

VILLAGE OF SPRING LAKE, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017



Vredeveld Haefner LLC
CPAs and Consultants

VILLAGE OF SPRING LAKE

TABLE OF CONTENTS

FINANCIAL SECTION	<u>PAGE</u>
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	21-39
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	41
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Local Street Fund	42
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Police Department Fund	43
Defined Benefit Pension Plan	
Schedule of Changes in Employers Net Pension Liability and Related Ratios	44
Schedule of Employer Contributions	45
Other Post-employment Benefits Plan Schedule of Funding Progress	46
Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	48
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Major Street Fund	49
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - County-wide Road Millage Fund	50
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Pathways Fund	51
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Building Department Fund	52

VILLAGE OF SPRING LAKE

TABLE OF CONTENTS

	<u>PAGE</u>
Component Units	
Downtown Development Authority	
Balance Sheet/Statement of Net Position	53
Statement of Revenues, Expenditures and Changes in Fund Balances/ Statement of Activities	54
Tax Increment Finance Authority	
Balance Sheet/Statement of Net Position	55
Statement of Revenues, Expenditures and Changes in Fund Balances/ Statement of Activities	56
 INTERNAL CONTROL AND COMPLIANCE	
 Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	 57-58



Vredeveld Haefner LLC

CPAs and Consultants
10302 20th Avenue
Grand Rapids, MI 49534
Fax (616) 828-0307

Douglas J. Vredeveld, CPA
(616) 446-7474
Peter S. Haefner, CPA
(616) 460-9388

INDEPENDENT AUDITORS' REPORT

September 29, 2017

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, 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 41 through 45 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Urodeuxeld 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, 2017.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2017 fiscal year as follows:

- The Village spent \$157,953 to upgrade Whistlestop Playground. These improvements were funded primarily with private donations.
- The Village spent \$283,917 to repave portions of Buchanan Street.
- The Village made \$99,000 in debt service payments on the land contract for the former Spring Lake Township Hall property. The payments were made with DDA funds.
- The Village spent \$54,836 to demolish the former Spring Lake Township Hall. This work was fund by a State grant.

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, local streets 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 \$13,036,597 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>	
	2016	2017	2016	2017	2016	2017
Assets						
Current and other assets	\$1,582,490	\$ 1,653,033	\$1,258,538	\$1,370,301	\$ 2,841,028	\$ 3,023,334
Capital assets	8,518,202	8,551,521	3,709,827	3,560,286	12,228,029	12,111,807
Total assets	10,100,692	10,204,554	4,968,365	4,930,587	15,069,057	15,135,141
Deferred outflows of resources	365,530	180,732	-	-	365,530	180,732
Liabilities						
Current liabilities	482,677	280,482	110,166	104,393	592,843	384,875
Long-term liabilities	1,983,659	1,748,843	123,301	97,658	2,106,960	1,846,501
Total liabilities	2,466,336	2,029,325	233,467	202,051	2,699,803	2,231,376
Deferred inflows of resources	21,416	47,900	-	-	21,416	47,900
Net position						
Net investment in						
capital assets	7,458,837	7,578,564	3,564,463	3,439,088	11,023,300	11,017,652
Restricted	378,686	536,159	-	-	378,686	536,159
Unrestricted	140,947	193,338	1,170,435	1,289,448	1,311,382	1,482,786
Total net position	\$7,978,470	\$8,308,061	\$4,734,898	\$4,728,536	\$12,713,368	\$13,036,597

About 11% of the Village's net position reflects unrestricted net position which is available for future operation while a significant portion (84%) 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, 2017, was \$3,211,719 while total cost of all programs and services was \$2,888,490. This results in an increase in net position of \$323,229. The business-type activities decrease in net position of \$6,362 was primarily the result of costs and rates being nearly equal. The governmental activities increase in net position of \$329,591 is primarily due to receipts in several departments in excess of expenses.

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>	
	2016	2017	2016	2017	2016	2017
Revenues						
Program revenues						
Charges for services	\$ 419,354	\$ 451,035	\$ 863,880	\$ 927,057	\$ 1,283,234	\$ 1,378,092
Operating grants and contributions	310,091	293,751	-	53,515	310,091	347,266
Capital grants and contributions	422,779	243,812	-	-	422,779	243,812
General revenues						
Property taxes	971,777	993,245	-	-	971,777	993,245
State shared revenues	184,049	195,822	-	-	184,049	195,822
Other	23,078	18,685	25,021	34,797	48,099	53,482
Total revenues	2,331,128	2,196,350	888,901	1,015,369	3,220,029	3,211,719
Expenses						
General government	628,135	599,162	-	-	628,135	599,162
Public safety	481,299	461,647	-	-	481,299	461,647
Public works	421,415	369,810	-	-	421,415	369,810
Community and economic development	96,004	68,964	-	-	96,004	68,964
Culture and recreation	429,159	356,605	-	-	429,159	356,605
Interest on long-term debt	26,214	25,071	-	-	26,214	25,071
Sewer	-	-	356,942	494,980	356,942	494,980
Water	-	-	463,334	512,251	463,334	512,251
Total expenses	2,082,226	1,881,259	820,276	1,007,231	2,902,502	2,888,490
Increase (decrease) in net position before transfers	248,902	315,091	68,625	8,138	317,527	323,229
Transfers in (out)	14,500	14,500	(14,500)	(14,500)	-	-
Change in net position	263,402	329,591	54,125	(6,362)	317,527	323,229
Net position – beginning	7,715,068	7,978,470	4,680,773	4,734,898	12,395,841	12,713,368
Net position – ending	\$7,978,470	\$8,308,061	\$4,734,898	\$4,728,536	\$12,713,368	\$13,036,597

Governmental Activities During the year, the Village invested \$599,162 or 32% of governmental activities expenses in general government. Public safety, which includes the police and fire departments, was \$461,647 or 25% of governmental activities expenses while community and economic development, culture and recreation, public works and interest on long-term debt made up the remaining 43% of governmental activities expenses. The governmental activities represented above include the County sheriff, 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 \$1,124,914, an increase of \$277,339 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 \$508,610. 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 60% of total general fund expenditures. The fund balance of the Village's general fund increased by \$118,113 during the current fiscal year.

The local streets fund reports an increase in fund balance of \$3,433. At the end of the current fiscal year, fund balance of the fund was \$41,363. All amounts in this fund are restricted for use on local streets within the Village.

The police department fund had a decrease in fund balance of \$27,319. At the end of the current fiscal year, fund balance of the fund was \$30,021. 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 \$1,289,448. The enterprise funds reported a decrease in net position for the year of \$6,362. 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 a result of the following:

- The Village incurred \$15,341 in legal fees related to disincorporation.
- The Village expended \$24,683 for consultants and public education regarding disincorporation.
- The Local Street Fund expended \$79,399 to repave a portion of Buchanan Street.
- The Village expended \$24,109 to upgrade the offices used by the Ottawa County Sheriff's Department.

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, 2017, amounted to \$12,111,807 (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 \$1,094,155. Of this amount, \$972,957 was for governmental activities while \$121,198 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. New debt consisted of a refunding bond.

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 2017-2018 fiscal year:

- Uncertainty regarding the level of State Shared Revenue will make budgeting for the General Fund a challenge.
- Roof repairs at the Village Hall and DPW Building will cost approximately \$85,000 in the new fiscal year.
- The sewer line which connects the communities of the City of Ferrysburg, Spring Lake Township and the Village of Spring Lake to the Grand Haven Wastewater Treatment Plant will need to be replaced in the near future. Sewer rates will need to increase to cover the cost of replacing the line.

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:

Marvin Hinga
Village Clerk/Treasurer
marv@springlakevillage.org

BASIC FINANCIAL STATEMENTS

VILLAGE OF SPRING LAKE

STATEMENT OF NET POSITION

JUNE 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority	Tax Increment Finance Authority
Assets					
Cash and pooled investments	\$ 1,432,710	\$ 1,091,852	\$ 2,524,562	\$ 117,522	\$ 30,408
Accounts receivable, net	26,135	222,410	248,545	-	-
Due from other governments	151,378	53,515	204,893	55,870	-
Prepaid items and other assets	42,810	2,524	45,334	-	-
Capital assets					
Land	2,169,632	8,092	2,177,724	350,000	-
Depreciable capital assets, net	6,381,889	3,552,194	9,934,083	-	-
Total assets	<u>10,204,554</u>	<u>4,930,587</u>	<u>15,135,141</u>	<u>523,392</u>	<u>30,408</u>
Deferred outflows of resources					
Deferred outflows - pension	180,732	-	180,732	-	-
Liabilities					
Accounts payable	159,300	76,417	235,717	77,924	-
Accrued liabilities	34,547	3,856	38,403	744	-
Accrued interest payable	-	580	580	-	-
Debt due within one year	86,635	23,540	110,175	42,795	-
Noncurrent liabilities					
Due to other governments	-	-	-	-	47,959
Net OPEB obligation	24,044	-	24,044	-	-
Net pension liability	828,228	-	828,228	-	-
Compensated absences	10,249	-	10,249	-	-
Debt due in more than one year	886,322	97,658	983,980	-	-
Total liabilities	<u>2,029,325</u>	<u>202,051</u>	<u>2,231,376</u>	<u>121,463</u>	<u>47,959</u>
Deferred inflows of resources					
Deferred inflows - pension	47,900	-	47,900	-	-
Net position					
Net investment in capital assets	7,578,564	3,439,088	11,017,652	307,205	-
Restricted for					
Debt service	4,507	-	4,507	-	-
Building department	207,467	-	207,467	-	-
Transportation	324,185	-	324,185	-	-
Unrestricted (deficit)	193,338	1,289,448	1,482,786	94,724	(17,551)
Total net position	<u>\$ 8,308,061</u>	<u>\$ 4,728,536</u>	<u>\$ 13,036,597</u>	<u>\$ 401,929</u>	<u>\$ (17,551)</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, 2017

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	\$ 599,162	\$ 196,872	\$ 1,188	\$ -	\$ (401,102)
Public safety	461,647	126,331	8,557	-	(326,759)
Public works	369,810	-	282,406	-	(87,404)
Community and economic development	68,964	2,350	-	-	(66,614)
Culture and recreation	356,605	125,482	1,600	243,812	14,289
Interest on long-term debt	25,071	-	-	-	(25,071)
Total governmental activities	1,881,259	451,035	293,751	243,812	(892,661)
Business-type activities					
Sewer	494,980	468,391	53,515	-	26,926
Water	512,251	458,666	-	-	(53,585)
Total business-type activities	1,007,231	927,057	53,515	-	(26,659)
Total primary government	\$ 2,888,490	\$ 1,378,092	\$ 347,266	\$ 243,812	\$ (919,320)
Component units					
Downtown Development Authority	393,918	-	476,000	59,901	\$ 141,983
Tax Increment Finance Authority	534,635	-	-	-	(534,635)
Total component units	\$ 928,553	\$ -	\$ 476,000	\$ 59,901	\$ (392,652)

(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, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Tax Increment Finance Authority
	Changes in net assets				
Net (expense) revenue	\$ (892,661)	\$ (26,659)	\$ (919,320)	\$ 141,983	\$ (534,635)
General revenues					
Property taxes	993,245	-	993,245	-	554,309
State shared revenues - unrestricted	195,822	-	195,822	-	-
Investment earnings	7,266	7,410	14,676	-	-
Other general revenues	11,419	27,387	38,806	-	-
Transfers - internal activities	14,500	(14,500)	-	-	-
Total general revenues and transfers	<u>1,222,252</u>	<u>20,297</u>	<u>1,242,549</u>	<u>-</u>	<u>554,309</u>
Change in net position	329,591	(6,362)	323,229	141,983	19,674
Net position (deficit), beginning 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>
Net position (deficit), end of year	<u>\$ 8,308,061</u>	<u>\$ 4,728,536</u>	<u>\$ 13,036,597</u>	<u>\$ 401,929</u>	<u>\$ (17,551)</u>

(Concluded)

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

VILLAGE OF SPRING LAKE

**GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2017

	<u>General</u>	<u>Local Streets</u>	<u>Police Department</u>	<u>Public Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets						
Cash and pooled investments	\$ 537,995	\$ 67,655	\$ 64,516	\$ 221	\$ 471,913	\$ 1,142,300
Accounts receivable	16,829	-	-	8,893	-	25,722
Due from other governments	80,545	9,796	17	31,168	29,852	151,378
Prepaid items	11,338	623	29,395	-	1,312	42,668
Total assets	<u>\$ 646,707</u>	<u>\$ 78,074</u>	<u>\$ 93,928</u>	<u>\$ 40,282</u>	<u>\$ 503,077</u>	<u>\$ 1,362,068</u>
Liabilities, deferred inflows of resources, and fund balances						
Liabilities						
Accounts payable	\$ 46,600	\$ 36,118	\$ 63,907	\$ 3,431	\$ 4,852	\$ 154,908
Accrued liabilities	32,200	593	-	-	1,494	34,287
Total liabilities	<u>78,800</u>	<u>36,711</u>	<u>63,907</u>	<u>3,431</u>	<u>6,346</u>	<u>189,195</u>
Deferred inflows of resources						
Unavailable revenue	47,959	-	-	-	-	47,959
Fund balances						
Non-spendable						
Prepaid items	11,338	623	29,395	-	1,312	42,668
Restricted						
Transportation	-	40,740	-	-	283,445	324,185
Building department	-	-	-	-	207,467	207,467
Debt service	-	-	-	-	4,507	4,507
Assigned						
Public safety	-	-	626	36,851	-	37,477
Unassigned	508,610	-	-	-	-	508,610
Total fund balances	<u>519,948</u>	<u>41,363</u>	<u>30,021</u>	<u>36,851</u>	<u>496,731</u>	<u>1,124,914</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 646,707</u>	<u>\$ 78,074</u>	<u>\$ 93,928</u>	<u>\$ 40,282</u>	<u>\$ 503,077</u>	<u>\$ 1,362,068</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, 2017

Fund balances - total governmental funds	\$ 1,124,914
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)	6,156,079
Certain assets are not due and receivable in the current period and therefore are offset with deferred inflows in the funds.	
Add - deferred inflows	47,959
Deferred inflows and outflows relate to future years and are not reported in the funds.	
Add - deferred outflows from pension related items	180,732
Deduct - deferred inflows from pension related items	(47,900)
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	512,123
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - net OPEB payable	(24,044)
Deduct - net pension liability	(828,228)
Deduct - compensated absences payable	(10,249)
Deduct - debt payable	<u>(972,957)</u>
Net position of governmental activities	<u>\$ 8,308,061</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, 2017

	<u>General</u>	<u>Local Streets</u>	<u>Police Department</u>	<u>Public Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues						
Taxes	\$ 904,858	\$ -	\$ -	\$ -	\$ 100,860	\$ 1,005,718
Intergovernmental revenues						
State	195,822	50,639	-	43,813	177,918	468,192
Local	12,595	-	8,557	173,777	87,440	282,369
Licenses and permits	5,697	-	-	-	121,709	127,406
Charges for services	128,555	-	-	-	-	128,555
Fines	8,037	-	290	-	-	8,327
Interest and rents	175,632	-	-	4,361	1,260	181,253
Miscellaneous	14,406	-	-	8,893	-	23,299
Total revenues	<u>1,445,602</u>	<u>50,639</u>	<u>8,847</u>	<u>230,844</u>	<u>489,187</u>	<u>2,225,119</u>
Expenditures						
Current						
General government	369,909	-	-	-	-	369,909
Public safety	1,003	-	469,166	-	69,253	539,422
Public works	158,399	52,982	-	-	69,131	280,512
Community and economic develop	72,791	-	-	-	-	72,791
Culture and recreation	233,292	-	-	-	54,393	287,685
Debt service						
Principal	11,408	-	-	-	75,000	86,408
Interest	1,187	-	-	-	23,884	25,071
Capital Outlay	-	79,399	-	218,073	3,010	300,482
Total expenditures	<u>847,989</u>	<u>132,381</u>	<u>469,166</u>	<u>218,073</u>	<u>294,671</u>	<u>1,962,280</u>
Revenues over (under) expenditures	<u>597,613</u>	<u>(81,742)</u>	<u>(460,319)</u>	<u>12,771</u>	<u>194,516</u>	<u>262,839</u>
Other financing sources (uses)						
Transfers in	14,500	85,175	433,000	16,000	45,000	593,675
Transfers out	(494,000)	-	-	-	(85,175)	(579,175)
Total other financing sources (uses)	<u>(479,500)</u>	<u>85,175</u>	<u>433,000</u>	<u>16,000</u>	<u>(40,175)</u>	<u>14,500</u>
Net changes in fund balances	118,113	3,433	(27,319)	28,771	154,341	277,339
Fund balances, beginning of year	<u>401,835</u>	<u>37,930</u>	<u>57,340</u>	<u>8,080</u>	<u>342,390</u>	<u>847,575</u>
Fund balances, end of year	<u>\$ 519,948</u>	<u>\$ 41,363</u>	<u>\$ 30,021</u>	<u>\$ 36,851</u>	<u>\$ 496,731</u>	<u>\$ 1,124,914</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, 2017

Net changes in fund balances - total governmental fund	\$	277,339
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because</p> <p>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.</p>		
Add - capital outlay		524,724
Deduct - depreciation expense		(478,104)
<p>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.</p>		
Deduct - change in long-term receivables		(18,776)
<p>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.</p>		
Add - payment on debt		86,408
<p>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.</p>		
Add - decrease in compensated absences		6,552
Add - decrease in other post-employment benefits		30,647
Deduct - decrease in deferred outflows - pension		(184,798)
Deduct - increase in deferred inflows - pension		(26,484)
Add - decrease in net pension liability		110,982
<p>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.</p>		
Deduct - loss from governmental activities in the internal service fund		1,101
Change in net position of governmental activities	\$	<u>329,591</u>

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

VILLAGE OF SPRING LAKE

PROPRIETARY FUNDS STATEMENT OF NET POSITION

JUNE 30, 2017

Assets	Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
	Fund	Fund	Total	Fund
Current assets				
Cash and pooled investments	\$ 256,974	\$ 834,878	\$ 1,091,852	\$ 290,410
Accounts receivable, net	116,138	106,272	222,410	413
Prepaid items	1,262	1,262	2,524	142
Due from other governments	53,515	-	53,515	-
Total current assets	427,889	942,412	1,370,301	290,965
Long-term assets				
Capital assets				
Land	-	8,092	8,092	-
Being depreciated, net	941,042	2,611,152	3,552,194	225,810
Total capital assets	941,042	2,619,244	3,560,286	225,810
Total assets	1,368,931	3,561,656	4,930,587	516,775
Liabilities				
Current liabilities				
Accounts payable	46,341	30,076	76,417	4,392
Accrued liabilities	1,813	2,043	3,856	260
Accrued interest payable	-	580	580	-
Current portion of bonds payable	-	23,540	23,540	-
Total current liabilities	48,154	56,239	104,393	4,652
Long-term liabilities				
Bonds payable, net of current portion	-	97,658	97,658	-
Total liabilities	48,154	153,897	202,051	4,652
Net position				
Net investment in capital assets	941,042	2,498,046	3,439,088	225,810
Unrestricted	379,735	909,713	1,289,448	286,313
Total net position	\$ 1,320,777	\$ 3,407,759	\$ 4,728,536	\$ 512,123

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, 2017

	Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
Operating revenue				
Charges for services	\$ 468,391	\$ 458,666	\$ 927,057	\$ 200,235
Other	4,010	23,377	27,387	-
Total operating revenue	<u>472,401</u>	<u>482,043</u>	<u>954,444</u>	<u>200,235</u>
Operating expense				
Personnel services	54,539	83,408	137,947	20,605
Benefits	28,139	30,194	58,333	6,704
Contractual services	327,583	78,901	406,484	430
Materials and supplies	5,555	159,589	165,144	50,407
Utilities	10,162	1,460	11,622	-
Repairs and maintenance	5,014	2,917	7,931	35,247
Equipment rentals	6,855	21,843	28,698	-
Insurance	5,410	5,302	10,712	13,440
Depreciation	48,222	121,025	169,247	61,644
Miscellaneous	3,501	3,597	7,098	12,627
Total operating expense	<u>494,980</u>	<u>508,236</u>	<u>1,003,216</u>	<u>201,104</u>
Operating income (loss)	<u>(22,579)</u>	<u>(26,193)</u>	<u>(48,772)</u>	<u>(869)</u>
Non-operating revenue (expense)				
State grants	53,515	-	53,515	-
Interest income	1,274	6,136	7,410	1,970
Interest expense	-	(4,015)	(4,015)	-
Total non-operating revenue (expense)	<u>54,789</u>	<u>2,121</u>	<u>56,910</u>	<u>1,970</u>
Income (loss) before transfers	32,210	(24,072)	8,138	1,101
Transfers				
Transfers out	(7,000)	(7,500)	(14,500)	-
Changes in net position	25,210	(31,572)	(6,362)	1,101
Net position, beginning of year	<u>1,295,567</u>	<u>3,439,331</u>	<u>4,734,898</u>	<u>511,022</u>
Net position, end of year	<u>\$ 1,320,777</u>	<u>\$ 3,407,759</u>	<u>\$ 4,728,536</u>	<u>\$ 512,123</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, 2017

	Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
Cash flows from operating activities				
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ 199,822
State grants	53,515	-	53,515	-
Receipts from customers and users	473,843	484,322	958,165	-
Payments to employees	(81,568)	(113,327)	(194,895)	(27,234)
Payments to suppliers	(418,339)	(281,350)	(699,689)	(115,248)
Net cash provided by (used in) operating activities	<u>27,451</u>	<u>89,645</u>	<u>117,096</u>	<u>57,340</u>
Cash flows from non-capital financing activities				
Transfers out	(7,000)	(7,500)	(14,500)	-
Cash flows from capital and related financing activities				
Bond issue	-	18,525	18,525	-
Interest expense	-	(4,420)	(4,420)	-
Principal payments on bonds and notes	-	(42,691)	(42,691)	-
Acquisitions of capital assets	(19,706)	-	(19,706)	(48,343)
Net cash provided by (used in) capital and related financing activities	<u>(19,706)</u>	<u>(28,586)</u>	<u>(48,292)</u>	<u>(48,343)</u>
Cash flows from investing activities				
Interest income	1,274	6,136	7,410	1,970
Net increase (decrease) in cash and cash equivalents	2,019	59,695	61,714	10,967
Cash and pooled investments, beginning of year	<u>254,955</u>	<u>775,183</u>	<u>1,030,138</u>	<u>279,443</u>
Cash and pooled investments, end of year	<u>\$ 256,974</u>	<u>\$ 834,878</u>	<u>\$ 1,091,852</u>	<u>\$ 290,410</u>
Cash flows from operating activities				
Operating income (loss)	\$ (22,579)	\$ (26,193)	\$ (48,772)	\$ (869)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	48,222	121,025	169,247	61,644
State grants	53,515	-	53,515	-
Change in operating assets and liabilities which provided (used) cash				
Accounts receivable	1,442	2,279	3,721	(413)
Prepaid items	(122)	(133)	(255)	(26)
Due from other governments	(53,515)	-	(53,515)	-
Accounts payable	(622)	(7,608)	(8,230)	(3,071)
Accrued liabilities	1,110	275	1,385	75
Net cash provided by (used in) operating activities	<u>\$ 27,451</u>	<u>\$ 89,645</u>	<u>\$ 117,096</u>	<u>\$ 57,340</u>

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

VILLAGE OF SPRING LAKE
AGENCY FUND
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2017

Assets

Cash and pooled investments	<u>\$ 31,622</u>
-----------------------------	------------------

Liabilities

Accounts payable	<u>\$ 31,622</u>
------------------	------------------

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

(This page left intentionally blank)

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Discretely Presented Component Units

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

Government-wide and Fund Financial Statements

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

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

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

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

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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 *Local Streets Special Revenue Fund* is used to account for Act 51 revenues received which are restricted to funding of local streets.

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.

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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.

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.

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Cash and Cash Equivalents

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

Investments

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

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

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

Receivables

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

Due to and Due from Other Funds

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

Prepaid Items

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

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.

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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.

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 not permitted to carry unused vacation time into the next fiscal year. 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, 2017

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, 2017

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, 2017, 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, 2017

3. DEFICIT NET POSITION

At June 30, 2017, the Tax Increment Finance Authority component unit reported a deficit net position of \$17,551.

4. CASH AND POOLED INVESTMENTS

The balances on the financial statements relating to cash and pooled investments are as follows:

	Governmental Activities	Business- type Activities	Fiduciary Funds	Component Units	Total
Cash and pooled investments	\$1,432,710	\$1,091,852	\$31,622	\$147,930	\$2,704,114

Cash and pooled investments consists of the following at June 30, 2017:

Demand deposits and certificates of deposit	\$2,383,714
Petty cash	400
Investments	320,000
Total	\$2,704,114

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, \$906,109 of the Village's bank balance of \$2,477,758 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:

	Maturity	Fair Value	Rating	Source
FNMA	11/28/17	\$ 45,000	Aaa	Moody
FHLB	03/20/18	50,000	AA+	S&P
FFCB	08/02/18	50,000	Aaa	Moody
FNMA	12/20/18	45,000	Aaa	Moody
FNMA	10/25/19	130,000	AA+	S&P
Total		\$320,000		

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.

VILLAGE OF SPRING LAKE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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 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, 2017

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities				
Capital assets, not being depreciated				
Land	\$2,169,632	\$ -	\$ -	\$ 2,169,632
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>2,169,632</u>	<u>-</u>	<u>-</u>	<u>2,169,632</u>
Capital assets, being depreciated				
Land improvements	3,157,553	216,697	-	3,374,250
Buildings and improvements	2,764,367	-	20,000	2,744,367
Machinery and equipment	432,441	72,452	-	504,893
Vehicles	683,966	-	-	683,966
Infrastructure	8,935,586	283,918	-	9,219,504
Total capital assets, being depreciated	<u>15,973,913</u>	<u>573,067</u>	<u>20,000</u>	<u>16,526,980</u>
Less accumulated depreciation for				
Land improvements	1,132,774	153,584	-	1,286,358
Buildings and improvements	907,434	129,932	20,000	1,017,366
Machinery and equipment	340,751	39,163	-	379,914
Vehicles	481,171	41,375	-	522,546
Infrastructure	6,763,213	175,694	-	6,938,907
Total accumulated depreciation	<u>9,625,343</u>	<u>539,748</u>	<u>20,000</u>	<u>10,145,091</u>
Net capital assets, being depreciated	<u>6,348,570</u>	<u>33,319</u>	<u>-</u>	<u>6,381,889</u>
Governmental Activities capital assets, net	<u>\$8,518,202</u>	<u>\$ 33,319</u>	<u>\$ -</u>	<u>\$ 8,551,521</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 8,092	\$ -	\$ -	\$ 8,092
Construction in progress	2,078	-	2,078	-
Total capital assets, not being depreciated	<u>10,170</u>	<u>-</u>	<u>2,078</u>	<u>8,092</u>
Capital assets being depreciated				
Buildings and improvements	4,322,134	-	-	4,322,134
Mains	2,322,796	2,078	-	2,324,874
Machinery and equipment	995,243	19,706	-	1,014,949
Total capital assets, being depreciated	<u>7,640,173</u>	<u>21,784</u>	<u>-</u>	<u>7,661,957</u>
Less accumulated depreciation for				
Buildings and improvements	2,329,354	86,692	-	2,416,046
Mains	1,057,320	51,652	-	1,108,972
Machinery and equipment	553,842	30,903	-	584,745
Total accumulated depreciation	<u>3,940,516</u>	<u>169,247</u>	<u>-</u>	<u>4,109,763</u>
Net capital assets, being depreciated	<u>3,699,657</u>	<u>(147,463)</u>	<u>-</u>	<u>3,552,194</u>
Business-type Activities capital assets, net	<u>\$3,709,827</u>	<u>\$(147,463)</u>	<u>\$2,078</u>	<u>\$3,560,286</u>

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

Governmental Activities	
General government	\$293,919
Public works	79,746
Recreation and culture	104,439
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	61,644
Total depreciation expense - governmental activities	\$539,748
 Business-type Activities	
Sewer	\$ 48,222
Water	121,025
Total depreciation expense - business- type activities	\$169,247

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, 2016):

Active plan members	6
Inactive employees entitled but not yet receiving benefits	10
Inactive employees or beneficiaries currently receiving benefits	7
Total	23

This plan is closed to new participants.

Contributions

The Village is required to contribute at an actuarially determined rate, which for the current year was from \$3,873 per month. Participating employees are required to contribute from 6.75% to 11.85% percent of gross wages to the Plan based on position and classification. The contribution requirements of the Village are established and may be amended by the MERS Retirement Board.

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

The contribution requirements of employees are established and may be amended by labor agreements.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2016, 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, 2016 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5% (3-4% for 2014)

Salary Increases: 3.75% in the long-term (plus merit and longevity from 0 to 11% based on age) (4.5% for 2014)

Investment rate of return: 7.75%, net of investment expense, including inflation (8.00% for 2014)

Mortality rates used for non-disabled plan member were based on a weighted blend of RP-2014 mortality tables of a 50% Male and 50% Female blend. Mortality rates used for disabled plan member were based on a blend of RP-2014 disabled retire mortality tables of a 50% Male and 50% Female blend of disabled retirees. (1994 group annuity tables is 2014)

The actuarial assumptions used in the valuation were based on the results of the 2015 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			<u>8.00%</u>

Discount rate. The discount rate used to measure the total pension liability is 8% which did not change 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

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2015	\$3,479,859	\$2,810,649	\$939,210
Changes for the Year:			
Service cost	32,247	-	32,247
Interest	293,567	-	293,567
Change in benefits	-	-	-
Differences between expected and actual experience	(55,792)	-	(55,792)
Change in assumptions	-	-	-
Contributions: employer	-	51,332	(51,332)
Contributions: employee	-	20,007	(20,007)
Net investment Income	-	315,902	(315,902)
Benefit payments, including refunds	(192,805)	(192,805)	-
Administrative expense	-	(6,237)	6,237
Other changes	-	-	-
Net changes	77,217	188,199	(110,982)
Balance at December 31, 2016	\$3,827,076	\$2,998,848	\$828,228

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	\$4,242,300	\$3,872,076	\$3,496,260
Fiduciary Net Position	2,998,848	2,998,848	2,998,848
Net Pension Liability	\$1,243,452	\$ 828,228	\$ 497,412

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2017 the employer recognized pension expense of \$153,970. 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	\$ -	\$47,900
Differences in assumptions	44,801	-
(Excess) deficit investment returns	108,817	-
Contributions subsequent to the Measurement date*	27,114	-
Total	\$180,732	\$47,900

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

* 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 2018.

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

2018	\$ 61,669
2019	27,575
2020	35,702
2021	<u>(19,228)</u>
 Total	 <u><u>\$105,718</u></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 \$10,709.

7. LONG-TERM DEBT

The following is a summary of the debt transactions of the Village for the year ended June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</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%.	\$ 59,365	\$ -	\$ 11,408	\$ 47,957	\$11,635
\$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%	1,000,000	-	75,000	925,000	75,000
Total debt	1,059,365	-	86,408	972,957	86,635
Other post-employment benefits	54,691	-	30,647	24,044	-
Long-term compensated absences	16,801	-	6,552	10,249	-
Total Governmental Activities	<u>\$1,130,857</u>	<u>\$ -</u>	<u>\$123,607</u>	<u>\$1,007,250</u>	<u>\$86,635</u>

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</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%.	\$124,114	\$ -	\$21,844	\$102,270	\$23,333
\$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%	21,250	-	20,847	403	207
\$18,525 Village portion of Northwest Ottawa Water System Refunding Bonds of 2016; due in annual installments of \$80 to \$1,817 plus interest at 4.0-5.0% through May 2034	-	18,525	-	18,525	-
Total Business-type Activities	<u>\$145,364</u>	<u>\$18,525</u>	<u>\$42,691</u>	<u>\$121,198</u>	<u>\$23,540</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%.	\$ 139,860	\$ -	\$97,065	\$42,795	\$42,795

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, 2017 are as follows:

<u>Year Ending June 30</u>	<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>
2018	\$ 86,635	\$ 24,086	\$ 23,540	\$ 3,479	\$42,795	\$598
2019	86,868	22,691	25,019	2,946	-	-
2020	92,106	21,029	26,392	2,252	-	-
2021	92,348	19,147	28,134	1,592	-	-
2022	80,000	17,140	1,058	848	-	-
2023-2027	440,000	53,797	5,991	3,570	-	-
2028-2032	95,000	2,992	7,509	2,050	-	-
2033-2035	-	-	3,555	268	-	-
Total	<u>\$972,957</u>	<u>\$160,882</u>	<u>\$121,198</u>	<u>\$17,005</u>	<u>\$42,795</u>	<u>\$598</u>

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

During fiscal 2016, Ottawa County issued refunding bonds with the portion to be paid by the Village amounting to \$18,525. The proceeds of the advance refunding were placed into a trust account to repay a portion of the 2009 Ottawa County Water Supply Bonds which are considered to be defeased. The Townships portion of the total debt service requirements was reduced by approximately \$4,300, which resulted in an economic gain of approximately \$3,500. As of June 30, 2017, approximately \$20,000 of the Village's portion of refunded bonds payable are considered to be defeased and are scheduled to be called and paid in full in 2019.

8. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2017 are as follows:

<u>Transfers in</u>	Transfers out				<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	
General fund	\$ -	\$ -	\$7,500	\$7,000	\$ 14,500
Police department	433,000	-	-	-	433,000
Public improvement	16,000	-	-	-	16,000
Local streets	-	85,175	-	-	85,175
Nonmajor governmental funds	45,000	-	-	-	45,000
Total	\$494,000	\$85,175	\$7,500	\$7,000	\$593,675

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.

9. 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 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, 2017, the date of the last plan valuation, the Plan covered 1 retiree was 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, 2017 the Village contributed \$13,818 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.

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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.

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, 2017 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 Level Dollar method since retiree benefits are not related to salary level. The remaining amortization period at June 30, 2017 is 4 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	\$ 1,466
Interest on net OPEB obligation	1,641
Adjustment to annual required contribution	(19,936)
Annual OPEB cost (expense)	(16,829)
Contribution made	(13,818)
Decrease in net OPEB obligation	(30,647)
Net OPEB obligation, beginning of year	54,691
Net OPEB obligation, end of year	<u>\$24,044</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

<u>Fiscal Year</u>	<u>Annual OPEB</u>	<u>Percentage of</u>	<u>Net OPEB</u>
<u>Ending</u>	<u>Cost</u>	<u>Cost</u>	<u>Obligation</u>
		<u>Contributed</u>	
6/30/15	\$ (7,493)	-%	\$88,728
6/30/16	(10,937)	-%	54,691
6/30/17	(16,829)	-%	24,044

VILLAGE OF SPRING LAKE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c) Not available	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/17	\$ -	\$24,044	\$24,044	0%	available	N/A

10. 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 \$179,752 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, 2017, the portion of these Ottawa County bonds outstanding for which the Village has pledged its full faith and credit amounted to approximately \$101,280. 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 \$105,310 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, 2017, the portion of these Ottawa County bonds outstanding for which the Village has pledged its full faith and credit amounted to approximately \$311,980. 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).

11. 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, 2017

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.

(This page left intentionally blank)

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, 2017

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property taxes	\$ 872,530	\$ 887,492	\$ 888,816	\$ 1,324
Penalties and interest	4,000	4,000	3,569	(431)
Administration fees	12,633	12,633	12,473	(160)
Intergovernmental revenues				
State	193,225	193,225	195,822	2,597
Local	12,595	12,595	12,595	-
Licenses and permits	5,100	5,600	5,697	97
Charges for services				
Cable TV franchise fees	54,000	54,000	54,735	735
Cellular tower usage	20,640	20,640	20,682	42
Zoning Fees	1,500	1,500	2,350	850
Housing inspection fees	3,700	3,700	3,855	155
Launch ramp fees	4,500	4,500	6,821	2,321
Other charges for services	34,950	36,950	40,112	3,162
Fines	10,000	10,000	8,037	(1,963)
Rent	156,939	161,977	169,627	7,650
Interest	1,500	4,000	6,005	2,005
Refunds	10,050	10,050	10,280	230
Other revenue	747	22,780	4,126	(18,654)
Total revenues	<u>1,398,609</u>	<u>1,445,642</u>	<u>1,445,602</u>	<u>(40)</u>
Expenditures				
Current				
General government				
Village Council	11,530	21,230	20,654	576
Village Manager	77,722	77,222	67,911	9,311
Clerk-Treasurer	171,884	168,889	163,859	5,030
Village hall and grounds	80,506	74,251	69,439	4,812
Attorney	16,800	36,800	21,080	15,720
Barber Street School	47,492	47,492	26,966	20,526
Public safety - fire department	1,350	1,350	1,003	347
Public works				
Public works	159,472	159,472	132,906	26,566
Storm water system	13,989	13,989	11,660	2,329
Street lighting	15,200	15,200	13,833	1,367
Community and economic development				
Planning and zoning	93,641	77,391	72,791	4,600
Culture and recreation				
Parks	179,051	189,808	171,609	18,199
Park maintenance	25,287	25,287	24,698	589
Community promotion	24,498	24,498	20,293	4,205
Recreation department	24,092	20,668	16,692	3,976
Debt service				
Principal	11,408	11,408	11,408	-
Interest and fiscal charges	1,187	1,187	1,187	-
Total expenditures	<u>955,109</u>	<u>966,142</u>	<u>847,989</u>	<u>118,153</u>
Revenues over (under) expenditures	<u>443,500</u>	<u>479,500</u>	<u>597,613</u>	<u>118,113</u>
Other financing sources (uses)				
Transfers in	14,500	14,500	14,500	-
Transfers out	(458,000)	(494,000)	(494,000)	-
Total other financing sources (uses)	<u>(443,500)</u>	<u>(479,500)</u>	<u>(479,500)</u>	<u>-</u>
Net changes in fund balance	-	-	118,113	118,113
Fund balance, beginning of year	<u>401,835</u>	<u>401,835</u>	<u>401,835</u>	<u>-</u>
Fund balance, end of year	<u>\$ 401,835</u>	<u>\$ 401,835</u>	<u>\$ 519,948</u>	<u>\$ 118,113</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, 2017

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 50,600	\$ 50,600	\$ 50,639	\$ 39
Miscellaneous	-	500	-	(500)
Total revenues	<u>50,600</u>	<u>51,100</u>	<u>50,639</u>	<u>(461)</u>
Expenditures				
Current				
Public works	71,176	69,851	52,982	16,869
Capital Outlay	-	80,000	79,399	601
Total expenditures	<u>71,176</u>	<u>149,851</u>	<u>132,381</u>	<u>17,470</u>
Revenues over (under) expenditures	(20,576)	(98,751)	(81,742)	17,009
Bond issuance				
Transfers in	27,000	105,175	85,175	(20,000)
Net changes in fund balance	6,424	6,424	3,433	(2,991)
Fund balance, beginning of year	<u>37,930</u>	<u>37,930</u>	<u>37,930</u>	<u>-</u>
Fund balance, end of year	<u>\$ 44,354</u>	<u>\$ 44,354</u>	<u>\$ 41,363</u>	<u>\$ (2,991)</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, 2017

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Local	\$ 13,100	\$ 13,100	\$ 8,557	\$ (4,543)
Fines	-	-	290	290
Total revenues	13,100	13,100	8,847	(4,253)
Expenditures				
Current				
Public safety	522,790	542,790	469,166	73,624
Revenues over (under) expenditures	(509,690)	(529,690)	(460,319)	69,371
Other financing sources (uses)				
Transfers in	413,000	433,000	433,000	-
Net changes in fund balance	(96,690)	(96,690)	(27,319)	69,371
Fund balance, beginning of year	57,340	57,340	57,340	-
Fund balance, end of year	<u>\$ (39,350)</u>	<u>\$ (39,350)</u>	<u>\$ 30,021</u>	<u>\$ 69,371</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, 2017

	2014	2015	2016
Total pension liability			
Service cost	\$ 33,760	\$ 34,834	\$ 32,247
Interest	269,917	273,944	293,567
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	(32,124)	(55,792)
Changes in assumptions	-	134,404	-
Benefit payments including employee refunds	(149,965)	(153,283)	(192,805)
Other	-	8,561	-
Net change in total pension liability	<u>153,712</u>	<u>266,336</u>	<u>77,217</u>
Total pension liability, beginning of year	<u>3,329,811</u>	<u>3,483,523</u>	<u>3,749,859</u>
Total pension liability, end of year	<u>\$ 3,483,523</u>	<u>\$ 3,749,859</u>	<u>\$ 3,827,076</u>
Plan Fiduciary Net Position			
Contributions-employer	\$ 142,827	\$ 101,136	\$ 51,332
Contributions-employee	130,834	23,968	20,007
Net Investment income	167,383	(44,826)	315,902
Benefit payments including employee refunds	(149,965)	(153,283)	(192,805)
Administrative expense	(6,218)	(6,365)	(6,237)
Net change in plan fiduciary net position	<u>284,861</u>	<u>(79,370)</u>	<u>188,199</u>
Plan fiduciary net position, beginning of year	<u>2,605,158</u>	<u>2,890,019</u>	<u>2,810,649</u>
Plan fiduciary net position, end of year	<u>\$ 2,890,019</u>	<u>\$ 2,810,649</u>	<u>\$ 2,998,848</u>
Employer net pension liability	<u>\$ 593,504</u>	<u>\$ 939,210</u>	<u>\$ 828,228</u>
Plan fiduciary net position as a percentage of the total pension liability	83.0%	75.0%	78.4%
Covered employee payroll	\$ 744,617	\$ 355,078	\$ 313,969
Employer's net pension liability as a percentage of covered employee payroll	79.7%	264.5%	263.8%

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, 2017

	2015	2016	2017
Actuarial determined contributions	\$ 69,017	\$ 53,070	\$ 53,402
Contributions in relation to the actuarially determined contribution	164,562	53,070	53,402
Contribution deficiency (excess)	\$ (95,545)	\$ -	\$ -
Covered employee payroll	744,617	355,078	313,969
Contributions as a percentage of covered employee payroll	22%	15%	17%

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 (10 years for 2014)
Inflation	2.5% (3-4% for 2014)
Salary increases	3.75% (4.5 for 2014)
Investment rate of return	7.75% (8.00 for 2014)
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, 2017

<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>
6/30/2015	\$ -	\$ 88,728	\$ 88,728	0.0%	not available	not available
6/30/2016	-	71,065	71,065	0.0%	not available	not available
6/30/2017	-	24,044	24,044	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.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

VILLAGE OF SPRING LAKE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2017

	<u>Special Revenue</u>			<u>Debt Service</u>		<u>Total</u>
	<u>Major Streets</u>	<u>County-wide Road Millage</u>	<u>Pathways</u>	<u>Building Department</u>	<u>2003 Village Hall</u>	
Assets						
Cash and pooled investments	\$ 204,310	\$ -	\$ 52,900	\$ 210,196	\$ 4,507	\$ 471,913
Due from other governments	29,852	-	-	-	-	29,852
Prepaid items	841	-	-	471	-	1,312
Total assets	<u>\$ 235,003</u>	<u>\$ -</u>	<u>\$ 52,900</u>	<u>\$ 210,667</u>	<u>\$ 4,507</u>	<u>\$ 503,077</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 680	\$ -	\$ 1,828	\$ 2,344	\$ -	\$ 4,852
Accrued liabilities	881	-	228	385	-	1,494
Total liabilities	<u>1,561</u>	<u>-</u>	<u>2,056</u>	<u>2,729</u>	<u>-</u>	<u>6,346</u>
Fund balances						
Non-spendable						
Prepaid items	841	-	-	471	-	1,312
Restricted						
Transportation	232,601	-	50,844	-	-	283,445
Building department	-	-	-	207,467	-	207,467
Debt service	-	-	-	-	4,507	4,507
Total fund balances	<u>233,442</u>	<u>-</u>	<u>50,844</u>	<u>207,938</u>	<u>4,507</u>	<u>496,731</u>
Total liabilities and fund balances	<u>\$ 235,003</u>	<u>\$ -</u>	<u>\$ 52,900</u>	<u>\$ 210,667</u>	<u>\$ 4,507</u>	<u>\$ 503,077</u>

VILLAGE OF SPRING LAKE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Special Revenue</u>				<u>Debt Service</u>	
	<u>Major Streets</u>	<u>County-wide Road Millage</u>	<u>Pathways</u>	<u>Building Department</u>	<u>2003 Village Hall</u>	<u>Total</u>
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 100,860	\$ 100,860
Intergovernmental revenues						
State	177,918	-	-	-	-	177,918
Local	8,674	45,175	33,591	-	-	87,440
Licenses and permits	-	-	-	121,709	-	121,709
Interest and rents	631	-	-	629	-	1,260
Total revenues	<u>187,223</u>	<u>45,175</u>	<u>33,591</u>	<u>122,338</u>	<u>100,860</u>	<u>489,187</u>
Expenditures						
Current						
Public safety	-	-	-	69,253	-	69,253
Public works	69,131	-	-	-	-	69,131
Culture and recreation	-	-	54,393	-	-	54,393
Debt service						
Principal	-	-	-	-	75,000	75,000
Interest	-	-	-	-	23,884	23,884
Capital Outlay	3,010	-	-	-	-	3,010
Total expenditures	<u>72,141</u>	<u>-</u>	<u>54,393</u>	<u>69,253</u>	<u>98,884</u>	<u>294,671</u>
Revenues over (under) expenditures	<u>115,082</u>	<u>45,175</u>	<u>(20,802)</u>	<u>53,085</u>	<u>1,976</u>	<u>194,516</u>
Other financing sources (uses)						
Transfers in	-	-	45,000	-	-	45,000
Transfers out	(40,000)	(45,175)	-	-	-	(85,175)
Total other financing sources (uses)	<u>(40,000)</u>	<u>(45,175)</u>	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>(40,175)</u>
Net changes in fund balances	75,082	-	24,198	53,085	1,976	154,341
Fund balances, beginning of year	<u>158,360</u>	<u>-</u>	<u>26,646</u>	<u>154,853</u>	<u>2,531</u>	<u>342,390</u>
Fund balances, end of year	<u>\$ 233,442</u>	<u>\$ -</u>	<u>\$ 50,844</u>	<u>\$ 207,938</u>	<u>\$ 4,507</u>	<u>\$ 496,731</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, 2017

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 174,000	\$ 176,575	\$ 177,918	\$ 1,343
Local	5,500	5,500	8,674	3,174
Interest and rents	300	300	631	331
Miscellaneous	-	16,787	-	(16,787)
Total revenues	<u>179,800</u>	<u>199,162</u>	<u>187,223</u>	<u>(11,939)</u>
Expenditures				
Current				
Public works	123,998	100,610	69,131	31,479
Capital Outlay	67,300	35,050	3,010	32,040
Total expenditures	<u>191,298</u>	<u>135,660</u>	<u>72,141</u>	<u>63,519</u>
Revenues over (under) expenditures	(11,498)	63,502	115,082	51,580
Other financing sources (uses)				
Transfers in	15,000	-	-	-
Transfers out	-	(60,000)	(40,000)	20,000
Total other financing sources (uses)	<u>15,000</u>	<u>(60,000)</u>	<u>(40,000)</u>	<u>20,000</u>
Net changes in fund balance	3,502	3,502	75,082	71,580
Fund balance, beginning of year	<u>158,360</u>	<u>158,360</u>	<u>158,360</u>	<u>-</u>
Fund balance, end of year	<u>\$ 161,862</u>	<u>\$ 161,862</u>	<u>\$ 233,442</u>	<u>\$ 71,580</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, 2017

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Local	\$ 42,000	\$ 45,175	\$ 45,175	\$ -
Expenditures				
Current				
General government	-	-	-	-
Revenues over (under) expenditures	42,000	45,175	45,175	-
Other financing sources (uses)				
Transfers out	(42,000)	(45,175)	(45,175)	-
Net changes in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

VILLAGE OF SPRING LAKE

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

FOR THE YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues				
Local	\$ 33,000	\$ 33,000	\$ 33,591	\$ 591
Expenditures				
Current				
Culture and recreation	<u>91,035</u>	<u>91,035</u>	<u>54,393</u>	<u>36,642</u>
Revenues over (under) expenditures	(58,035)	(58,035)	(20,802)	37,233
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	(13,035)	(13,035)	24,198	37,233
Fund balance, beginning of year	<u>26,646</u>	<u>26,646</u>	<u>26,646</u>	<u>-</u>
Fund balance, end of year	<u>\$ 13,611</u>	<u>\$ 13,611</u>	<u>\$ 50,844</u>	<u>\$ 37,233</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, 2017

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 58,000	\$ 74,000	\$ 121,709	\$ 47,709
Interest and rents	250	250	629	379
Total revenues	58,250	74,250	122,338	48,088
Expenditures				
Current				
Public safety	58,250	74,250	69,253	4,997
Net changes in fund balance	-	-	53,085	53,085
Fund balance, beginning of year	154,853	154,853	154,853	-
Fund balance, end of year	<u>\$ 154,853</u>	<u>\$ 154,853</u>	<u>\$ 207,938</u>	<u>\$ 53,085</u>

VILLAGE OF SPRING LAKE

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

JUNE 30, 2017

	DDA General Fund	Adjustments	Statement of Net Position
Assets			
Cash and pooled investments	\$ 117,522	\$ -	\$ 117,522
Due from other governments	55,870	-	55,870
Capital assets:			
Land	-	350,000	350,000
Depreciable, net	-	-	-
Total assets	<u>\$ 173,392</u>	<u>350,000</u>	523,392
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 77,924	-	77,924
Accrued liabilities	744	-	744
Noncurrent liabilities			
Due within one year	-	42,795	42,795
Total liabilities	<u>78,668</u>	<u>42,795</u>	<u>121,463</u>
Fund balances			
Unassigned	<u>94,724</u>		
Total fund balances	<u>94,724</u>	<u>(94,724)</u>	
Total liabilities and fund balances	<u>\$ 173,392</u>		
Net position			
Net investment in capital assets		307,205	307,205
Unrestricted		<u>94,724</u>	<u>94,724</u>
Total net position		<u>\$ 401,929</u>	<u>\$ 401,929</u>
Reconciliation of fund balances to net assets (deficit)			
Fund balances of governmental funds			\$ 94,724
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>(42,795)</u>
Net assets of governmental activities			<u>\$ 401,929</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, 2017

	<u>DDA General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Intergovernmental revenues			
Federal	\$ 4,031	\$ -	\$ 4,031
State	55,870	-	55,870
Local	<u>476,000</u>	<u>-</u>	<u>476,000</u>
Total revenues	535,901	-	535,901
Expenditures			
Current			
Community and economic development	391,983	-	391,983
Debt service			
Principal	97,065	(97,065)	-
Interest	<u>1,935</u>	<u>-</u>	<u>1,935</u>
Total expenditures	<u>490,983</u>	<u>(97,065)</u>	<u>393,918</u>
Net changes in fund balance	44,918	(44,918)	
Change in net position			141,983
Fund balances/net position			
Beginning of year	<u>49,806</u>		<u>259,946</u>
End of year	<u>\$ 94,724</u>		<u>\$ 401,929</u>
Reconciliation of change in fund balances to change in net position			
Net change in fund balance of governmental funds			\$ 44,918
Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			
Add - payment on debt			<u>97,065</u>
Change in net position of governmental activities			<u>\$ 141,983</u>

VILLAGE OF SPRING LAKE

TAX INCREMENT FINANCE AUTHORITY BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>TIFA General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Cash and pooled investments	\$ 30,408	\$ -	\$ 30,408
Liabilities and fund balances			
Liabilities			
Noncurrent liabilities			
Due to other governments	-	47,959	47,959
Fund balances			
Unassigned	30,408		
Total fund balances	30,408	(30,408)	-
Total liabilities and fund balances	\$ 30,408		
Net position			
Unrestricted (deficit)		\$ (17,551)	\$ (17,551)
Reconciliation of fund balances to net position (deficit)			
Fund balances of governmental funds			\$ 30,408
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			(47,959)
Net position (deficit) of governmental activities			\$ (17,551)

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, 2017

	TIFA General <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
Revenues			
Taxes	\$ 554,309	\$ -	\$ 554,309
Expenditures			
Current			
Community and economic development	<u>546,042</u>	<u>(11,407)</u>	<u>534,635</u>
Net changes in fund balance	8,267	(8,267)	
Change in net position			19,674
Fund balances/net position (deficit)			
Beginning of year	<u>22,141</u>		<u>(37,225)</u>
End of year	<u>\$ 30,408</u>		<u>\$ (17,551)</u>
 Reconciliation of change in fund balances to change in net position (deficit)			
Net change in fund balance of governmental funds			\$ 8,267
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.			<u>11,407</u>
Change in net position (deficit) of governmental activities			<u>\$ 19,674</u>

INTERNAL CONTROL AND COMPLIANCE



Vredevelde Haefner LLC

CPAs and Consultants
10302 20th Avenue
Grand Rapids, MI 49534
Fax (616) 828-0307

Douglas J. Vredevelde, CPA
(616) 446-7474
Peter S. Haefner, CPA
(616) 460-9388

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

September 29, 2017

Village Council
Village of Spring Lake, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Spring Lake, Michigan, (the "Village") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated September 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Orlando Haefner LLC