\$ 4,553</u>	<u>\$ 43,812</u>	<u>\$ 39,259</u>

VILLAGE OF SPRING LAKE

DEFINED BENEFIT PENSION PLAN SCHEDULE OF CHANGES IN EMPLOYERS NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 33,760
Interest	269,917
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Benefit payments including employee refunds	(149,965)
Other	-
	<u>153,712</u>
Net change in total pension liability	<u>153,712</u>
Total pension liability, beginning of year	<u>3,329,811</u>
Total pension liability, end of year	<u>\$ 3,483,523</u>
Plan Fiduciary Net Position	
Contributions-employer	\$ 142,827
Contributions-employee	130,834
Net Investment income	167,383
Benefit payments including employee refunds	(149,965)
Administrative expense	(6,218)
	<u>284,861</u>
Net change in plan fiduciary net position	<u>284,861</u>
Plan fiduciary net position, beginning of year	<u>2,605,158</u>
Plan fiduciary net position, end of year	<u>\$ 2,890,019</u>
Employer net pension liability	<u>\$ 593,504</u>
Plan fiduciary net position as a percentage of the total pension liability	83.0%
Covered employee payroll	744,617
Employer's net pension liability as a percentage of covered employee payroll	79.7%

Notes to schedule:

Above dates are based on measurement date, which does not tie to the fiscal year

VILLAGE OF SPRING LAKE
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>
Actuarial determined contributions	\$ 69,017
Contributions in relation to the actuarially determined contribution	<u>164,562</u>
Contribution deficiency (excess)	<u>\$ (95,545)</u>
 Covered employee payroll	 744,617
 Contributions as a percentage of covered employee payroll	 22%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	10 year smoothed
Inflation	3.50%
Salary increases	4.50%
Investment rate of return	8.25%
Retirement age	Varies depending on plan adoption
Mortality	50% female/ 50% male 1994 group annuity mortality table

VILLAGE OF SPRING LAKE

RETIREE HEALTH OTHER POST-EMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2015

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/2011	\$ -	\$ 567,957	\$ 567,957	0.0%	not available	not available
6/30/2014	-	119,000	119,000	0.0%	not available	not available
6/30/2015	-	88,728	88,728	0.0%	not available	not available

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Basis of Accounting

Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Appropriations lapse at year end.

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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VILLAGE OF SPRING LAKE

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

JUNE 30, 2015

	Special Revenue			
	Major <u>Streets</u>	Local <u>Streets</u>	Harbor Transit <u>System</u>	<u>Pathways</u>
Assets				
Cash and pooled investments	\$ 92,490	\$ 9,262	\$ -	\$ 11,596
Due from other governments	27,010	10,404	-	-
Total assets	\$ 119,500	\$ 19,666	\$ -	\$ 11,596
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 2,000	\$ 4,085	\$ -	\$ 5,884
Accrued liabilities	1,146	1,068	-	506
Total liabilities	3,146	5,153	-	6,390
Fund balances				
Restricted				
Transportation	116,354	14,513	-	5,206
Building department	-	-	-	-
Debt service	-	-	-	-
Total fund balances	116,354	14,513	-	5,206
Total liabilities and fund balances	\$ 119,500	\$ 19,666	\$ -	\$ 11,596

Debt Service

<u>Building Department</u>	<u>2000 Street</u>	<u>2003 Village Hall</u>	<u>Total</u>
\$ 135,559	\$ -	\$ 72	\$ 248,979
<u>-</u>	<u>-</u>	<u>-</u>	<u>37,414</u>
<u>\$ 135,559</u>	<u>\$ -</u>	<u>\$ 72</u>	<u>\$ 286,393</u>
\$ 2,840	\$ -	\$ -	\$ 14,809
<u>771</u>	<u>-</u>	<u>-</u>	<u>3,491</u>
<u>3,611</u>	<u>-</u>	<u>-</u>	<u>18,300</u>
-	-	-	136,073
131,948	-	-	131,948
<u>-</u>	<u>-</u>	<u>72</u>	<u>72</u>
<u>131,948</u>	<u>-</u>	<u>72</u>	<u>268,093</u>
<u>\$ 135,559</u>	<u>\$ -</u>	<u>\$ 72</u>	<u>\$ 286,393</u>

VILLAGE OF SPRING LAKE

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue			
	Major Streets	Local Streets	Harbor Transit System	Pathways
Revenues				
Taxes	\$ -	\$ -	\$ 52,527	\$ -
Intergovernmental revenues				
State	145,852	59,126	-	-
Local	6,587	-	-	44,419
Licenses and permits	-	-	-	-
Interest and rents	13	-	-	-
Total revenues	<u>152,452</u>	<u>59,126</u>	<u>52,527</u>	<u>44,419</u>
Expenditures				
Current				
Public safety	-	-	-	-
Public works	95,198	65,955	-	-
Culture and recreation	-	-	52,527	54,213
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	1,010	-	-	-
Total expenditures	<u>96,208</u>	<u>65,955</u>	<u>52,527</u>	<u>54,213</u>
Revenues over (under) expenditures	<u>56,244</u>	<u>(6,829)</u>	<u>-</u>	<u>(9,794)</u>
Other financing sources (uses)				
Transfers in	-	-	-	15,000
Transfers out	(7,000)	-	-	-
Total other financing sources (uses)	<u>(7,000)</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Net changes in fund balances	49,244	(6,829)	-	5,206
Fund balances (deficit), beginning of year	<u>67,110</u>	<u>21,342</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 116,354</u>	<u>\$ 14,513</u>	<u>\$ -</u>	<u>\$ 5,206</u>

Debt Service

<u>Building Department</u>	<u>2000 Street</u>	<u>2003 Village Hall</u>	<u>Total</u>
\$ -	\$ 44,476	\$ 73,598	\$ 170,601
-	-	-	204,978
-	-	-	51,006
65,042	-	-	65,042
29	-	9,710	9,752
<u>65,071</u>	<u>44,476</u>	<u>83,308</u>	<u>501,379</u>
51,693	-	-	51,693
-	-	-	161,153
-	-	-	106,740
-	55,000	75,000	130,000
-	1,760	25,586	27,346
-	-	-	1,010
<u>51,693</u>	<u>56,760</u>	<u>100,586</u>	<u>477,942</u>
<u>13,378</u>	<u>(12,284)</u>	<u>(17,278)</u>	<u>23,437</u>
-	11,000	-	26,000
-	-	-	(7,000)
-	11,000	-	19,000
13,378	(1,284)	(17,278)	42,437
<u>118,570</u>	<u>1,284</u>	<u>17,350</u>	<u>225,656</u>
<u>\$ 131,948</u>	<u>\$ -</u>	<u>\$ 72</u>	<u>\$ 268,093</u>

VILLAGE OF SPRING LAKE

**MAJOR STREETS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues				
State	\$ 131,899	\$ 143,435	\$ 145,852	\$ 2,417
Local	7,300	7,300	6,587	(713)
Interest and rents	-	-	13	13
Miscellaneous	10,875	(4,946)	-	4,946
Total revenues	<u>150,074</u>	<u>145,789</u>	<u>152,452</u>	<u>6,663</u>
Expenditures				
Current				
Public works	141,564	137,279	95,198	42,081
Capital Outlay	1,510	1,510	1,010	500
Total expenditures	<u>143,074</u>	<u>138,789</u>	<u>96,208</u>	<u>42,581</u>
Revenues over (under) expenditures	7,000	7,000	56,244	49,244
Other financing sources (uses)				
Transfers out	(7,000)	(7,000)	(7,000)	-
Net changes in fund balance	-	-	49,244	49,244
Fund balance, beginning of year	<u>67,110</u>	<u>67,110</u>	<u>67,110</u>	<u>-</u>
Fund balance, end of year	<u>\$ 67,110</u>	<u>\$ 67,110</u>	<u>\$ 116,354</u>	<u>\$ 49,244</u>

VILLAGE OF SPRING LAKE

**LOCAL STREETS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 42,359	\$ 42,859	\$ 59,126	\$ 16,267
Local	50,000	50,000	-	(50,000)
Miscellaneous	12,632	-	-	-
Total revenues	<u>104,991</u>	<u>92,859</u>	<u>59,126</u>	<u>(33,733)</u>
Expenditures				
Current				
Public works	104,491	92,359	65,955	26,404
Capital Outlay	500	500	-	500
Total expenditures	<u>104,991</u>	<u>92,859</u>	<u>65,955</u>	<u>26,904</u>
Net changes in fund balance	-	-	(6,829)	(6,829)
Fund balance, beginning of year	<u>21,342</u>	<u>21,342</u>	<u>21,342</u>	<u>-</u>
Fund balance, end of year	<u>\$ 21,342</u>	<u>\$ 21,342</u>	<u>\$ 14,513</u>	<u>\$ (6,829)</u>

VILLAGE OF SPRING LAKE

**HARBOR TRANSIT SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 52,498	\$ 57,670	\$ 52,527	\$ (5,143)
Expenditures				
Current				
Culture and recreation	52,498	57,670	52,527	5,143
Net changes in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

VILLAGE OF SPRING LAKE

**PATHWAYS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Local	\$ -	\$ 42,000	\$ 44,419	\$ 2,419
Expenditures				
Current				
Culture and recreation	-	57,000	54,213	2,787
Revenues over (under) expenditures	-	(15,000)	(9,794)	5,206
Other financing sources (uses)				
Transfers in	-	15,000	15,000	-
Net changes in fund balance	-	-	5,206	5,206
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,206</u>	<u>\$ 5,206</u>

VILLAGE OF SPRING LAKE

**BUILDING DEPARTMENT
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 36,000	\$ 61,200	\$ 65,042	\$ 3,842
Interest and rents	-	-	29	29
Total revenues	36,000	61,200	65,071	3,871
Expenditures				
Current				
Public safety	36,000	61,200	51,693	9,507
Net changes in fund balance	-	-	13,378	13,378
Fund balance, beginning of year	118,570	118,570	118,570	-
Fund balance, end of year	<u>\$ 118,570</u>	<u>\$ 118,570</u>	<u>\$ 131,948</u>	<u>\$ 13,378</u>

VILLAGE OF SPRING LAKE

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF NET POSITION

JUNE 30, 2015

Assets	Central Equipment	Police Equipment	Total
Current assets			
Cash and pooled investments	\$ 364,981	\$ -	\$ 364,981
Accounts receivable, net	<u>1,512</u>	<u>-</u>	<u>1,512</u>
Total current assets	366,493	-	366,493
Long-term assets			
Capital assets			
Being depreciated, net	<u>168,640</u>	<u>-</u>	<u>168,640</u>
Total assets	<u>535,133</u>	<u>-</u>	<u>535,133</u>
Liabilities			
Current liabilities			
Accounts payable	7,404	-	7,404
Accrued liabilities	<u>477</u>	<u>-</u>	<u>477</u>
Total liabilities	<u>7,881</u>	<u>-</u>	<u>7,881</u>
Net position			
Net investment in capital assets	168,640	-	168,640
Unrestricted	<u>358,612</u>	<u>-</u>	<u>358,612</u>
Total net position	<u>\$ 527,252</u>	<u>\$ -</u>	<u>\$ 527,252</u>

VILLAGE OF SPRING LAKE

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Central Equipment</u>	<u>Police Equipment</u>	<u>Total</u>
Operating revenue			
Charges for services	\$ 165,661	\$ -	\$ 165,661
Other	<u>5,284</u>	<u>5,620</u>	<u>10,904</u>
Total operating revenue	<u>170,945</u>	<u>5,620</u>	<u>176,565</u>
Personnel services	18,842	-	18,842
Benefits	10,115	-	10,115
Contractual services	501	-	501
Materials and supplies	34,998	-	34,998
Repairs and maintenance	43,091	418	43,509
Insurance	11,069	-	11,069
Depreciation	65,047	-	65,047
Miscellaneous	<u>9,612</u>	<u>-</u>	<u>9,612</u>
Total operating expense	<u>193,275</u>	<u>418</u>	<u>193,693</u>
Operating income (loss)	(22,330)	5,202	(17,128)
Non-operating revenue (expense)			
Interest income	<u>76</u>	<u>-</u>	<u>76</u>
Income (loss) before transfers	(22,254)	5,202	(17,052)
Transfers			
Transfers out	<u>-</u>	<u>(44,368)</u>	<u>(44,368)</u>
Changes in net position	(22,254)	(39,166)	(61,420)
Net position, beginning of year	<u>549,506</u>	<u>39,166</u>	<u>588,672</u>
Net position, end of year	<u>\$ 527,252</u>	<u>\$ -</u>	<u>\$ 527,252</u>

VILLAGE OF SPRING LAKE

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Central Equipment</u>	<u>Police Equipment</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from internal services provided	\$ 165,661	\$ -	\$ 165,661
Receipts from customers and users	3,772	5,620	9,392
Payments to employees	(28,652)	-	(28,652)
Payments to suppliers	<u>(71,994)</u>	<u>(2,012)</u>	<u>(74,006)</u>
Net cash provided by (used in) operating activities	68,787	3,608	72,395
Cash flows from non-capital financing activities			
Transfers out	-	(44,368)	(44,368)
Cash flows from capital and related financing activities			
Acquisitions of capital assets	(35,177)	-	(35,177)
Cash flows from investing activities			
Interest income	<u>76</u>	<u>-</u>	<u>76</u>
Net increase (decrease) in cash and cash equivalents	33,686	(40,760)	(7,074)
Cash and pooled investments, beginning of year	<u>331,295</u>	<u>40,760</u>	<u>372,055</u>
Cash and pooled investments, end of year	<u>\$ 364,981</u>	<u>\$ -</u>	<u>\$ 364,981</u>
Cash flows from operating activities			
Operating income (loss)	\$ (22,330)	\$ 5,202	\$ (17,128)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	65,047	-	65,047
Net book value of disposed items	21,750	-	21,750
Change in operating assets and liabilities which provided (used) cash			
Accounts receivable	(1,512)	-	(1,512)
Prepaid items	195	-	195
Accounts payable	5,332	(1,594)	3,738
Accrued liabilities	<u>305</u>	<u>-</u>	<u>305</u>
Net cash provided by (used in) operating activities	<u>\$ 68,787</u>	<u>\$ 3,608</u>	<u>\$ 72,395</u>

VILLAGE OF SPRING LAKE

DOWNTOWN DEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2015

	DDA General Fund	Adjustments	Statement of Net Position
Assets			
Cash and pooled investments	\$ 10,922	\$ -	\$ 10,922
Due from other governments	<u>4,252</u>	<u>-</u>	<u>4,252</u>
Total assets	<u>\$ 15,174</u>	<u>-</u>	15,174
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 6,110	-	6,110
Accrued liabilities	<u>890</u>	<u>-</u>	<u>890</u>
Total liabilities	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Fund balances			
Unassigned	<u>8,174</u>		
Total fund balances	<u>8,174</u>	<u>(8,174)</u>	
Total liabilities and fund balances	<u>\$ 15,174</u>		
Net position			
Unrestricted		<u>\$ 8,174</u>	<u>\$ 8,174</u>

VILLAGE OF SPRING LAKE

DOWNTOWN DEVELOPMENT AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

	DDA General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental revenues			
Local	\$ 39,552	\$ -	\$ 39,552
Interest and rents	<u>1</u>	<u>-</u>	<u>1</u>
Total revenues	39,553	-	39,553
Expenditures			
Current			
Community and economic development	<u>32,368</u>	<u>-</u>	<u>32,368</u>
Net changes in fund balance	7,185	(7,185)	-
Change in net position		7,185	7,185
Fund balances/net position			
Beginning of year	<u>989</u>		<u>989</u>
End of year	<u>\$ 8,174</u>		<u>\$ 8,174</u>

VILLAGE OF SPRING LAKE

TAX INCREMENT FINANCE AUTHORITY BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2015

	TIFA General Fund	Adjustments	Statement of Net Position
Assets			
Cash and pooled investments	\$ 18,017	\$ -	\$ 18,017
Accounts receivable	<u>13,726</u>	<u>-</u>	<u>13,726</u>
Total assets	<u>\$ 31,743</u>	<u>-</u>	<u>31,743</u>
Liabilities, deferred inflows of resources, and fund balances			
Liabilities			
Noncurrent liabilities			
Due to other governments	<u>\$ -</u>	<u>70,551</u>	<u>70,551</u>
Total liabilities	<u>-</u>	<u>70,551</u>	<u>70,551</u>
Deferred inflows of resources			
Unavailable revenue	<u>13,726</u>	<u>(13,726)</u>	<u>-</u>
Fund balances			
Unassigned	<u>18,017</u>		
Total fund balances	<u>18,017</u>	<u>(18,017)</u>	<u>-</u>
Total liabilities, deferred inflows of resource, and fund balances	<u>\$ 31,743</u>		
Net position			
Unrestricted (deficit)		<u>\$ (52,534)</u>	<u>\$ (38,808)</u>
Reconciliation of fund balances to net position (deficit)			
Fund balances of governmental funds			\$ 18,017
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:			
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds			
Deduct long-term amounts due to other governments			(70,551)
Certain assets are not due and receivable in the current period and therefore are offset with deferred inflows in the funds.			
Add deferred inflows			<u>13,726</u>
Net position (deficit) of governmental activities			<u>\$ (38,808)</u>

VILLAGE OF SPRING LAKE

TAX INCREMENT FINANCE AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

	TIFA General <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
Revenues			
Taxes	\$ 379,998	\$ -	\$ 379,998
Interest and other	141	-	141
Other	<u>14,415</u>	<u>(12,595)</u>	<u>1,820</u>
Total revenues	394,554	(12,595)	381,959
Expenditures			
Current			
Community and economic development	<u>390,148</u>	<u>(10,963)</u>	<u>379,185</u>
Net changes in fund balance	4,406	<u>(4,406)</u>	
Change in net position			2,774
Fund balances/net position (deficit)			
Beginning of year	<u>13,611</u>		<u>(41,582)</u>
End of year	<u>\$ 18,017</u>		<u>\$ (38,808)</u>
Reconciliation of change in fund balances to change in net position (deficit)			
Net change in fund balance of governmental funds			\$ 4,406
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:			
Repayment of long-term payables is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.			10,963
Some receivables are long-term in nature and are collectable over several years, however only current receipts are reflected as revenues on the fund statements.			<u>(12,595)</u>
Change in net position of governmental activities			<u>\$ 2,774</u>



Vredeveld Haefner LLC

CPA's and Consultants

4001 Granada Ct.
Grand Rapids, MI 49534
FAX (616) 828-0307

Douglas J. Vredeveld, CPA

(616) 446-7474

Peter S. Haefner, CPA

(616) 460-9388

September 11, 2015

To the Village Council
Village of Spring Lake, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Spring Lake (the Village) for the year ended June 30, 2015. 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 July 7, 2015. 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. The Village adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, in 2015. The effects of these standards are described in Note 13. We noted no transactions entered into by 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 estimates affecting the financial statements were:

Management's estimate of the useful lives of capital assets is based on previous history and future expectations and the estimate of pension and OPEB plan obligations are based on actuarial valuations of the plans. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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 Representation

We have requested certain representations from management that are included in the management representation letter dated September 11, 2015.

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 required supplementary information (RSI), as itemized in the table of contents 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 combining statements and individual fund statements, 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 the Village Board and management of the Village of Spring Lake and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Uredaxold Haefner LLC