

VILLAGE OF SPRING LAKE, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016



Vredeveld Haefner LLC

VILLAGE OF SPRING LAKE

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10-11
Fund Financial Statements	
Balance Sheet - Governmental Funds	12
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Position of Governmental Activities on the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Position - Proprietary Funds	16
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	17
Statement of Cash Flows - Proprietary Funds	18
Statement of Assets and Liabilities - Agency Fund	19
Notes to Financial Statements	21-38
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	39
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Police Department Fund	40
Defined Benefit Pension Plan	
Schedule of Changes in Employers Net Pension Liability and Related Ratios	41
Schedule of Employer Contributions	42
Other Post-employment Benefits Plan Schedule of Funding Progress	43
Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	46-47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	48-49
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Major Street Fund	50
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Local Street Fund	51
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - County-wide Road Millage Fund	52
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Pathways Fund	53
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Building Department Fund	54

VILLAGE OF SPRING LAKE

TABLE OF CONTENTS

	<u>PAGE</u>
Component Units	
Downtown Development Authority	
Balance Sheet/Statement of Net Position	55
Statement of Revenues, Expenditures and Changes in Fund Balances/ Statement of Activities	56
Tax Increment Finance Authority	
Balance Sheet/Statement of Net Position	57
Statement of Revenues, Expenditures and Changes in Fund Balances/ Statement of Activities	58



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INDEPENDENT AUDITORS' REPORT

September 27, 2016

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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the 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.

Uredaxeld 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, 2016.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2016 fiscal year as follows:

- The Village spent \$325,000 to improve Central Park. These improvements were paid for with donated funds.
- The Village purchased the former Spring Lake Township Hall for \$350,000.
- Over \$70,000 was spent on renovating the Village Hall to accommodate the relocation of Spring Lake Township offices to the Village Hall. These costs have been offset by a State grant and lease revenue from the Township.
- The Village spent \$236,000 to improve Sanitary Sewer lift stations.
- The Village renewed the Downtown Development Authority Tax Increment Finance Plan for 10 years.

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 an internal service fund to account for its 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 and other post-employment benefit 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 \$12,713,368 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	2016	2015	2016	2015	2016
Assets						
Current and other assets	\$1,318,724	\$ 1,582,490	\$1,327,351	\$1,258,538	\$ 2,646,075	\$ 2,841,028
Capital assets	8,325,231	8,518,202	3,614,809	3,709,827	11,940,040	12,228,029
Total assets	9,643,955	10,100,692	4,942,160	4,968,365	14,586,115	15,069,057
Deferred outflows of resources	114,754	365,530	-	-	114,754	365,530
Liabilities						
Current liabilities	279,626	482,677	116,022	110,166	395,648	592,843
Long-term liabilities	1,764,015	1,983,659	145,365	123,301	1,909,380	2,106,960
Total liabilities	2,043,641	2,466,336	261,387	233,467	2,305,028	2,699,803
Deferred inflows of resources	-	21,416	-	-	-	21,416
Net position						
Net investment in capital assets	7,179,682	7,458,837	3,448,363	3,564,463	10,628,045	11,023,300
Restricted	268,093	378,686	-	-	268,093	378,686
Unrestricted	267,293	140,947	1,232,410	1,170,435	1,499,703	1,311,382
Total net position	\$7,715,068	\$7,978,470	\$4,680,773	\$4,734,898	\$12,395,841	\$12,713,368

About 10% of the Village's net position reflects unrestricted net position which is available for future operation while a significant portion (87%) 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, 2016, was \$3,220,029 while total cost of all programs and services was \$2,902,502. This results in an increase in net position of \$317,527. The business-type activities increase in net position of \$54,125 was primarily the result of costs and rates being nearly equal. The governmental activities increase in net position of \$263,402 is primarily due to receipt of a capital grant.

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	2016	2015	2016	2015	2016
Revenues						
Program revenues						
Charges for services	\$ 341,981	\$ 419,354	\$838,304	\$863,880	\$1,180,285	\$1,283,234
Operating grants and contributions	310,465	310,091	-	-	310,465	310,091
Capital grants and contributions	159,419	422,779	-	-	159,419	422,779
General revenues						
Property taxes	1,161,475	971,777	-	-	1,161,475	971,777
State shared revenues	186,721	184,049	-	-	186,721	184,049
Other	92,040	23,078	23,828	25,021	115,868	48,099
Total revenues	2,252,101	2,331,128	862,132	888,901	3,114,233	3,220,029
Expenses						
General government	602,601	628,135	-	-	602,601	628,135
Public safety	540,347	481,299	-	-	540,347	481,299
Public works	356,301	421,415	-	-	356,301	421,415
Community and economic development	55,565	96,004	-	-	55,565	96,004
Culture and recreation	477,817	429,159	-	-	477,817	429,159
Interest on long-term debt	27,826	26,214	-	-	27,826	26,214
Sewer	-	-	380,209	356,942	380,209	356,942
Water	-	-	453,440	463,334	453,440	463,334
Total expenses	2,060,457	2,082,226	833,649	820,276	2,894,106	2,902,502
Increase (decrease) in net position before transfers	191,644	248,902	28,483	68,625	220,127	317,527
Transfers in (out)	16,500	14,500	(16,500)	(14,500)	-	-
Change in net position	208,144	263,402	11,983	54,125	220,127	317,527
Net position – beginning	7,506,924	7,715,068	4,668,790	4,680,773	12,175,714	12,395,841
Net position – ending	\$7,715,068	\$7,978,470	\$4,680,773	\$4,734,898	\$12,395,841	\$12,713,368

Governmental Activities During the year, the Village invested \$628,135 or 30% of governmental activities expenses in general government. Public safety, which includes the police and fire departments, was \$481,299 or 23% of governmental activities expenses while community and economic development, culture and recreation, public works and interest on long-term debt made up the remaining 47% of governmental activities expenses. The governmental activities represented above included the County sheriff 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 \$847,575 an increase of \$151,456 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 \$391,958. 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 43% of total general fund expenditures. The fund balance of the Village's general fund increased by \$86,128 during the current fiscal year.

The police department fund had an increase in fund balance of \$13,528. At the end of the current fiscal year, fund balance of the fund was \$57,340. All amounts in this fund are assigned to be used for police operations. The increase is primarily the result of the local contributions.

The public improvement fund was used to account for various construction projects including the Village Hall renovation, Central Park improvements and Grand River greenway. The projects were funded by various State and local revenues.

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 \$1,170,435. The enterprise funds reported an increase in net position for the year of \$54,125. 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:

- The budget for façade grants was increased by \$122,000 to account for a Community Development Block Grant which paid part of the costs of renovation for a historic home in the Village.
- The budget for Village Hall & Grounds was increased by \$20,000 to account for the increased cost of maintaining the former Township Hall.
- The budget for wetlands mitigation related to the Grand River Greenway project was increased by \$25,000.

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, 2016, amounted to \$12,228,029 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and vehicles, and infrastructure.

Additional information on the Village's capital assets can be found in Note 5 to these financial statements.

Long-term debt At the end of the current fiscal year, the Village had loans and bonded debt outstanding of \$1,204,729. Of this amount, \$1,059,365 was for governmental activities while \$145,364 was for business-type activities.

The Village's total long-term debt decreased during the current fiscal year as payments were made on outstanding debt and no new debt was issued.

Additional information on the Village's long-term debt can be found in Note 7 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 2016-2017 fiscal year:

- The former Spring Lake Township Hall will be demolished during 2016. The costs of demolition will be covered by a State grant.
- The Village is expected to spend \$700,000 over the next two years on improvements to Buchanan Street.
- The Village will need to adjust water and sewer rates to cover the cost of capital improvements. A Water and Sewer System reliability study will be completed in the fall of 2016.

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, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority	Tax Increment Finance Authority
Assets					
Cash and pooled investments	\$ 1,064,579	\$ 1,030,138	\$ 2,094,717	\$ 64,679	\$ 22,279
Accounts receivable, net	339,323	226,131	565,454	-	-
Due from other governments	135,561	-	135,561	6,799	-
Prepaid items and other assets	43,027	2,269	45,296	-	-
Capital assets					
Land	2,169,632	8,092	2,177,724	350,000	-
Construction in progress	-	2,078	2,078	-	-
Depreciable capital assets, net	6,348,570	3,699,657	10,048,227	-	-
Total assets	<u>10,100,692</u>	<u>4,968,365</u>	<u>15,069,057</u>	<u>421,478</u>	<u>22,279</u>
Deferred outflows of resources					
Deferred outflows - pension	365,530	-	365,530	-	-
Liabilities					
Accounts payable	374,947	84,647	459,594	21,310	138
Accrued liabilities	21,322	2,471	23,793	362	-
Accrued interest payable	-	985	985	-	-
Debt due within one year	86,408	22,063	108,471	44,365	-
Noncurrent liabilities					
Due to other governments	-	-	-	-	59,366
Net OPEB obligation	54,691	-	54,691	-	-
Net pension liability	939,210	-	939,210	-	-
Compensated absences	16,801	-	16,801	-	-
Debt due in more than one year	972,957	123,301	1,096,258	95,495	-
Total liabilities	<u>2,466,336</u>	<u>233,467</u>	<u>2,699,803</u>	<u>161,532</u>	<u>59,504</u>
Deferred inflows of resources					
Deferred inflows - pension	21,416	-	21,416	-	-
Net position					
Net investment in capital assets	7,458,837	3,564,463	11,023,300	-	-
Restricted for					
Debt service	2,531	-	2,531	-	-
Building department	154,410	-	154,410	-	-
Transportation	221,745	-	221,745	-	-
Unrestricted	140,947	1,170,435	1,311,382	259,946	(37,225)
Total net position	<u>\$ 7,978,470</u>	<u>\$ 4,734,898</u>	<u>\$ 12,713,368</u>	<u>\$ 259,946</u>	<u>\$ (37,225)</u>

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

VILLAGE OF SPRING LAKE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

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	\$ 628,135	\$ 196,800	\$ 1,410	\$ -	\$ (429,925)
Public safety	481,299	85,929	14,009	-	(381,361)
Public works	421,415	-	291,407	-	(130,008)
Community and economic development	96,004	5,900	-	-	(90,104)
Culture and recreation	429,159	130,725	3,264	422,779	127,609
Interest on long-term debt	26,214	-	-	-	(26,214)
Total governmental activities	<u>2,082,226</u>	<u>419,354</u>	<u>310,090</u>	<u>422,779</u>	<u>(930,003)</u>
Business-type activities					
Sewer	356,942	451,710	-	-	94,768
Water	463,334	412,170	-	-	(51,164)
Total business-type activities	<u>820,276</u>	<u>863,880</u>	<u>-</u>	<u>-</u>	<u>43,604</u>
Total primary government	\$ 2,902,502	\$ 1,283,234	\$ 310,090	\$ 422,779	\$ (886,399)
Component units					
Downtown Development Authority	326,944	-	450,000	128,716	\$ 251,772
Tax Increment Finance Authority	517,138	-	-	-	(517,138)
Total component units	\$ 844,082	\$ -	\$ 450,000	\$ 128,716	\$ (265,366)

(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, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Tax Increment Finance Authority
	Changes in net assets				
Net (expense) revenue	\$ (930,003)	\$ 43,604	\$ (886,399)	\$ 251,772	\$ (517,138)
General revenues					
Property taxes	971,777	-	971,777	-	518,721
State shared revenues - unrestricted	184,049	-	184,049	-	-
Investment earnings	7,269	4,001	11,270	-	-
Other general revenues	15,810	21,020	36,830	-	-
Transfers - internal activities	14,500	(14,500)	-	-	-
Total general revenues and transfers	<u>1,193,405</u>	<u>10,521</u>	<u>1,203,926</u>	<u>-</u>	<u>518,721</u>
Change in net position	263,402	54,125	317,527	251,772	1,583
Net position (deficit), beginning 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>
Net position (deficit), end of year	<u>\$ 7,978,470</u>	<u>\$ 4,734,898</u>	<u>\$ 12,713,368</u>	<u>\$ 259,946</u>	<u>\$ (37,225)</u>

(Concluded)

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

VILLAGE OF SPRING LAKE

**GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2016

	<u>General</u>	<u>Police Department</u>	<u>Public Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 410,637	\$ 87,507	\$ 177	\$ 286,815	\$ 785,136
Accounts receivable	15,203	-	324,120	-	339,323
Due from other funds	-	-	-	60,000	60,000
Due from other governments	90,585	99	-	44,877	135,561
Prepaid items	9,877	31,400	-	1,634	42,911
Total assets	<u>\$ 526,302</u>	<u>\$ 119,006</u>	<u>\$ 324,297</u>	<u>\$ 393,326</u>	<u>\$ 1,362,931</u>
Liabilities, deferred inflows of resources, and fund balances					
Liabilities					
Accounts payable	\$ 45,012	\$ 61,666	\$ 248,848	\$ 11,958	\$ 367,484
Accrued liabilities	20,089	-	-	1,048	21,137
Due to other funds	-	-	60,000	-	60,000
Total liabilities	<u>65,101</u>	<u>61,666</u>	<u>308,848</u>	<u>13,006</u>	<u>448,621</u>
Deferred inflows of resources					
Unavailable revenue	59,366	-	7,369	-	66,735
Fund balances					
Non-spendable					
Prepaid items	9,877	31,400	-	1,634	42,911
Restricted					
Transportation	-	-	-	221,745	221,745
Building department	-	-	-	154,410	154,410
Debt service	-	-	-	2,531	2,531
Assigned					
Public safety	-	25,940	8,080	-	34,020
Unassigned	391,958	-	-	-	391,958
Total fund balances	<u>401,835</u>	<u>57,340</u>	<u>8,080</u>	<u>380,320</u>	<u>847,575</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 526,302</u>	<u>\$ 119,006</u>	<u>\$ 324,297</u>	<u>\$ 393,326</u>	<u>\$ 1,362,931</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, 2016

Fund balances - total governmental funds	\$ 847,575
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 - capital assets (net of accumulated depreciation)	6,109,459
Certain assets are not due and receivable in the current period and therefore are offset with deferred inflows in the funds.	
Add - deferred inflows	66,735
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	511,022
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - net OPEB payable	(54,691)
Deduct - net pension liability	(939,210)
Add -deferred outflows - pension	365,530
Deduct -deferred inflows - pension	(21,416)
Deduct - compensated absences payable	(16,801)
Deduct - debt payable	<u>(1,059,365)</u>
Net position of governmental activities	<u>\$ 7,978,470</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, 2016

	<u>General</u>	<u>Police Department</u>	<u>Public Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 881,711	\$ -	\$ -	\$ 102,262	\$ 983,973
Intergovernmental revenues					
State	184,049	-	40,684	234,652	459,385
Local	12,595	14,009	341,751	89,730	458,085
Licenses and permits	5,304	-	-	81,775	87,079
Charges for services	125,859	-	-	-	125,859
Fines	10,718	-	-	-	10,718
Interest and rents	171,290	3	8,230	1,146	180,669
Miscellaneous	29,244	-	-	-	29,244
Total revenues	<u>1,420,770</u>	<u>14,012</u>	<u>390,665</u>	<u>509,565</u>	<u>2,335,012</u>
Expenditures					
Current					
General government	368,789	-	-	-	368,789
Public safety	1,138	413,484	-	59,443	474,065
Public works	155,016	-	-	136,443	291,459
Community and economic development	87,361	-	-	-	87,361
Culture and recreation	266,243	-	-	56,535	322,778
Debt service					
Principal	11,184	-	-	75,000	86,184
Interest	1,411	-	-	24,803	26,214
Capital Outlay	-	-	451,092	90,114	541,206
Total expenditures	<u>891,142</u>	<u>413,484</u>	<u>451,092</u>	<u>442,338</u>	<u>2,198,056</u>
Revenues over (under) expenditures	<u>529,628</u>	<u>(399,472)</u>	<u>(60,427)</u>	<u>67,227</u>	<u>136,956</u>
Other financing sources (uses)					
Transfers in	14,500	413,000	-	132,770	560,270
Transfers out	(458,000)	-	-	(87,770)	(545,770)
Total other financing sources (uses)	<u>(443,500)</u>	<u>413,000</u>	<u>-</u>	<u>45,000</u>	<u>14,500</u>
Net changes in fund balances	86,128	13,528	(60,427)	112,227	151,456
Fund balances, beginning of year	<u>315,707</u>	<u>43,812</u>	<u>68,507</u>	<u>268,093</u>	<u>696,119</u>
Fund balances, end of year	<u>\$ 401,835</u>	<u>\$ 57,340</u>	<u>\$ 8,080</u>	<u>\$ 380,320</u>	<u>\$ 847,575</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, 2016

Net changes in fund balances - total governmental fund	\$	151,456
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Amounts reported for *governmental activities* in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay		481,125
Deduct - depreciation expense		(358,625)

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		(3,816)
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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.

Deduct - issuance of debt		-
Add - payment on debt		86,184

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		5,617
Add - decrease in other postemployment benefits		34,037
Add - increase in deferred outflows - pension		250,776
Deduct - increase in deferred inflows - pension		(21,416)
Deduct - increase in net pension liability		(345,706)

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		(16,230)
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Change in net position of governmental activities	\$	<u>263,402</u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF SPRING LAKE

PROPRIETARY FUNDS STATEMENT OF NET POSITION

JUNE 30, 2016

Assets	Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
Current assets				
Cash and pooled investments	\$ 254,955	\$ 775,183	\$ 1,030,138	\$ 279,443
Accounts receivable, net	117,580	108,551	226,131	-
Prepaid items	1,140	1,129	2,269	116
Total current assets	373,675	884,863	1,258,538	279,559
Capital assets				
Land	-	8,092	8,092	-
Construction in progress	2,078	-	2,078	-
Being depreciated, net	967,480	2,732,177	3,699,657	239,111
Total capital assets	969,558	2,740,269	3,709,827	239,111
Total assets	1,343,233	3,625,132	4,968,365	518,670
Liabilities				
Current liabilities				
Accounts payable	46,963	37,684	84,647	7,463
Accrued liabilities	703	1,768	2,471	185
Accrued interest payable	-	985	985	-
Current portion of bonds payable	-	22,063	22,063	-
Total current liabilities	47,666	62,500	110,166	7,648
Long-term liabilities				
Bonds payable, net of current portion	-	123,301	123,301	-
Total liabilities	47,666	185,801	233,467	7,648
Net position				
Net investment in capital assets	969,558	2,594,905	3,564,463	239,111
Unrestricted	326,009	844,426	1,170,435	271,911
Total net position	\$ 1,295,567	\$ 3,439,331	\$ 4,734,898	\$ 511,022

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, 2016

	Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
Operating revenue				
Charges for services	\$ 451,710	\$ 412,170	\$ 863,880	\$ 174,780
Other	4,441	16,579	21,020	1,789
Total operating revenue	<u>456,151</u>	<u>428,749</u>	<u>884,900</u>	<u>176,569</u>
Operating expense				
Personnel services	52,436	78,255	130,691	17,067
Benefits	26,747	28,492	55,239	7,196
Contractual services	204,370	43,998	248,368	323
Materials and supplies	4,311	150,450	154,761	41,525
Utilities	9,379	287	9,666	-
Repairs and maintenance	3,442	-	3,442	33,899
Equipment rentals	6,074	18,086	24,160	-
Insurance	3,985	3,985	7,970	12,084
Depreciation	42,514	133,134	175,648	69,268
Miscellaneous	3,684	1,932	5,616	12,536
Total operating expense	<u>356,942</u>	<u>458,619</u>	<u>815,561</u>	<u>193,898</u>
Operating income (loss)	<u>99,209</u>	<u>(29,870)</u>	<u>69,339</u>	<u>(17,329)</u>
Non-operating revenue (expense)				
Interest income	729	3,272	4,001	1,099
Interest expense	-	(4,715)	(4,715)	-
Total non-operating revenue (expense)	<u>729</u>	<u>(1,443)</u>	<u>(714)</u>	<u>1,099</u>
Income (loss) before transfers	99,938	(31,313)	68,625	(16,230)
Transfers				
Transfers out	<u>(7,000)</u>	<u>(7,500)</u>	<u>(14,500)</u>	<u>-</u>
Changes in net position	92,938	(38,813)	54,125	(16,230)
Net position, beginning of year	<u>1,202,629</u>	<u>3,478,144</u>	<u>4,680,773</u>	<u>527,252</u>
Net position, end of year	<u>\$ 1,295,567</u>	<u>\$ 3,439,331</u>	<u>\$ 4,734,898</u>	<u>\$ 511,022</u>

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, 2016

	Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
Cash flows from operating activities				
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ 178,081
Receipts from customers and users	457,286	414,316	871,602	-
Payments to employees	(80,992)	(109,019)	(190,011)	(24,555)
Payments to suppliers	(228,541)	(230,361)	(458,902)	(100,424)
Net cash provided by (used in) operating activities	<u>147,753</u>	<u>74,936</u>	<u>222,689</u>	<u>53,102</u>
Cash flows from non-capital financing activities				
Transfers out	(7,000)	(7,500)	(14,500)	-
Cash flows from capital and related financing activities				
Interest expense	-	(4,822)	(4,822)	-
Principal payments on bonds and notes	-	(21,082)	(21,082)	-
Acquisitions of capital assets	(238,078)	(32,588)	(270,666)	(139,739)
Net cash provided by (used in) capital and related financing activities	<u>(238,078)</u>	<u>(58,492)</u>	<u>(296,570)</u>	<u>(139,739)</u>
Cash flows from investing activities				
Interest income	729	3,272	4,001	1,099
Net increase (decrease) in cash and cash equivalents	(96,596)	12,216	(84,380)	(85,538)
Cash and pooled investments, beginning of year	<u>351,551</u>	<u>762,967</u>	<u>1,114,518</u>	<u>364,981</u>
Cash and pooled investments, end of year	<u>\$ 254,955</u>	<u>\$ 775,183</u>	<u>\$ 1,030,138</u>	<u>\$ 279,443</u>
Cash flows from operating activities				
Operating income (loss)	\$ 99,209	\$ (29,870)	\$ 69,339	\$ (17,329)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	42,514	133,134	175,648	69,268
Change in operating assets and liabilities which provided (used) cash				
Accounts receivable	1,135	(14,433)	(13,298)	1,512
Prepaid items	(1,140)	(1,129)	(2,269)	(116)
Accounts payable	7,844	(10,494)	(2,650)	59
Accrued liabilities	(1,809)	(2,272)	(4,081)	(292)
Net cash provided by (used in) operating activities	<u>\$ 147,753</u>	<u>\$ 74,936</u>	<u>\$ 222,689</u>	<u>\$ 53,102</u>

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

VILLAGE OF SPRING LAKE
AGENCY FUNDS
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2016

	Agency Funds
Assets	
Cash and pooled investments	\$ <u>25,769</u>
Liabilities	
Accounts payable	\$ <u>25,769</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, 2016

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 changes 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, 2016

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, 2016

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 Fund* is used to account for 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 funds held for various projects 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 made during the year.

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.

VILLAGE OF SPRING LAKE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

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 acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received.

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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.

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.

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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 unavailable revenue from unavailable receivables which qualify for reporting in this category. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Village also has an item that qualifies for reporting in this category related to the net pension liability which is further discussed in note 6.

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, 2016

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, 2016, the Village incurred no expenditures which were in excess of the amounts appropriated.

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

3. DEFICIT NET POSITION

At June 30, 2016, the Tax Increment Finance Authority component unit reported a deficit net position of \$37,225.

4. CASH AND POOLED INVESTMENTS

The balances on the financial statements relating to cash and pooled investments 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 pooled investments	\$1,064,579	\$1,030,138	\$25,769	\$86,958	\$2,207,444

Cash and pooled investments consists of the following at June 30, 2016:

Checking and savings accounts	\$1,626,750
Petty cash	400
Investments	<u>580,294</u>
Total	<u>\$2,207,444</u>

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, \$434,810 of the Village's bank balance of \$2,217,399 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	\$165,257	Aaa	Moody's
FHLB	03/20/18	50,002	AA+	S&P
FHLB	05/14/18	50,005	Aaa	Moody's
FNMA	11/07/17	40,011	Aaa	Moody's
FNMA	11/28/17	45,003	Aaa	Moody's
FNMA	11/23/18	30,018	AA+	Moody's
FFCB	07/09/18	50,001	Aaa	Moody's
FFCB	08/02/18	50,001	Aaa	Moody's
Negotiable CD	08/16/16	<u>99,996</u>	N/A	
Total		<u>\$580,294</u>		

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

The Village categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Village has the following recurring fair value measurements as of year-end.

- The Village does not have any investments that report fair value using quoted market prices (Level 1 inputs).
- All of the Village's investments are valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determining the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The Village does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

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.

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, FFCB notes, and negotiable CDs 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.

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities				
Capital assets, not being depreciated				
Land	\$2,169,632	\$ -	\$ -	\$2,169,632
Construction in progress	45,385	-	45,385	-
Total capital assets, not being depreciated	<u>2,215,017</u>	-	45,385	<u>2,169,632</u>
Capital assets, being depreciated				
Land improvements	2,829,305	328,248	-	3,157,553
Buildings and improvements	2,693,126	71,241	-	2,764,367
Machinery and equipment	432,441	-	-	432,441
Vehicles	569,327	139,739	25,100	683,966
Infrastructure	8,808,565	177,159	-	8,935,586
Total capital assets, being depreciated	<u>15,332,764</u>	<u>666,249</u>	<u>25,100</u>	<u>15,973,913</u>
Less accumulated depreciation for				
Land improvements	1,024,348	108,426	-	1,132,774
Buildings and improvements	848,317	59,117	-	907,434
Machinery and equipment	307,125	33,626	-	340,751
Vehicles	456,706	49,565	25,100	481,171
Infrastructure	6,586,054	177,159	-	6,763,213
Total accumulated depreciation	<u>9,222,550</u>	<u>427,893</u>	<u>25,100</u>	<u>9,625,343</u>
Net capital assets, being depreciated	<u>6,110,214</u>	<u>238,356</u>	<u>-</u>	<u>6,348,570</u>
Governmental Activities capital assets, net	<u>\$8,325,231</u>	<u>\$238,356</u>	<u>\$45,385</u>	<u>\$8,518,202</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 8,092	\$ -	\$ -	\$ 8,092
Construction in progress	26,232	2,078	26,232	2,078
Total capital assets, not being depreciated	<u>34,324</u>	<u>2,078</u>	<u>26,232</u>	<u>10,170</u>
Capital assets being depreciated				
Buildings and improvements	4,322,134	-	-	4,322,134
Mains	2,290,208	32,588	-	2,322,796
Machinery and equipment	733,011	262,232	-	995,243
Total capital assets, being depreciated	<u>7,345,353</u>	<u>294,820</u>	<u>-</u>	<u>7,640,173</u>
Less accumulated depreciation for				
Buildings and improvements	2,242,662	86,692	-	2,329,354
Mains	995,157	62,163	-	1,057,320
Machinery and equipment	527,049	26,793	-	553,842
Total accumulated depreciation	<u>3,764,868</u>	<u>175,648</u>	<u>-</u>	<u>3,940,516</u>
Net capital assets, being depreciated	<u>3,580,485</u>	<u>119,172</u>	<u>-</u>	<u>3,699,657</u>
Business-type Activities capital assets, net	<u>\$3,614,809</u>	<u>\$121,250</u>	<u>\$26,232</u>	<u>\$3,709,827</u>

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

Governmental Activities	
General government	\$220,468
Public works	59,817
Recreation and culture	78,340
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	69,268
Total depreciation expense - governmental activities	\$427,893
 Business-type Activities	
Sewer	\$ 42,514
Water	133,134
Total depreciation expense - business- type activities	\$175,648

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.

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, 2015):

Active plan members	7
Inactive employees entitled but not yet receiving benefits	11
Inactive employees or beneficiaries currently receiving benefits	5
Total	23

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 15.0% 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.

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2015, 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, 2015 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.75% in the long-term

Investment rate of return: 7.75%, net of investment expense, including inflation

Mortality rates used were based on the RP-2014 mortality table using a 50% male and 50% female blend. For disabled retirees, the RP-2014 disabled mortality table is used using a 50% male and 50% female blend of disabled retirees.

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.

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>	<u>Expected Money Weighted Rate of Return</u>
Global Equity	57.5%	6.27%	3.60%
Global Fixed Income	20.0%	3.43%	0.68%
Real Assets	12.5%	5.48%	0.69%
Diversifying Strategies	10.0%	7.81%	0.78%
Inflation			2.00%
Administrative fee			0.25%
Investment rate of return			8.00%

Discount rate. The discount rate used to measure the total pension liability is 8% which decreased by .25% from the prior year. 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.

VILLAGE OF SPRING LAKE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2014	\$3,483,523	\$2,890,019	\$593,504
Changes for the Year:			
Service cost	34,834	-	34,834
Interest	273,944	-	273,944
Change in benefits	-	-	-
Differences between expected and actual experience	(32,124)	-	(32,124)
Change in assumptions	134,404	-	134,404
Contributions: employer	-	101,136	(101,136)
Contributions: employee	-	23,968	(23,968)
Net investment Income	-	(44,826)	44,826
Benefit payments, including refunds	(153,283)	(153,283)	-
Administrative expense	-	(6,365)	6,365
Other changes	8,561	-	8,561
Net changes	266,336	(79,370)	345,706
Balance at December 31, 2015	\$3,749,859	\$2,810,649	\$939,210

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 8.0%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.0%) or 1% higher (9.0%) than the current rate.

	Current		
	1% Decrease	Discount rate	1 % Increase
Total Pension Liability	\$4,165,673	\$3,749,859	\$3,441,066
Fiduciary Net Position	2,810,649	2,810,649	2,810,649
Net Pension Liability	\$1,355,024	\$ 939,210	\$ 630,417

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2016 the employer recognized pension expense of \$169,416. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$21,416
Differences in assumptions	89,603	-
(Excess) deficit investment returns	251,150	-
Contributions subsequent to the Measurement date*	24,777	-
Total	\$365,530	\$21,416

* The amount reported as deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending 2017

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

2017	\$ 99,500
2018	99,501
2019	65,406
2020	<u>54,930</u>
Total	<u>\$319,337</u>

Defined contribution 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, 2016 were \$10,722.

7. LONG-TERM DEBT

The following is a summary of the debt transactions of the Village for the year ended June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>	<u>Due Within 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%.	\$ 70,549	\$ -	\$ 11,184	\$ 59,365	\$11,408
\$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%	1,075,000	-	75,000	1,000,000	75,000
Total debt	1,145,549	-	86,184	1,059,365	86,408
Other post-employment benefits	88,728	-	34,037	54,691	-
Long-term compensated absences	22,418	-	5,617	16,801	-
Total Governmental Activities	\$1,256,695	\$ -	\$125,838	\$1,130,857	\$86,408

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Business-type Activities					
\$2,230,000 2010 Ottawa County 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%.	\$144,965	\$ -	\$20,851	\$124,114	\$21,844
\$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%	21,481	-	231	21,250	219
Total Business-type Activities	<u>\$166,446</u>	<u>\$ -</u>	<u>\$21,082</u>	<u>\$145,364</u>	<u>\$22,063</u>
Component Unit					
\$350,000 Spring Lake township hall installment note due in annual installments of \$51,358 through April 2019; plus interest at 5%.	\$ -	\$350,000	\$210,140	\$139,860	\$44,365

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, 2016 are as follows:

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 86,408	\$ 25,327	\$ 22,063	\$ 3,942	\$ 44,365	\$ 6,993
2018	86,635	24,086	23,540	3,443	46,583	4,775
2019	86,868	22,691	25,019	2,910	48,912	2,446
2020	92,106	21,029	26,473	2,344		
2021	92,348	19,147	28,215	1,680		
2022-2026	425,000	65,047	6,325	4,114		
2027-2031	190,000	8,882	7,969	2,256		
2032-2035	-	-	5,760	552		
Total	<u>\$1,059,365</u>	<u>\$186,209</u>	<u>\$145,364</u>	<u>\$21,241</u>	<u>\$139,860</u>	<u>\$14,214</u>

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 Village carries commercial insurance. 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, 2016

9. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2016 are as follows:

<u>Transfers out</u>	<u>Transfers in</u>			<u>Total</u>
	<u>General Fund</u>	<u>Police Department</u>	<u>Nonmajor Governmental Funds</u>	
General fund	\$ -	\$413,000	\$45,000	\$458,000
Nonmajor governmental funds	-	-	87,770	87,770
Sewer fund	7,000	-	-	7,000
Water fund	7,500	-	-	7,500
Total	\$14,500	\$413,000	\$132,770	\$560,270

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, 2016, the date of the last plan valuation, the Plan covered 2 retirees who were receiving benefits. The Plan is closed to new participants. 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, 2016 the Village contributed \$23,100 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, 2016

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, 2016 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, 2016 is 5 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	\$ 4,315
Interest on net OPEB obligation	2,662
Adjustment to annual required contribution	<u>(17,914)</u>
Annual OPEB cost (expense)	(10,937)
Contribution made	<u>(23,100)</u>
Decrease in net OPEB obligation	(34,037)
Net OPEB obligation, beginning of year	<u>88,728</u>
Net OPEB obligation, end of year	<u><u>\$54,691</u></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>Cost</u>	<u>Contributed</u>	<u>Contributed</u>	<u>Obligation</u>
6/30/14	\$ 1,037	2237%	\$119,000
6/30/15	(7,493)	-%	88,728
6/30/16	(10,937)	-%	54,691

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)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/16	\$ -	\$71,065	\$71,065	0%	Not available	N/A

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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 \$143,635 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 based on their portion of the total system flow. This rate includes amounts to finance the Authority's debt. At June 30, 2016, the portion of these Ottawa County bonds outstanding for which the Village has pledged its full faith and credit amounted to approximately \$104,880. 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 \$105,220 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 based on their portion of the total system flow 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, 2016, the portion of these Ottawa County bonds outstanding for which the Village has pledged its full faith and credit amounted to approximately \$327,169. 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

Legal Actions

In the normal course of its activities, the Village has become a party in various legal actions. 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.

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.

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, 2016

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property taxes	\$ 849,444	\$ 865,645	\$ 865,784	\$ 139
Penalties and interest	4,300	4,300	3,731	(569)
Administration fees	12,348	12,348	12,196	(152)
Intergovernmental revenues				
State	193,390	180,967	184,049	3,082
Local	12,595	12,595	12,595	-
Licenses and permits	5,050	5,050	5,304	254
Charges for services				
Cable TV franchise fees	52,000	52,000	54,936	2,936
Cellular tower usage	20,540	20,540	20,583	43
Zoning Fees	300	300	5,900	5,600
Housing inspection fees	3,700	3,700	3,625	(75)
Launch ramp fees	4,000	4,000	6,515	2,515
Other charges for services	34,555	34,555	34,300	(255)
Fines	9,050	9,050	10,718	1,668
Rent	132,533	154,533	169,120	14,587
Interest	500	2,100	2,170	70
Refunds	10,050	10,050	10,170	120
Other revenue	11,590	41,340	19,074	(22,266)
Total revenues	<u>1,355,945</u>	<u>1,413,073</u>	<u>1,420,770</u>	<u>7,697</u>
Expenditures				
Current				
General government				
Village Council	11,505	11,469	11,098	371
Village Manager	80,417	80,117	75,459	4,658
Clerk-Treasurer	181,300	180,875	162,921	17,954
Village hall and grounds	65,131	85,881	83,569	2,312
Attorney	11,800	16,800	14,222	2,578
Barber Street School	21,315	23,415	21,520	1,895
Public safety - fire department	1,350	1,350	1,138	212
Public works				
Public works	121,480	134,305	126,211	8,094
Storm water system	16,031	13,031	9,102	3,929
Maintenance	12,500	5,620	5,363	257
Street lighting	15,200	15,200	14,340	860
Community and economic development				
Planning and zoning	72,791	91,226	87,361	3,865
Culture and recreation				
Parks	203,079	198,279	185,108	13,171
Park maintenance	25,076	28,535	28,470	65
Community promotion	28,230	25,230	25,050	180
Recreation department	17,420	30,420	27,615	2,805
Debt service				
Principal	11,184	11,184	11,184	-
Interest and fiscal charges	1,411	1,411	1,411	-
Total expenditures	<u>897,220</u>	<u>954,348</u>	<u>891,142</u>	<u>63,206</u>
Revenues over (under) expenditures	<u>458,725</u>	<u>458,725</u>	<u>529,628</u>	<u>70,903</u>
Other financing sources (uses)				
Transfers in	14,500	14,500	14,500	-
Transfers out	(458,000)	(458,000)	(458,000)	-
Total other financing sources (uses)	<u>(443,500)</u>	<u>(443,500)</u>	<u>(443,500)</u>	<u>-</u>
Net changes in fund balance	15,225	15,225	86,128	70,903
Fund balance, beginning of year	<u>315,707</u>	<u>315,707</u>	<u>315,707</u>	<u>-</u>
Fund balance, end of year	<u>\$ 330,932</u>	<u>\$ 330,932</u>	<u>\$ 401,835</u>	<u>\$ 70,903</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, 2016

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Local	\$ 16,350	\$ 16,350	\$ 14,009	\$ (2,341)
Interest and rents	-	-	3	3
	<u>16,350</u>	<u>16,350</u>	<u>14,012</u>	<u>(2,338)</u>
Total revenues				
Expenditures				
Current				
Public safety	<u>427,742</u>	<u>427,742</u>	<u>413,484</u>	<u>14,258</u>
Revenues over (under) expenditures	(411,392)	(411,392)	(399,472)	11,920
Other financing sources (uses)				
Transfers in	<u>413,000</u>	<u>413,000</u>	<u>413,000</u>	<u>-</u>
Net changes in fund balance	1,608	1,608	13,528	11,920
Fund balance, beginning of year	<u>43,812</u>	<u>43,812</u>	<u>43,812</u>	<u>-</u>
Fund balance, end of year	<u>\$ 45,420</u>	<u>\$ 45,420</u>	<u>\$ 57,340</u>	<u>\$ 11,920</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, 2016

	2014	2015
Total pension liability		
Service cost	\$ 33,760	\$ 34,834
Interest	269,917	273,944
Changes in benefit terms	-	-
Difference between expected and actual experience	-	(32,124)
Changes in assumptions	-	134,404
Benefit payments including employee refunds	(149,965)	(153,283)
Other	-	8,561
Net change in total pension liability	153,712	266,336
Total pension liability, beginning of year	3,329,811	3,483,523
Total pension liability, end of year	\$ 3,483,523	\$ 3,749,859
 Plan Fiduciary Net Position		
Contributions-employer	\$ 142,827	\$ 101,136
Contributions-employee	130,834	23,968
Net Investment income	167,383	(44,826)
Benefit payments including employee refunds	(149,965)	(153,283)
Administrative expense	(6,218)	(6,365)
Net change in plan fiduciary net position	284,861	(79,370)
Plan fiduciary net position, beginning of year	2,605,158	2,890,019
Plan fiduciary net position, end of year	\$ 2,890,019	\$ 2,810,649
 Employer net pension liability	\$ 593,504	\$ 939,210
 Plan fiduciary net position as a percentage of the total pension liability	83.0%	75.0%
 Covered employee payroll	\$ 744,617	\$ 355,078
Employer's net pension liability as a percentage of covered employee payroll	79.7%	264.5%

Notes to schedule:

Above data is based on a December 31 measurement date.

VILLAGE OF SPRING LAKE
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016

	2015	2016
Actuarial determined contributions	\$ 69,017	\$ 53,070
Contributions in relation to the actuarially determined contribution	164,562	53,070
Contribution deficiency (excess)	\$ (95,545)	\$ -
 Covered employee payroll	 744,617	 355,078
 Contributions as a percentage of covered employee payroll	 22%	 15%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	Varies depending on plan adoption
Mortality	50% female/ 50% male RP-2014 mortality table

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

JUNE 30, 2016

<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>
6/30/2014	\$ -	\$ 119,000	\$ 119,000	0.0%	not available	not available
6/30/2015	-	88,728	88,728	0.0%	not available	not available
6/30/2016	-	71,065	71,065	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, 2016

	Special Revenue			
	<u>Major Streets</u>	<u>Local Streets</u>	<u>County-wide Road Millage</u>	<u>Pathways</u>
Assets				
Cash and pooled investments	\$ 71,289	\$ 24,192	\$ -	\$ 28,849
Due from other funds	60,000	-	-	-
Due from other governments	30,956	13,921	-	-
Prepaid items	<u>681</u>	<u>510</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 162,926</u>	<u>\$ 38,623</u>	<u>\$ -</u>	<u>\$ 28,849</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 4,266	\$ 478	\$ -	\$ 1,954
Accrued liabilities	<u>300</u>	<u>215</u>	<u>-</u>	<u>249</u>
Total liabilities	<u>4,566</u>	<u>693</u>	<u>-</u>	<u>2,203</u>
Fund balances				
Non-spendable				
Prepaid items	681	510	-	-
Restricted				
Transportation	157,679	37,420	-	26,646
Building department	-	-	-	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>158,360</u>	<u>37,930</u>	<u>-</u>	<u>26,646</u>
Total liabilities and fund balances	<u>\$ 162,926</u>	<u>\$ 38,623</u>	<u>\$ -</u>	<u>\$ 28,849</u>

Debt Service

<u>Building Department</u>	<u>2000 Street</u>	<u>2003 Village Hall</u>	<u>Total</u>
\$ 159,954	\$ -	\$ 2,531	\$ 286,815
-	-	-	60,000
-	-	-	44,877
<u>443</u>	<u>-</u>	<u>-</u>	<u>1,634</u>
<u>\$ 160,397</u>	<u>\$ -</u>	<u>\$ 2,531</u>	<u>\$ 393,326</u>
\$ 5,260	\$ -	\$ -	\$ 11,958
<u>284</u>	<u>-</u>	<u>-</u>	<u>1,048</u>
<u>5,544</u>	<u>-</u>	<u>-</u>	<u>13,006</u>
443	-	-	1,634
-	-	-	221,745
154,410	-	-	154,410
<u>-</u>	<u>-</u>	<u>2,531</u>	<u>2,531</u>
<u>154,853</u>	<u>-</u>	<u>2,531</u>	<u>380,320</u>
<u>\$ 160,397</u>	<u>\$ -</u>	<u>\$ 2,531</u>	<u>\$ 393,326</u>

VILLAGE OF SPRING LAKE

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

FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue			
	Major Streets	Local Streets	County-wide Road Millage	Pathways
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues				
State	161,369	73,283	-	-
Local	12,385	-	44,370	32,975
Licenses and permits	-	-	-	-
Interest and rents	573	-	-	-
Total revenues	<u>174,327</u>	<u>73,283</u>	<u>44,370</u>	<u>32,975</u>
Expenditures				
Current				
Public safety	-	-	-	-
Public works	83,492	52,951	-	-
Culture and recreation	-	-	-	56,535
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	5,429	84,685	-	-
Total expenditures	<u>88,921</u>	<u>137,636</u>	<u>-</u>	<u>56,535</u>
Revenues over (under) expenditures	<u>85,406</u>	<u>(64,353)</u>	<u>44,370</u>	<u>(23,560)</u>
Other financing sources (uses)				
Transfers in	-	87,770	-	45,000
Transfers out	(43,400)	-	(44,370)	-
Total other financing sources (uses)	<u>(43,400)</u>	<u>87,770</u>	<u>(44,370)</u>	<u>45,000</u>
Net changes in fund balances	42,006	23,417	-	21,440
Fund balances (deficit), beginning of year	<u>116,354</u>	<u>14,513</u>	<u>-</u>	<u>5,206</u>
Fund balances, end of year	<u>\$ 158,360</u>	<u>\$ 37,930</u>	<u>\$ -</u>	<u>\$ 26,646</u>

Debt Service

<u>Building Department</u>	<u>2000 Street</u>	<u>2003 Village Hall</u>	<u>Total</u>
\$ -	\$ -	\$ 102,262	\$ 102,262
-	-	-	234,652
-	-	-	89,730
81,775	-	-	81,775
<u>573</u>	<u>-</u>	<u>-</u>	<u>1,146</u>
<u>82,348</u>	<u>-</u>	<u>102,262</u>	<u>509,565</u>
59,443	-	-	59,443
-	-	-	136,443
-	-	-	56,535
-	-	75,000	75,000
-	-	24,803	24,803
<u>-</u>	<u>-</u>	<u>-</u>	<u>90,114</u>
<u>59,443</u>	<u>-</u>	<u>99,803</u>	<u>442,338</u>
<u>22,905</u>	<u>-</u>	<u>2,459</u>	<u>67,227</u>
-	-	-	132,770
<u>-</u>	<u>-</u>	<u>-</u>	<u>(87,770)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>45,000</u>
22,905	-	2,459	112,227
<u>131,948</u>	<u>-</u>	<u>72</u>	<u>268,093</u>
<u>\$ 154,853</u>	<u>\$ -</u>	<u>\$ 2,531</u>	<u>\$ 380,320</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, 2016

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 146,869	\$ 163,144	\$ 161,369	\$ (1,775)
Local	7,300	10,800	12,385	1,585
Interest and rents	-	-	573	573
Miscellaneous	-	(366)	-	366
Total revenues	<u>154,169</u>	<u>173,578</u>	<u>174,327</u>	<u>749</u>
Expenditures				
Current				
Public works	129,732	119,741	83,492	36,249
Capital Outlay	1,550	8,550	5,429	3,121
Total expenditures	<u>131,282</u>	<u>128,291</u>	<u>88,921</u>	<u>39,370</u>
Revenues over (under) expenditures	22,887	45,287	85,406	40,119
Other financing sources (uses)				
Transfers out	(21,000)	(43,400)	(43,400)	-
Net changes in fund balance	1,887	1,887	42,006	40,119
Fund balance, beginning of year	<u>116,354</u>	<u>116,354</u>	<u>116,354</u>	<u>-</u>
Fund balance, end of year	<u>\$ 118,241</u>	<u>\$ 118,241</u>	<u>\$ 158,360</u>	<u>\$ 40,119</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, 2016

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 43,666	\$ 66,000	\$ 73,283	\$ 7,283
Expenditures				
Current				
Public works	73,955	75,789	52,951	22,838
Capital Outlay	42,500	85,400	84,685	715
Total expenditures	<u>116,455</u>	<u>161,189</u>	<u>137,636</u>	<u>23,553</u>
Revenues over (under) expenditures	(72,789)	(95,189)	(64,353)	30,836
Other financing sources (uses)				
Transfers in	72,950	95,350	87,770	(7,580)
Net changes in fund balance	161	161	23,417	23,256
Fund balance, beginning of year	<u>14,513</u>	<u>14,513</u>	<u>14,513</u>	<u>-</u>
Fund balance, end of year	<u>\$ 14,674</u>	<u>\$ 14,674</u>	<u>\$ 37,930</u>	<u>\$ 23,256</u>

VILLAGE OF SPRING LAKE
COUNTY-WIDE ROAD MILLAGE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Local	\$ 52,000	\$ 52,000	\$ 44,370	\$ (7,630)
Expenditures				
Current				
Public works	<u>50</u>	<u>50</u>	<u>-</u>	<u>50</u>
Revenues over (under) expenditures	51,950	51,950	44,370	(7,580)
Other financing sources (uses)				
Transfers out	<u>(51,950)</u>	<u>(51,950)</u>	<u>(44,370)</u>	<u>7,580</u>
Net changes in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

VILLAGE OF SPRING LAKE

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

FOR THE YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues				
Local	\$ 42,000	\$ 32,975	\$ 32,975	\$ -
Expenditures				
Current				
Culture and recreation	<u>79,075</u>	<u>70,050</u>	<u>56,535</u>	<u>13,515</u>
Revenues over (under) expenditures	(37,075)	(37,075)	(23,560)	13,515
Other financing sources (uses)				
Transfers in	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>-</u>
Net changes in fund balance	7,925	7,925	21,440	13,515
Fund balance, beginning of year	<u>5,206</u>	<u>5,206</u>	<u>5,206</u>	<u>-</u>
Fund balance, end of year	<u>\$ 13,131</u>	<u>\$ 13,131</u>	<u>\$ 26,646</u>	<u>\$ 13,515</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, 2016

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 57,500	\$ 70,500	\$ 81,775	\$ 11,275
Interest and rents	25	25	573	548
Total revenues	57,525	70,525	82,348	11,823
Expenditures				
Current				
Public safety	52,016	65,016	59,443	5,573
Net changes in fund balance	5,509	5,509	22,905	17,396
Fund balance, beginning of year	131,948	131,948	131,948	-
Fund balance, end of year	<u>\$ 137,457</u>	<u>\$ 137,457</u>	<u>\$ 154,853</u>	<u>\$ 17,396</u>

VILLAGE OF SPRING LAKE

**DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET/STATEMENT OF NET POSITION**

JUNE 30, 2016

	DDA General Fund	Adjustments	Statement of Net Position
Assets			
Cash and pooled investments	\$ 64,679	\$ -	\$ 64,679
Due from other governments	6,799	-	6,799
Capital assets:			
Land	-	350,000	350,000
Depreciable, net	-	-	-
Total assets	<u>\$ 71,478</u>	<u>350,000</u>	421,478
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 21,310	-	21,310
Accrued liabilities	362	-	362
Noncurrent liabilities			
Due within one year	-	44,365	44,365
Due in more than one year	-	95,495	95,495
Total liabilities	<u>21,672</u>	<u>139,860</u>	<u>161,532</u>
Fund balances			
Unassigned	<u>49,806</u>		
Total fund balances	<u>49,806</u>	<u>(49,806)</u>	
Total liabilities and fund balances	<u>\$ 71,478</u>		
Net position			
Unrestricted		<u>\$ 49,806</u>	<u>\$ 259,946</u>
Reconciliation of fund balances to net assets (deficit)			
Fund balances of governmental funds			\$ 49,806
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:			
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.			
Add land			350,000
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Deduct debt payable			<u>(139,860)</u>
Net assets of governmental activities			<u>\$ 259,946</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, 2016

	<u>DDA General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Intergovernmental revenues			
Federal	\$ 128,716	\$ -	\$ 128,716
Local	<u>450,000</u>	<u>-</u>	<u>450,000</u>
Total revenues	578,716	-	578,716
Expenditures			
Current			
Community and economic development	662,084	(350,000)	312,084
Debt service			
Principal	210,140	(210,140)	-
Interest	<u>14,860</u>	<u>-</u>	<u>14,860</u>
Total expenditures	<u>887,084</u>	<u>(560,140)</u>	<u>326,944</u>
Revenues over (under) expenditures	(308,368)	560,140	251,772
Other financing sources (uses)			
Note proceeds	<u>350,000</u>	(350,000)	<u>-</u>
Net changes in fund balance	41,632	(41,632)	
Change in net position			251,772
Fund balances/net position			
Beginning of year	<u>8,174</u>		<u>8,174</u>
End of year	<u>\$ 49,806</u>		<u>\$ 259,946</u>
Reconciliation of change in fund balances to change in net position			
Net change in fund balance of governmental funds			\$ 41,632
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 land purchase			350,000
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,			
Deduct - issuance of debt			(350,000)
Add - payment on debt			<u>210,140</u>
Change in net position of governmental activities			<u>\$ 251,772</u>

VILLAGE OF SPRING LAKE

TAX INCREMENT FINANCE AUTHORITY BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2016

	<u>TIFA General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Cash and pooled investments	\$ 22,279	\$ -	\$ 22,279
Total assets	<u>\$ 22,279</u>	<u>-</u>	<u>22,279</u>
Liabilities, deferred inflows of resources, and fund balances			
Liabilities			
Accounts payable	\$ 138	-	138
Noncurrent liabilities			
Due to other governments	<u>-</u>	<u>59,366</u>	<u>59,366</u>
Total liabilities	<u>138</u>	<u>59,366</u>	<u>59,504</u>
Fund balances			
Unassigned	<u>22,141</u>		
Total fund balances	<u>22,141</u>	<u>(22,141)</u>	<u>-</u>
Total liabilities, deferred inflows of resource, and fund balances	<u>\$ 22,279</u>		
Net position			
Unrestricted (deficit)		<u>\$ (37,225)</u>	<u>\$ (37,225)</u>
Reconciliation of fund balances to net position (deficit)			
Fund balances of governmental funds			\$ 22,141
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			<u>(59,366)</u>
Net position (deficit) of governmental activities			<u>\$ (37,225)</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, 2016

	TIFA General <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
Revenues			
Taxes	\$ 518,721	\$ -	\$ 518,721
Other	<u>13,726</u>	<u>(13,726)</u>	<u>-</u>
Total revenues	532,447	(13,726)	518,721
Expenditures			
Current			
Community and economic development	<u>528,323</u>	<u>(11,185)</u>	<u>517,138</u>
Net changes in fund balance	4,124	(4,124)	
Change in net position			1,583
Fund balances/net position (deficit)			
Beginning of year	<u>18,017</u>		<u>(38,808)</u>
End of year	<u>\$ 22,141</u>		<u>\$ (37,225)</u>
Reconciliation of change in fund balances to change in net position (deficit)			
Net change in fund balance of governmental funds			\$ 4,124
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.			11,185
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>(13,726)</u>
Change in net position (deficit) of governmental activities			<u>\$ 1,583</u>