

*Village of Middleville*  
*Barry County, Michigan*

**FINANCIAL STATEMENTS**

*Year ended December 31, 2012*

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## INDEPENDENT AUDITORS' REPORT

Village Council  
Village of Middleville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the remaining fund information of the Village of Middleville, Michigan, as of and for the year ended December 31, 2012, which collectively comprise the Village's basic financial statements, as listed in the contents, and the related notes to the financial statements.

### ***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.

### ***Auditors' Responsibility***

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the remaining fund information of the Village of Middleville, Michigan, as of December 31, 2012, 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***

*Accounting changes*

As described in Note 15 to the financial statements, the Village adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to these matters.

*Required supplementary information*

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

*Supplementary information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Middleville, Michigan's financial statements as a whole. The combining component unit fund financial statements and component unit budgetary comparison information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The schedules of long-term debt requirements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Sigfried Crandall P.C.*

April 27, 2013

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following discussion and analysis of the Village of Middleville's (the Village) financial performance provides a narrative overview of the Village's financial activities for the fiscal year ended December 31, 2012. The Governmental Accounting Standards Board's (GASB) Statement No. 34 requires management to prepare a straightforward Management Discussion and Analysis (MD&A) of their local government's financial health during the past year. The reader should use this analysis, along with the annual report, to gain a complete picture of the Village of Middleville for 2012.

#### FINANCIAL HIGHLIGHTS

- Net position is the amount by which the Village's assets exceeded its liabilities. Net position totaled \$10,070,206 at December 31, 2012. The unrestricted portion of this amount, \$1,211,675 (12 percent), is available to be used to meet the Village's ongoing obligations to citizens and creditors.
- The Village's total net position increased by \$502,289 (5 percent) as a result of this year's activities. The net position of the governmental activities increased by \$320,717, and the net position of the business-type activities increased by \$181,572.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$82,167.
- The Major Street Fund has an unassigned fund balance deficit as of December 31, 2012, in the amount of \$184,945.
- *Governmental activities* - The Village's operating millage is 12.5 mills. The Village has allocated 10.5 mills to the General Fund and 2.0 mills to the Major Street Fund, in part, to eliminate the Major Street Fund deficit and to begin to provide additional funding for major street capital infrastructure needs.
- *Business-type activities* - The Village's multi-year utility rate increase policy for commodity charges and connection fees keeps the utility fund revenues steady and avoids large increases all at once. The continued policy of new development paying for public water and sewer improvements allows the remaining resources to be used for repair and replacement of existing off-site infrastructure that serves these new developments.

#### Overview of the financial statements

The Village's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents additional information. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Village government, reporting the Village's operations in more detail than the government-wide financial statements.
  - Governmental funds statements explain how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
  - Proprietary funds statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

A comparative analysis of the basic financial statements for 2012 and 2011 is also presented.

### Government-wide financial statements

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the Village's net position and how it has changed. Net position (the difference between the Village's assets and liabilities) is one way to measure the Village's financial health, or position.

- Over time, increases or decreases in the Village's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village, you need to consider additional nonfinancial factors, such as changes in the Village's property tax base and the condition of the Village's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the Village's basic services are included here, such as police protection and general government. Property taxes and state shared revenue finance most of these activities.
- *Business-type activities* - The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's sewer and water systems are reported here.
- *Component units* - The Village includes two other entities in its report - the Downtown Development Authority and the Local Development Finance Authority. Although legally separate, these "component units" are important because the Village is financially accountable for them.

### Fund financial statements

The fund financial statements provide more detailed information about the Village's most significant funds - not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law.
- The Village Council establishes other funds to control and manage money for particular purposes (like street maintenance) to show that it is properly using certain revenues (like state grants collected for the street funds).

The Village has two types of funds:

- *Governmental funds* - Most of the Village's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.

The General Fund is the most diverse governmental fund. The General Fund accounts for general administration, accounting, planning and zoning, parks and recreation, sidewalks, and other general government activities. Law enforcement is also accounted for in this fund.

The Major (5.5 miles) and Local (10.45 miles) Street funds account for improvements to, and preservation of, the 15.95 miles of streets in the Village.

- *Proprietary funds* - Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long- and short-term financial information. In fact, the Village's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.

The Sewer Fund records revenues from charges to the sewer customers and receipts in the form of connection fees made by developers that pay for the maintenance of the sewer system and wastewater treatment plant.

The Water Fund records revenues from charges to the water customers and receipts from developers in the form of connection fees to pay for the maintenance of the water system, wells, a tower, and two booster stations.

The Village uses an internal service fund (the other type of proprietary fund) to report activities that provide services for the Village's other programs and activities. The Village's internal service fund is its Motor Vehicle Equipment Fund. This fund rents a fleet of equipment to the other funds at rates established by the State.

#### Component units

The Downtown Development Authority and the Local Development Finance Authority, although legally separate, are included in the Village's financial report because the Village is financially accountable for them.

The Local Development Finance Authority (LDFA) was created by the Village to capture property taxes from certain taxing units from a specific district within the Village to finance public improvements to that district. This entity has completed most of its plan by renovating the streets that serve its district.

The Downtown Development Authority (DDA) was also created by the Village to capture property taxes from certain taxing units from a specific district within the Village to finance public improvements to that district.



MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$10,070,206 compared to \$9,567,917 at the end of the prior year. Of this total, \$8,151,008 is the net investment in capital assets and \$707,523 is restricted for various purposes. Consequently, unrestricted net position was \$1,211,675, or 12 percent of the total.

Condensed financial information  
Net position

	Governmental activities		Business-type activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 476,066	\$ (331,313)	\$ 2,069,725	\$ 1,963,146	\$ 2,545,791	\$ 1,631,833
Capital assets	<u>3,906,233</u>	<u>3,970,860</u>	<u>6,956,410</u>	<u>6,930,428</u>	<u>10,862,643</u>	<u>10,901,288</u>
Total assets	<u>4,382,299</u>	<u>3,639,547</u>	<u>9,026,135</u>	<u>8,893,574</u>	<u>13,408,434</u>	<u>12,533,121</u>
Current and other liabilities	176,908	148,873	43,320	50,331	220,228	199,204
Long-term debt	<u>580,000</u>	<u>186,000</u>	<u>2,538,000</u>	<u>2,580,000</u>	<u>3,118,000</u>	<u>2,766,000</u>
Total liabilities	<u>756,908</u>	<u>334,873</u>	<u>2,581,320</u>	<u>2,630,331</u>	<u>3,338,228</u>	<u>2,965,204</u>
Net position:						
Net investment in capital assets	3,673,086	3,784,860	4,477,922	4,755,613	8,151,008	8,540,473
Restricted	59,486	31,279	648,037	660,372	707,523	691,651
Unrestricted (deficit)	<u>(107,181)</u>	<u>(511,465)</u>	<u>1,318,856</u>	<u>847,258</u>	<u>1,211,675</u>	<u>335,793</u>
Total net position	<u>\$ 3,625,391</u>	<u>\$ 3,304,674</u>	<u>\$ 6,444,815</u>	<u>\$ 6,263,243</u>	<u>\$ 10,070,206</u>	<u>\$ 9,567,917</u>

Changes in net position

The Village's total revenues were \$2,502,334 in the current year compared to \$2,218,391 in the prior year. More than 37 percent of the Village's revenues comes from property taxes and approximately 28 percent comes from public utility fees. Operating and capital grants, in the amount of \$586,113, accounted for 23 percent of the total revenues in 2012.

Village of Middleville

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The total cost of the Village's programs for 2012, covering a wide range of services, totaled \$2,000,045 compared to \$1,853,259 in the prior year. Nearly 39 percent of the Village's costs relates to the provision of utility services. Governmental public works expenses represent approximately 21 percent of all costs, while general government expenses account for more than 18 percent of the total costs.

Condensed financial information  
Changes in net position

	Governmental activities		Business-type activities		Totals	
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	\$ 33,096	\$ 21,425	\$ 675,910	\$ 581,909	\$ 709,006	\$ 603,334
Operating grants and contributions	236,448	211,667	-	-	236,448	211,667
Capital grants and contributions	20,900	25,000	328,765	285,576	349,665	310,576
General revenues:						
Property taxes	937,047	831,715	-	-	937,047	831,715
State shared revenue	259,519	249,799	-	-	259,519	249,799
Other	10,625	9,513	24	1,787	10,649	11,300
Total revenues	<u>1,497,635</u>	<u>1,349,119</u>	<u>1,004,699</u>	<u>869,272</u>	<u>2,502,334</u>	<u>2,218,391</u>
Expenses:						
Legislative	24,348	18,512	-	-	24,348	18,512
General government	366,933	364,410	-	-	366,933	364,410
Public safety	278,976	252,713	-	-	278,976	252,713
Public works	419,602	378,624	-	-	419,602	378,624
Community and economic development	43,924	37,312	-	-	43,924	37,312
Recreation and culture	74,006	35,226	-	-	74,006	35,226
Sewer	-	-	478,054	489,016	478,054	489,016
Water	-	-	302,233	268,964	302,233	268,964
Interest	11,969	8,482	-	-	11,969	8,482
Total expenses	<u>1,219,758</u>	<u>1,095,279</u>	<u>780,287</u>	<u>757,980</u>	<u>2,000,045</u>	<u>1,853,259</u>
Excess before transfers	277,877	253,840	224,412	111,292	502,289	365,132
Transfers	42,840	72,000	(42,840)	(72,000)	-	-
Changes in net position	<u>\$ 320,717</u>	<u>\$ 325,840</u>	<u>\$ 181,572</u>	<u>\$ 39,292</u>	<u>\$ 502,289</u>	<u>\$ 365,132</u>
Net position, end of year	<u>\$ 3,625,391</u>	<u>\$ 3,304,674</u>	<u>\$ 6,444,815</u>	<u>\$ 6,263,243</u>	<u>\$ 10,070,206</u>	<u>\$ 9,567,917</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Governmental activities**

Governmental activities increased the Village's net position by \$320,717 in 2012 compared to an increase of \$325,840 in 2011. Revenues increased by \$148,516, expenses increased by \$124,479, and transfers from the business-type activities declined by \$29,160.

Revenues increased in most categories. The most significant increase related to property taxes. Property taxes were \$105,332 higher partially due to a \$90,719 bankruptcy collection.

Expenses increased this year, by \$124,479 in total. The increases were the result of increased staffing costs, as well as an increase in contracted services relating to public safety and parks and recreation.

The following table shows the costs of the Village's three largest programs, as well as the net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the burden that was placed on the Village's taxpayers by each of these functions. The total cost of all governmental activities was \$1,219,758. However, the amount that our taxpayers paid for these activities through general revenues was \$929,314. Some of the cost was paid by:

- Those who directly benefited from the programs (\$33,096), or
- Other governments that subsidized certain programs with grants and contributions (\$257,348), and
- The business-type activities transferred \$42,840 to the governmental activities related to the Village's payment in lieu of taxes program.

	<i>Total cost of services</i>	<i>Net cost of services</i>
Public works	\$ 419,602	\$ 192,817
General government	366,933	335,685
Public safety	278,976	266,058
Other	<u>154,247</u>	<u>134,754</u>
Totals	<u>\$ 1,219,758</u>	<u>\$ 929,314</u>

The Village paid for the \$929,314 "public benefit" portion with \$1,207,191 in property taxes and other general revenues, such as state shared revenue and interest income.

**Business-type activities**

Business-type activities increased the Village's net position by \$181,572 in the current year compared to an increase of \$39,292 in the prior year. The increase in net position occurred primarily due to a combination of increased rates and usage, which increased revenues by \$94,001, which offset an increase in expenses of \$22,307.

**Component unit activities**

- DDA - This entity is self-funded by the use of captured tax revenues in accordance with State law. The DDA has sufficient funds to sponsor downtown events.
- LDFA - This entity is self-funded by the use of captured tax revenues in accordance with State law.

## FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

### Governmental funds

As of December 31, 2012, the Village's governmental funds, in total, reported net fund balance of \$358,832, which represents an increase of \$756,688 compared to last year's total net deficit.

The General Fund experienced an increase in fund balance of \$140,967 as a result of the current year's activities. The Fund experienced a \$137,478 increase of revenues across all sources, a \$42,840 transfer from the Sewer Fund associated with the Village's PILOT program, and \$103,000 in bond proceeds. The increased revenues offset \$33,827 of increased expenditures as a result of higher staffing costs and increased capital spending. The Fund has a fund balance of \$184,187 at the end of the year; however, portions of the fund balance are nonspendable and restricted, totaling \$73,121 and \$28,899, respectively.

The Major Street Fund experienced an increase in fund balance of \$572,264. The increase in fund balance came as a result of the recognition of \$133,889 in property tax revenues, bond proceeds of \$295,000, a \$50,000 transfer from the General Fund and limited street preservation costs. The Fund has a positive total fund balance of \$110,055 at the end of the year; however, unassigned fund balance remains negative because a portion of the fund balance, totaling \$295,000, is restricted for capital projects.

The Local Street Fund experienced an increase in fund balance of \$43,457, leaving a fund balance of \$64,590. The increase in fund balance occurred because revenues exceeded expenditures in the current year. Of the total fund balance, \$19,000 is restricted for capital projects and the remaining \$45,590 is restricted by enabling legislation.

### Enterprise funds

The Sewer Fund's operating revenues covered operating expenses in the current year as the fund experienced operating income of \$13,247. Current year nonoperating revenues exceeded debt service expenses so that income before transfers was \$215,169. The fund transferred \$42,840 to the General Fund so the fund experienced an increase in net position of \$172,329. The fund's net position is \$4,506,362 at December 31, 2012, of which \$1,118,272 is unrestricted.

The Water Fund's operating revenues did not cover operating expenses in the current year as the fund experienced an operating loss of \$28,183. Current year nonoperating revenues exceeded debt service expenses to allow an increase in net position in the amount of \$8,194 in the current year. The fund's net position is \$1,886,919 at December 31, 2012, of which \$149,050 is unrestricted.

### Internal service fund

The Motor Vehicle Equipment Fund (MVEF) pays for its annual operational expenses by charging other funds for the use of its assets. The Village has compiled a Capital Improvement Plan (CIP) so that major purchases can be scheduled over time.

### General Fund budgetary highlights

The Village amended its revenue budget to increase expected revenues by \$8,687. Total revenues were \$137,478 more than the final budgeted amounts, primarily because property tax revenue was \$76,923 higher than budgeted due to bankruptcy collections of \$90,719. State shared revenue was \$43,811 higher than the amount budgeted as distributions from the State were more than originally projected.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

The Village amended its expenditure budget to increase appropriations by \$131,556. Total expenditures were \$33,827 less than the final amounts appropriated. The most significant expenditure variance occurred in the public works function where expenditures were \$13,206 lower than appropriations. Total bond proceeds were \$396,934 less than budgeted, as a greater portion of the bonds were allocated to projects in other funds, which created a large negative budget variance.

The variances between budgeted and actual amounts resulted in a \$225,629 negative budget variance as the fund experienced a \$140,967 increase in fund balance compared to a budgeted increase of \$366,596.

**Capital assets and debt administration**

**Capital assets**

The Village's investment in capital assets for its governmental and business-type activities as of December 31, 2012, amounts to \$10,862,643 (net of accumulated depreciation). This investment includes a broad range of assets, including land, equipment, buildings, and sewer and water facilities. The decrease in the Village's net investment in capital assets for the current fiscal year was \$38,645, comprised of \$311,748 in additions and \$350,393 in provisions for depreciation.

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
Infrastructure	\$ 2,817,378	\$ 6,712,192	\$ 9,529,570
Buildings and improvements	753,051	-	753,051
Equipment	144,433	101,069	245,502
Land	<u>191,371</u>	<u>143,149</u>	<u>334,520</u>
Totals	<u>\$ 3,906,233</u>	<u>\$ 6,956,410</u>	<u>\$ 10,862,643</u>

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

- Costs associated with the North End Alley Utility Project, which was started but not completed during the year, amounted to \$108,371.
- Cardinal Court water main project totaling \$79,007
- 2012 Dodge Charger was purchased for police protection for \$21,783
- M-37 sign and lighted information display were acquired at a cost of \$20,530
- Emergency siren was purchased for \$19,900

More detailed information about the Village's capital assets is presented in Note 6 of the notes to the basic financial statements.

**Debt**

At the end of the fiscal year, the Village had total long-term debt outstanding in the amount of \$3,118,000, which represents a net increase of \$352,000. All debt is backed by the full faith and credit of the Village and is financed by specific user fees.

The Village increased its long-term debt with the issuance of new debt, in the amount of \$720,000, to finance various capital projects and purchase an emergency siren. The Village decreased its long-term liabilities through the payment of principal totaling \$368,000. All scheduled debt payments were made in a timely manner in 2012.

Other noncurrent obligations include accrued other postemployment benefits in the amount of \$105,689.

More detailed information about the Village's long-term liabilities is presented in Note 9 of the notes to the basic financial statements.

**Economic factors and next year's budgets and rates**

The Village Council has set fiscal accountability and financial stability as its number one priority. The Council has undertaken a number of measures to offset declining revenues, including maintaining and/or reducing the overall spending and increasing both water and sewer rates.

The Village projects a slight decline in property tax revenue, while the cost of benefits and wages to employees is projected to increase. The Village will pay close attention to new legislation that could eliminate the personal property tax.

The Village expects to meet the established goals of the deficit elimination plan as set forth with the State of Michigan.

**Contacting the Village's financial management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Village of Middleville  
Rebecca Fleury, Village Manager  
100 East Main Street  
Middleville, MI 49333-0069

Phone: (269) 795-3385

**BASIC FINANCIAL STATEMENTS**

Village of Middleville

STATEMENT OF NET POSITION

December 31, 2012

	Primary government			Component units	
	Governmental activities	Business-type activities	Totals	Local Development Finance Authority	Downtown Development Authority
<b>ASSETS</b>					
Current assets:					
Cash	\$ 125,452	\$ 1,372,382	\$ 1,497,834	\$ 345,273	\$ 137,009
Receivables	201,218	226,392	427,610	6,827	18,766
Internal balances	(270,578)	270,578	-	-	-
Prepaid expenses	16,808	5,753	22,561	-	-
Advance to component unit	28,182	-	28,182	-	-
Total current assets	101,082	1,875,105	1,976,187	352,100	155,775
Noncurrent assets:					
Restricted cash	329,003	59,512	388,515	-	-
Due from County	-	6,970	6,970	-	-
Receivables	-	120,896	120,896	-	-
Advance to component unit	28,131	-	28,131	-	-
Capital assets not being depreciated	197,274	251,520	448,794	-	39,350
Capital assets, net of depreciation	3,708,959	6,704,890	10,413,849	1,456,318	22,647
Deferred charges, net	17,850	7,242	25,092	-	-
Total noncurrent assets	4,281,217	7,151,030	11,432,247	1,456,318	61,997
Total assets	4,382,299	9,026,135	13,408,434	1,808,418	217,772
<b>LIABILITIES</b>					
Current liabilities:					
Payables	59,537	43,320	102,857	15,485	110
Deferred revenue	11,682	-	11,682	-	-
Advance from primary government	-	-	-	-	28,182
Bonds, contracts and notes payable	30,486	340,000	370,486	41,386	-
Total current liabilities	101,705	383,320	485,025	56,871	28,292
Noncurrent liabilities:					
Advance from primary government	-	-	-	-	28,131
Other postemployment obligation, net	105,689	-	105,689	-	-
Bonds, contracts, and notes payable	549,514	2,198,000	2,747,514	724,246	-
Total noncurrent liabilities	655,203	2,198,000	2,853,203	724,246	28,131
Total liabilities	756,908	2,581,320	3,338,228	781,117	56,423
<b>NET POSITION</b>					
Net investment in capital assets	3,673,086	4,477,922	8,151,008	690,686	61,997
Restricted:					
Public safety	13,896	-	13,896	-	-
Public works	45,590	-	45,590	-	-
Debt service	-	641,067	641,067	-	-
Capital projects	-	6,970	6,970	-	-
Unrestricted (deficit)	(107,181)	1,318,856	1,211,675	336,615	99,352
Total net position	\$ 3,625,391	\$ 6,444,815	\$ 10,070,206	\$ 1,027,301	\$ 161,349

See notes to financial statements



Village of Middleville

STATEMENT OF ACTIVITIES

Year ended December 31, 2012

	Net (expenses) revenues and changes in net position						
	Program revenues				Primary government		Component units
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals
<b>Functions/Programs</b>							
Governmental activities:							
Legislative	\$ 24,348	\$ -	\$ -	\$ -	\$ (24,348)	\$ -	\$ (24,348)
General government	366,933	20,248	-	11,000	(335,685)	-	(335,685)
Public safety	278,976	7,913	5,005	-	(266,058)	-	(266,058)
Public works	419,602	2,299	224,486	-	(192,817)	-	(192,817)
Community and economic development	43,924	2,636	-	-	(41,288)	-	(41,288)
Recreation and culture	74,006	-	6,957	9,900	(57,149)	-	(57,149)
Interest on long-term debt	11,969	-	-	-	(11,969)	-	(11,969)
<b>Total governmental activities</b>	<b>1,219,758</b>	<b>33,096</b>	<b>236,448</b>	<b>20,900</b>	<b>(929,314)</b>	<b>-</b>	<b>(929,314)</b>
<b>Business-type activities:</b>							
Sewer	478,054	422,222	-	271,425	\$ -	215,593	215,593
Water	302,233	253,688	-	57,340	-	8,795	8,795
<b>Total business-type activities</b>	<b>780,287</b>	<b>675,910</b>	<b>-</b>	<b>328,765</b>	<b>-</b>	<b>224,388</b>	<b>224,388</b>
<b>Total primary government</b>	<b>2,000,045</b>	<b>709,006</b>	<b>236,448</b>	<b>349,665</b>	<b>(929,314)</b>	<b>224,388</b>	<b>(704,926)</b>
<b>Component units:</b>							
Local Development Finance Authority	\$ 89,253	\$ -	\$ -	\$ -	\$ -	\$ (89,253)	\$ -
Downtown Development Authority	60,076	3,567	-	-	-	-	(56,509)
<b>Total component units</b>	<b>149,329</b>	<b>3,567</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(89,253)</b>	<b>(56,509)</b>
<b>General revenues:</b>							
Property taxes					937,047	-	937,047
State shared revenue					259,519	-	259,519
Unrestricted interest earnings					9,494	24	9,518
Miscellaneous					1,131	-	1,131
Transfers					42,840	(42,840)	-
<b>Total general revenues and transfers</b>					<b>1,250,031</b>	<b>(42,816)</b>	<b>1,207,215</b>
<b>Changes in net position</b>					<b>320,717</b>	<b>181,572</b>	<b>502,289</b>
<b>Net position - beginning</b>					<b>3,304,674</b>	<b>6,263,243</b>	<b>9,567,917</b>
<b>Net position - ending</b>					<b>\$ 3,625,391</b>	<b>\$ 6,444,815</b>	<b>\$ 10,070,206</b>
							<b>\$ 1,027,301</b>
							<b>\$ 161,349</b>

See notes to financial statements

Village of Middleville

BALANCE SHEET - governmental funds

December 31, 2012

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total governmental funds</u>
<b>ASSETS</b>				
Cash	\$ 1,160	\$ -	\$ 36,941	\$ 38,101
Restricted cash	15,003	295,000	19,000	329,003
Receivables	155,575	36,645	8,998	201,218
Prepaid expenditures	16,808	-	-	16,808
Long-term advance to component unit	56,313	-	-	56,313
Total assets	<u>\$ 244,859</u>	<u>\$ 331,645</u>	<u>\$ 64,939</u>	<u>\$ 641,443</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Payables	\$ 48,990	\$ 2,546	\$ 349	\$ 51,885
Due to other funds	-	219,044	-	219,044
Deferred revenue	11,682	-	-	11,682
Total liabilities	<u>60,672</u>	<u>221,590</u>	<u>349</u>	<u>282,611</u>
<b>Fund balances (deficit):</b>				
<b>Nonspendable:</b>				
Prepaid items	16,808	-	-	16,808
Long-term advance	56,313	-	-	56,313
<b>Restricted for:</b>				
Public safety	13,896	-	-	13,896
Public works	-	-	45,590	45,590
Capital projects	15,003	295,000	19,000	329,003
Unassigned	82,167	(184,945)	-	(102,778)
Total fund balances	<u>184,187</u>	<u>110,055</u>	<u>64,590</u>	<u>358,832</u>
Total liabilities and fund balances	<u>\$ 244,859</u>	<u>\$ 331,645</u>	<u>\$ 64,939</u>	<u>\$ 641,443</u>

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

Total fund balance - total governmental funds \$ 358,832

Amounts reported for *governmental activities* in the statement of net position (page 14) are different because:

Bond issuance costs are not a current financial resource and, therefore, are not reported in the funds. 17,850

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 3,645,735

Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(580,000)
Other postemployment obligation, net	(105,689)

Interest payable is not due and payable in the current period and, therefore, is not reported in the funds. (7,050)

An internal service fund is used by management to charge costs of equipment to individual funds. The assets and liabilities of the internal service fund are included in *governmental activities* in the statement of net position. 295,713

Net position of *governmental activities* \$ 3,625,391

See notes to financial statements

Village of Middleville

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds

Year ended December 31, 2012

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total governmental funds</u>
<b>REVENUES</b>				
Property taxes	\$ 812,294	\$ 133,889	\$ -	\$ 946,183
Licenses and permits	7,626	-	-	7,626
State grants	271,618	156,587	57,830	486,035
Intergovernmental	3,957	-	-	3,957
Interest and rentals	15,367	-	-	15,367
Other	15,418	2,149	-	17,567
	<u>1,126,280</u>	<u>292,625</u>	<u>57,830</u>	<u>1,476,735</u>
Total revenues				
<b>EXPENDITURES</b>				
Legislative	24,348	-	-	24,348
General government	356,544	-	-	356,544
Public safety	295,409	-	-	295,409
Public works	224,726	65,361	58,373	348,460
Community and economic development	43,924	-	-	43,924
Recreation and culture	73,454	-	-	73,454
Capital outlay	32,129	-	-	32,129
Debt service:				
Principal	23,000	-	-	23,000
Interest	7,619	-	-	7,619
	<u>1,081,153</u>	<u>65,361</u>	<u>58,373</u>	<u>1,204,887</u>
Total expenditures				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>45,127</u>	<u>227,264</u>	<u>(543)</u>	<u>271,848</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	103,000	295,000	19,000	417,000
Transfers in	42,840	50,000	25,000	117,840
Transfers out	(50,000)	-	-	(50,000)
	<u>95,840</u>	<u>345,000</u>	<u>44,000</u>	<u>484,840</u>
Net other financing sources				
<b>NET CHANGES IN FUND BALANCES</b>	140,967	572,264	43,457	756,688
<b>FUND BALANCES (DEFICIT) - BEGINNING</b>	<u>43,220</u>	<u>(462,209)</u>	<u>21,133</u>	<u>(397,856)</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 184,187</u>	<u>\$ 110,055</u>	<u>\$ 64,590</u>	<u>\$ 358,832</u>

See notes to financial statements

Village of Middleville

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -

governmental funds (Continued)

Year ended December 31, 2012

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Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:

Net change in fund balance - total governmental funds (page 17) \$ 756,688

Amounts reported for *governmental activities* in the statement of activities (page 15) are different because:

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

Assets acquired	78,016
Provision for depreciation	(112,376)

Long-term debt:

Proceeds of long-term debt	(417,000)
Principal payments	23,000

Changes in other current assets/liabilities:

Net increase in deferred charges	17,850
Net increase in accrued interest expense	(4,350)
Net increase in other postemployment benefit obligation	(23,223)

A portion of the net expense of the internal service fund is reported with *governmental activities*.

2,112

Change in net position of *governmental activities* \$ 320,717

See notes to financial statements

Village of Middleville

STATEMENT OF NET POSITION - *proprietary funds*

December 31, 2012

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
<b>ASSETS</b>				
Current assets:				
Cash	\$ 1,282,543	\$ 89,839	\$ 1,372,382	\$ 87,351
Receivables	162,051	64,341	226,392	-
Due from other funds	219,044	-	219,044	-
Prepaid expenses	-	5,753	5,753	-
Total current assets	<u>1,663,638</u>	<u>159,933</u>	<u>1,823,571</u>	<u>87,351</u>
Noncurrent assets:				
Restricted cash	28,870	30,642	59,512	-
Due from County	-	6,970	6,970	-
Receivables	119,617	1,279	120,896	-
Capital assets not being depreciated	90,433	161,087	251,520	-
Capital assets, net of depreciation	3,990,220	2,714,670	6,704,890	260,498
Deferred charges, net of amortization	7,242	-	7,242	-
Total noncurrent assets	<u>4,236,382</u>	<u>2,914,648</u>	<u>7,151,030</u>	<u>260,498</u>
Total assets	<u>5,900,020</u>	<u>3,074,581</u>	<u>8,974,601</u>	<u>347,849</u>
<b>LIABILITIES</b>				
Current liabilities:				
Payables	31,158	12,162	43,320	602
Bonds, contracts, and notes payable	283,500	56,500	340,000	-
Total current liabilities	314,658	68,662	383,320	602
Noncurrent liabilities - bonds, contracts, and notes payable	1,079,000	1,119,000	2,198,000	-
Total liabilities	<u>1,393,658</u>	<u>1,187,662</u>	<u>2,581,320</u>	<u>602</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,747,023	1,730,899	4,477,922	260,498
Restricted for:				
Debt service	641,067	-	641,067	-
Capital projects	-	6,970	6,970	-
Unrestricted	1,118,272	149,050	1,267,322	86,749
Total net position	<u>\$ 4,506,362</u>	<u>\$ 1,886,919</u>	<u>\$ 6,393,281</u>	<u>\$ 347,247</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			51,534	
Net position of <i>business-type activities</i> (page 14)			<u>\$ 6,444,815</u>	

See notes to financial statements

Village of Middleville

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - *proprietary funds*

Year ended December 31, 2012

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
<b>OPERATING REVENUES</b>				
Charges for services:				
Utility charges	\$ 413,617	\$ 253,413	\$ 667,030	\$ -
Equipment rental	-	-	-	116,678
Other	4,786	275	5,061	-
Total operating revenues	418,403	253,688	672,091	116,678
<b>OPERATING EXPENSES</b>				
Personnel costs	70,974	67,034	138,008	13,309
Contracted services	92,426	41,355	133,781	-
Equipment and supplies	29,768	21,279	51,047	44,941
Utilities	66,781	43,565	110,346	-
Internal charges	15,643	23,075	38,718	-
Miscellaneous	2,812	4,565	7,377	-
Depreciation	126,752	80,998	207,750	30,267
Total operating expenses	405,156	281,871	687,027	88,517
<b>OPERATING INCOME (LOSS)</b>	13,247	(28,183)	(14,936)	28,161
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Debt retirement charges	266,463	50,772	317,235	-
Connection fees	4,962	6,568	11,530	-
Special assessment interest	3,819	-	3,819	-
Interest revenue	-	24	24	-
Interest expense	(73,322)	(20,987)	(94,309)	-
Net nonoperating revenues	201,922	36,377	238,299	-
<b>INCOME BEFORE TRANSFERS</b>	215,169	8,194	223,363	28,161
<b>OTHER FINANCING USES</b>				
Transfers out	(42,840)	-	(42,840)	(25,000)
<b>CHANGES IN NET POSITION</b>	172,329	8,194	180,523	3,161
<b>NET POSITION - BEGINNING</b>	4,334,033	1,878,725	6,212,758	344,086
<b>NET POSITION - ENDING</b>	\$ 4,506,362	\$ 1,886,919	\$ 6,393,281	\$ 347,247
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			1,049	
Change in net position of <i>business-type activities</i> (page 15)			\$ 181,572	

See notes to financial statements

Village of Middleville

STATEMENT OF CASH FLOWS - proprietary funds

Year ended December 31, 2012

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 411,165	\$ 252,034	\$ 663,199	\$ 116,678
Payments to vendors and suppliers	(206,323)	(116,856)	(323,179)	(44,696)
Payments to employees	(72,311)	(68,217)	(140,528)	(13,899)
Internal activity - payments to other funds	(15,643)	(23,075)	(38,718)	-
Net cash provided by operating activities	116,888	43,886	160,774	58,083
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	(42,840)	-	(42,840)	(25,000)
Decrease in due from other funds	472,957	-	472,957	-
Net cash provided by (used in) noncapital financing activities	430,117	-	430,117	(25,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Debt retirement charges	266,463	50,772	317,235	-
Connection fees	2,305	3,911	6,216	-
Special assessment principal collections	15,017	1,378	16,395	-
Special assessment interest	3,819	-	3,819	-
Acquisition of capital assets	(92,354)	(130,187)	(222,541)	-
Bond proceeds	133,000	170,000	303,000	-
Principal payments on capital debt	(289,000)	(56,000)	(345,000)	-
Interest payments on capital debt	(66,783)	(19,591)	(86,374)	-
Net cash provided by (used in) capital and related financing activities	(27,533)	20,283	(7,250)	-
<b>NET INCREASE IN CASH</b>	519,472	64,169	583,641	33,083
<b>CASH - BEGINNING</b>	791,941	56,312	848,253	54,268
<b>CASH - ENDING (including restricted cash of \$28,870 in the Sewer Fund and \$30,642 in Water Fund)</b>	\$ 1,311,413	\$ 120,481	\$ 1,431,894	\$ 87,351

See notes to financial statements

Village of Middleville

STATEMENT OF CASH FLOWS - *proprietary funds* (Continued)

Year ended December 31, 2012

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
Noncash capital and related financing activities:				
Acquisition of capital assets	\$ 103,006	\$ 130,726	\$ 233,732	\$ -
Less increase in payables	(10,652)	(539)	(11,191)	-
Net cash used	<u>\$ 92,354</u>	<u>\$ 130,187</u>	<u>\$ 222,541</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 13,247	\$ (28,183)	\$ (14,936)	\$ 28,161
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	126,752	80,998	207,750	30,267
(Increase) decrease in prepaid expenses	1,500	(5,753)	(4,253)	-
Increase in receivables	(7,238)	(1,654)	(8,892)	-
Decrease in payables	(17,373)	(1,522)	(18,895)	(345)
Net cash provided by operating activities	<u>\$ 116,888</u>	<u>\$ 43,886</u>	<u>\$ 160,774</u>	<u>\$ 58,083</u>

See notes to financial statements



*Village of Middleville*  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Village of Middleville, Michigan (the Village), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

*Reporting entity:*

The accompanying financial statements present the Village and its component units, entities for which the Village is considered to be financially accountable. The 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 - Local Development Finance Authority (LDFA) and Downtown Development Authority (DDA):*

Each component units' governing body is appointed by the Village Council and their debt remains the responsibility of the Village. Separate financial statements for the component units have not been issued as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of each component unit.

*Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Village. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Village generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for the use of motor fuel taxes that are earmarked by State statute for major street repairs and improvements.

The Local Street Fund accounts for the use of motor fuel taxes that are earmarked by State statute for local street repairs and improvements.

The Village reports the following major proprietary funds:

The Sewer Fund accounts for the operation of the Village's sewage collection systems and treatment plant.

The Water Fund accounts for the operation of the Village's water distribution and treatment system.

Additionally, the Village reports the following fund type:

The Motor Vehicle Equipment Fund, an internal service fund, accounts for the financing of services provided to other departments or agencies of the Village on a cost-reimbursement basis.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Assets, liabilities, and net position or equity:*

*Cash* - Cash consists of cash on hand and demand deposits.

*Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Village considers all receivables to be fully collectible.

Village of Middleville  
NOTES TO FINANCIAL STATEMENTS (Continued)

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Assets, liabilities, and net position or equity (continued):*

*Deferred charges* - Certain payments in connection with obtaining long-term financing have been deferred and are being amortized over the life of the related debt using the straight-line method.

*Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 (\$10,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of governmental activities either retroactively to June 15, 1980, or prospectively. The Village has elected to account for its infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 - 40 years
Buildings and improvements	20 - 40 years
Equipment	3 - 20 years
Sewage disposal system	50 - 70 years

*Compensated absences* - It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Vested compensated absences are accrued when earned in the government-wide and proprietary funds financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

*Net position* - Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. The Village reports three categories of net position, as follows:

Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets, and increases by balances of deferred outflows of resources related to those assets.

Restricted net position - net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the Village's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position - consists of all other net position that does not meet the definition of the above components and is available for general use by the Village.

*Fund equity* - Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are not in spendable form. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Village has delegated the authority to assign fund balance to the Village Manager. Unassigned fund balances are amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted or assigned to those purposes.

Village of Middleville  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, liabilities, and net position or equity (continued):*

When the Village incurs an expenditure for purposes for which various fund balance classifications can be used, it is the policy of the Village to use the restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

*Property taxes* - The Village property taxes are levied each July 1 on the taxable valuation of property as of the preceding December 31. Property taxes are considered delinquent on September 14 of the following year, at which time interest and penalties are assessed. The Village's 2012 ad valorem tax is levied and collectible on July 1, 2012. It is the Village's policy to recognize revenue from that tax levy in the current year when the proceeds are budgeted and made available for the financing of operations.

*Use of estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. The budget document presents information by fund, function, activity, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year. There were no negative expenditure budget variances in 2012.

*Deficits* - The Major Street Fund has an accumulated deficit in the amount of \$184,945. The deficit is the result of revenues being inadequate to cover the costs of street projects in prior years. The deficit will be eliminated through the collection of a portion of the Village's tax levy in the future. The Village has submitted a deficit elimination plan that has been accepted by the State Department of Treasury.

**NOTE 3 - CASH**

At December 31, 2012, cash is classified in the accompanying financial statements as follows:

Statement of net assets:	
Primary government:	
Cash	\$ 1,497,834
Restricted cash	388,515
Component units:	
LDFA - cash	345,273
DDA - cash	<u>137,009</u>
Total	<u>\$ 2,368,631</u>

At December 31, 2012, cash consists of the following:

Cash on hand	\$ 250
Deposits with financial institutions	<u>2,368,381</u>
Total	<u>\$ 2,368,631</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH (Continued)

Deposits - Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) and the Village's investment policy authorize the Village to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Village's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Village will not be able to recover its deposits. The Village's investment policy does not specifically address custodial credit risk for deposits. At December 31, 2012, \$2,147,117 of the Village's bank balances of \$2,397,117 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Village maintains a pooled cash account for all of its funds and its component units. As such, it is not practicable to allocate the balance exposed to custodial credit risk between the primary government and the component units.

NOTE 4 - RECEIVABLES

Receivables as of December 31, 2012, for the Village were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Inter- governmental</u>	<u>Special assessments</u>	<u>Totals</u>
Primary government:					
Governmental:					
General	\$ -	\$ 60,522	\$ 95,053	\$ -	\$ 155,575
Major Street	-	11,401	25,244	-	36,645
Local Street	-	-	8,998	-	8,998
Total governmental funds	<u>\$ -</u>	<u>\$ 71,923</u>	<u>\$ 129,295</u>	<u>\$ -</u>	<u>\$ 201,218</u>
Proprietary:					
Sewer	\$ 153,653	\$ -	\$ -	\$ 128,015	\$ 281,668
Water	64,341	-	-	1,279	65,620
Total proprietary funds	<u>\$ 217,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,294</u>	<u>\$ 347,288</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,896</u>	<u>\$ 120,896</u>
Component units:					
LDFA	<u>\$ -</u>	<u>\$ 6,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,827</u>
DDA	<u>\$ -</u>	<u>\$ 18,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,766</u>

NOTE 5 - ADVANCE TO COMPONENT UNIT

The General Fund advanced \$330,000 to the Downtown Development Authority, a component unit of the Village, to finance a portion of the cost of road reconstruction. The agreement between the two entities requires annual payments of \$28,182, plus interest at 6.5%, through 2014. The balance at December 31, 2012, is \$56,313.

Village of Middleville  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2012, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 191,371	\$ -	\$ -	\$ 191,371
Construction in progress	-	5,903	-	5,903
	<u>191,371</u>	<u>5,903</u>	<u>-</u>	<u>197,274</u>
Total capital assets not being depreciated				
	191,371	5,903	-	197,274
Capital assets being depreciated:				
Land improvements	52,868	9,900	-	62,768
Buildings	1,008,160	20,530	-	1,028,690
Furniture, fixtures, and equipment	332,718	19,900	-	352,618
Infrastructure	3,233,498	-	-	3,233,498
Vehicles	320,409	21,783	-	342,192
	<u>4,947,653</u>	<u>72,113</u>	<u>-</u>	<u>5,019,766</u>
Subtotal				
	4,947,653	72,113	-	5,019,766
Less accumulated depreciation for:				
Land improvements	(25,386)	(3,015)	-	(28,401)
Buildings	(289,184)	(26,725)	-	(315,909)
Furniture, fixtures, and equipment	(205,178)	(24,180)	-	(229,358)
Infrastructure	(335,282)	(80,838)	-	(416,120)
Vehicles	(313,134)	(7,885)	-	(321,019)
	<u>(1,168,164)</u>	<u>(142,643)</u>	<u>-</u>	<u>(1,310,807)</u>
Subtotal				
	(1,168,164)	(142,643)	-	(1,310,807)
Total capital assets being depreciated, net				
	<u>3,779,489</u>	<u>(70,530)</u>	<u>-</u>	<u>3,708,959</u>
Governmental activities capital assets, net				
	<u>\$ 3,970,860</u>	<u>\$ (64,627)</u>	<u>\$ -</u>	<u>\$ 3,906,233</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 20,710
Public safety	5,350
Public works	80,837
Recreation and culture	5,479
Depreciation on capital assets held by internal service fund	<u>30,267</u>
Total governmental activities	<u>\$ 142,643</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - CAPITAL ASSETS (Continued)

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 143,149	\$ -	\$ -	\$ 143,149
Construction in progress	-	108,371	-	108,371
	<u>143,149</u>	<u>108,371</u>	<u>-</u>	<u>251,520</u>
Total capital assets not being depreciated				
	<u>143,149</u>	<u>108,371</u>	<u>-</u>	<u>251,520</u>
Capital assets being depreciated:				
Sewer system	5,931,998	46,353	-	5,978,351
Water system	3,546,328	79,008	-	3,625,336
Equipment	253,996	-	-	253,996
	<u>9,732,322</u>	<u>125,361</u>	<u>-</u>	<u>9,857,683</u>
Subtotal				
	<u>9,732,322</u>	<u>125,361</u>	<u>-</u>	<u>9,857,683</u>
Less accumulated depreciation for:				
Sewer system	(1,861,379)	(126,752)	-	(1,988,131)
Water system	(943,768)	(67,967)	-	(1,011,735)
Equipment	(139,896)	(13,031)	-	(152,927)
	<u>(2,945,043)</u>	<u>(207,750)</u>	<u>-</u>	<u>(3,152,793)</u>
Subtotal				
	<u>(2,945,043)</u>	<u>(207,750)</u>	<u>-</u>	<u>(3,152,793)</u>
Total capital assets being depreciated, net				
	<u>6,787,279</u>	<u>(82,389)</u>	<u>-</u>	<u>6,704,890</u>
Business-type activities capital assets, net				
	<u>\$ 6,930,428</u>	<u>\$ 25,982</u>	<u>\$ -</u>	<u>\$ 6,956,410</u>

Village of Middleville  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 6 - CAPITAL ASSETS (Continued)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Component units:				
LDFA:				
Capital assets being depreciated - infrastructure	\$ 1,532,243	\$ -	\$ -	\$ 1,532,243
Less accumulated depreciation for - infrastructure	<u>(37,963)</u>	<u>(37,962)</u>	<u>-</u>	<u>(75,925)</u>
LDFA capital assets, net	<u>\$ 1,494,280</u>	<u>\$ (37,962)</u>	<u>\$ -</u>	<u>\$ 1,456,318</u>
DDA:				
Capital assets not being depreciated:				
Land	\$ 30,000	\$ 9,350	\$ -	\$ 39,350
Work in process	<u>9,350</u>	<u>-</u>	<u>(9,350)</u>	<u>-</u>
Total capital assets not being depreciated	<u>39,350</u>	<u>9,350</u>	<u>(9,350)</u>	<u>39,350</u>
Capital assets being depreciated - infrastructure	23,839	-	-	23,839
Less accumulated depreciation for - infrastructure	<u>(596)</u>	<u>(596)</u>	<u>-</u>	<u>(1,192)</u>
Total capital assets being depreciated, net	<u>23,243</u>	<u>(596)</u>	<u>-</u>	<u>22,647</u>
DDA capital assets, net	<u>\$ 62,593</u>	<u>\$ 8,754</u>	<u>\$ (9,350)</u>	<u>\$ 61,997</u>



Village of Middleville  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 7 - PAYABLES**

Payables as of December 31, 2012, for the Village were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Inter-govern- mental</u>	<u>Interest</u>	<u>Totals</u>
Primary government:					
Governmental:					
General	\$ 12,226	\$ 12,636	\$ 24,128	\$ -	\$ 48,990
Major Street	1,817	729	-	-	2,546
Local Street	-	349	-	-	349
Total governmental funds	<u>\$ 14,043</u>	<u>\$ 13,714</u>	<u>\$ 24,128</u>	<u>\$ -</u>	<u>\$ 51,885</u>
Proprietary:					
Enterprise:					
Sewer	\$ 15,137	\$ 1,482	\$ -	\$ 14,539	\$ 31,158
Water	3,648	880	-	7,634	12,162
Motor Vehicle Equipment	18,785	2,362	-	22,173	43,320
	279	323	-	-	602
Total proprietary funds	<u>\$ 19,064</u>	<u>\$ 2,685</u>	<u>\$ -</u>	<u>\$ 22,173</u>	<u>\$ 43,922</u>

**NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

At December 31, 2012, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
Sewer	<u>\$ 219,044</u>	Major Street	<u>\$ 219,044</u>

The interfund balance represents cash flow assistance provided by the Sewer Fund to the Major Street Fund that should be repaid in the subsequent year.

The interfund transfers for the year ended December 31, 2012, were as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
General	<u>\$ 42,840</u>	Sewer	<u>\$ 42,840</u>
Major Street	<u>50,000</u>	General	<u>50,000</u>
Local Street	<u>25,000</u>	Motor Vehicle Equipment	<u>25,000</u>
	<u>\$ 117,840</u>		<u>\$ 117,840</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 8 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)**

The transfer out of the Sewer Fund relates to the Village's payment in lieu of taxes program. The payment is classified as a transfer as the transaction does not involve an exchange for services provided.

The transfer to the Major Street Fund represents actions outlined in the Village's deficit elimination plan.

The transfer to the Local Street Fund represents cash assistance for projects undertaken in the current year.

**NOTE 9 - LONG-TERM LIABILITIES**

At December 31, 2012, long-term liabilities are comprised of the following individual issues:

Primary government:

Governmental activities:

Bonds payable:

\$700,000 2012 Capital Improvement bonds payable - payable in annual installments ranging from \$25,000 to \$50,000, plus interest ranging between 1.20% and 4.40%; final payment due March 2032 \$ 397,000

Notes payable:

\$250,000 2008 Installment purchase agreement - payable in annual installments ranging from \$21,000 to \$30,000, plus interest at 4.29%; final payment due March 2018 163,000

\$20,000 2012 Installment purchase agreement - payable in semi-annual installments of \$3,474, including interest at 2.39%; final payment due September 2016 20,000

Total notes payable 183,000

Total governmental activities \$ 580,000

NOTES TO FINANCIAL STATEMENTS (Continued)

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NOTE 9 - LONG-TERM LIABILITIES (Continued)

Primary government (continued):

Business-type activities:

Contracts and bonds payable:

\$1,125,000 1999 Barry County contract payable - payable in annual installments ranging from \$50,000 to \$75,000, plus interest at 3.9% to 6.9%; final payment due October 2018 \$ 450,000

\$1,870,000 2003 Barry County contract payable - payable in annual installments ranging from \$35,000 to \$220,000, plus interest at 2.0% to 3.8%; final payment due November 2014 415,000

\$205,000 2006 Barry County Water contract payable - payable in annual installments ranging from \$10,000 to \$15,000, plus interest at 2.125%; final payment due April 2026 145,000

\$1,040,000 2006 Barry County Water contract payable - payable in annual installments ranging from \$40,000 to \$65,000, plus interest at 2.125%; final payment due April 2027 820,000

\$425,000 2010 Barry County Capital Improvement bonds payable - payable in annual installments ranging from \$10,000 to \$25,000, plus interest ranging between 1.95% and 5.20%; final payment due March 2030 405,000

\$700,000 2012 Capital Improvement bonds payable - payable in annual installments ranging from \$25,000 to \$50,000, plus interest ranging between 1.20% and 4.40%; final payment due March 2032 303,000

Total business-type activities \$ 2,538,000

Component unit - LDFA:

Contract payable - \$823,574 2010 Barry County contract payable - payable in annual installments ranging from \$20,694 to \$62,078, plus interest at 4.345%; final payment due February 2026 \$ 765,632

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - LONG-TERM LIABILITIES (Continued)

Long-term liability activity for the year ended December 31, 2012, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Governmental activities:					
2012 Bonds payable	\$ -	\$ 397,000	\$ -	\$ 397,000	\$ -
2008 Note payable	186,000	-	(23,000)	163,000	24,000
2012 Note payable	-	20,000	-	20,000	6,486
<b>Total governmental activities</b>	<b>\$ 186,000</b>	<b>\$ 417,000</b>	<b>\$ (23,000)</b>	<b>\$ 580,000</b>	<b>\$ 30,486</b>
Business-type activities:					
1999 Contract payable	\$ 525,000	\$ -	\$ (75,000)	\$ 450,000	\$ 75,000
2003 Contract payable	620,000	-	(205,000)	415,000	195,000
2006 Contract payable	155,000	-	(10,000)	145,000	10,000
2006 Contract payable	865,000	-	(45,000)	820,000	45,000
2010 Bonds payable	415,000	-	(10,000)	405,000	15,000
2012 Bonds payable	-	303,000	-	303,000	-
<b>Total business-type activities</b>	<b>\$ 2,580,000</b>	<b>\$ 303,000</b>	<b>\$ (345,000)</b>	<b>\$ 2,538,000</b>	<b>\$ 340,000</b>
Component unit - LDFA:					
2010 Contract payable	\$ 802,880	\$ -	\$ (37,248)	\$ 765,632	\$ 41,386

At December 31, 2012, debt service requirements were as follows:

<i>Year ended December 31:</i>	<i>Primary government:</i>					
	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Component unit - LDFA</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2013	\$ 30,486	\$ 20,436	\$ 340,000	\$ 84,511	\$ 41,386	\$ 32,368
2014	45,854	18,998	380,821	72,108	41,386	30,569
2015	48,018	17,537	165,821	58,305	41,386	28,771
2016	42,179	16,038	165,821	52,678	41,386	26,973
2017	43,179	14,581	165,821	46,956	41,386	25,175
2018 - 2022	100,895	59,214	564,105	166,598	310,390	87,663
2023 - 2027	127,607	43,263	572,393	88,511	248,312	21,579
2028 - 2032	141,782	15,289	183,218	17,355	-	-
<b>Totals</b>	<b>\$ 580,000</b>	<b>\$ 205,356</b>	<b>\$ 2,538,000</b>	<b>\$ 587,022</b>	<b>\$ 765,632</b>	<b>\$ 253,098</b>

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

Village of Middleville  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 10 - PROPERTY TAXES**

The 2012 taxable valuation of the Village approximated \$81,415,000, on which ad valorem taxes levied consisted of 10.5 mills for operating purposes and 2.0 mills for major streets, raising approximately \$847,000 for operating and \$159,000 for major street preservation and improvements. These amounts are recognized in the respective fund financial statements as property tax revenue.

**NOTE 11 - DEFINED BENEFIT PENSION PLAN**

*Plan description:*

The Village's defined benefit pension plan provides retirement benefits to qualified employees and their beneficiaries. The Village's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent, multiple-employer, public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the Village. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917, or by calling 1-800-767-6377.

*Funding policy:*

Contribution rates for each participating employer and its covered employees are established, and may be amended, by each participating unit. The contribution rates are determined based on the benefit structure established by each employer. Covered employees are not required to contribute to the plan. Participating employers are required to contribute amounts necessary to finance the coverage of their employees through periodic contributions at actuarially-determined rates. Administrative costs of the plan are financed through investment earnings.

*Annual pension cost:*

For the year ended December 31, 2012, the Village's annual pension cost was \$54,979. Significant actuarial assumptions used included a) 8% investment rate of return, net of administrative expenses, b) projected salary increases of 1.0% per year, and c) no cost of living adjustments. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized over a closed period of 28 years as a level percentage of payroll.

Three-year trend information is as follows:

<i>Fiscal year ending</i>	<i>Annual pension cost (APC)</i>	<i>Percentage of APC contributed</i>	<i>Net pension obligation</i>
12/31/12	\$ 54,979	100%	\$ -
12/31/11	27,670	100%	-
12/31/10	29,914	100%	-

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

*Funded status and funding progress:*

The funded status of the plan for the most recent actuarial valuation date is as follows:

<i>Actuarial Valuation date</i>	<i>Actuarial value of assets (a)</i>	<i>Actuarial accrued liability (AAL) entry age (b)</i>	<i>Under funded AAL (b-a)</i>	<i>Funded ratio (a/b)</i>	<i>Covered payroll (c)</i>	<i>UAAL as a percentage of covered payroll ((b-a)/c)</i>
12/31/2011	\$ 1,150,761	\$ 1,442,669	\$ 291,908	80%	\$ 270,683	108%

The 2011 valuation reflects the following changes in actuarial assumptions:

- Revised rates of expected early reduced retirement.
- Revised rates of disability.
- Revised rates of expected employee turnover (withdrawal or termination of employment before retirement).
- Revised rates of merit/longevity pay increases.
- Revised assumptions related to increases in final average compensation for some municipalities.
- New minimum funding requirements for poorly funded, closed divisions.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial liability for benefits. Certain other accounting policies and plan asset matters are discussed in greater detail in the Village's actuarial valuation.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

*Plan description:*

The Village of Middleville administers two single-employer, defined benefit healthcare plans (the Exempt Employee and Union Employee plans). The Exempt Employee Plan provides healthcare benefits to all full-time employees upon retirement, in accordance with the Village personnel policy and current practice. Current practice for exempt employees provides for retired employees to receive a quarterly stipend (\$695 for single and \$1,143 for retiree and spouse) for medical insurance from the date of retirement until death. The postretirement benefit transfers to the spouse upon the retiree's death. The Union Employee Plan provides healthcare benefits to all full-time union employees upon retirement, in accordance with the collective bargaining agreement. The agreement requires the Village to pay 50% of medical insurance premiums (up to \$200 for single and \$400 for retiree and spouse) for retired union employees from the first day following the retiree's 65<sup>th</sup> birthday until death. The postretirement benefit transfers to the spouse upon the retiree's death. The Plan was established by the Village and can be amended at its discretion. The plans do not issue separate stand-alone financial statements.

*Funding policy:*

The Village has elected to provide postemployment health benefits to retirees of the Village. The Village pays the full cost of coverage of these benefits for retirees and their spouses on a pay-as-you-go basis. Currently, three retirees are eligible for postemployment health benefits. The Village obtains healthcare coverage through private insurers. The Village has the authority to establish the funding policy for the plans and to amend the obligations of both the Village and members. Active members are not obligated to make contributions to the Plan at this time. For the year ended December 31, 2012, the Village contributed \$7,354 to the plan.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

*Annual OPEB cost and net OPEB obligation:*

The Village's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The Village has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Village's annual OPEB cost for the year ended December 31, 2012, the amount actually contributed to the plan, and changes in the Village's net OPEB obligation:

Annual required contribution (ARC)	\$ 37,513
Interest on net OPEB obligation	4,536
Adjustment to annual required contribution	<u>(11,472)</u>
Annual OPEB cost (expense)	30,577
Contributions made	<u>(7,354)</u>
Increase in net OPEB obligation	23,223
Net OPEB obligation - beginning of year	<u>82,466</u>
Net OPEB obligation - end of year	<u>\$ 105,689</u>

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended December 31, 2012, were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Contributions</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
12/31/2012	\$ 30,577	\$ 7,354	24%	\$ 105,689

*Funded status and funding progress:*

As of December 31, 2012, the most recent valuation date, the plan had not been funded, resulting in an unfunded actuarial accrued liability (UAAL) of \$257,860. The covered payroll (annual payroll of active employees covered by the plan) was \$298,576, and the ratio of the UAAL to the covered payroll was 86%.

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 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 for benefits.

*Village of Middleville*  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Actuarial methods and assumptions:*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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.

The following simplifying assumptions were made:

*Retirement age for active employees* - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at various ages up to age sixty-five (65). This assumption is consistent with the first subsequent year in which the member would qualify for benefits. Employees of the Village are eligible to retire after ten (10) years of service and upon reaching MERS retirement requirements.

*Marital status* - Marital status of members at the calculation date was assumed to continue throughout retirement.

*Mortality* - Life expectancies were based on mortality tables from the United States Social Security Administration. The 2007 Period Life Table for males and females was used.

*Turnover* - Non-group-specific, age-based turnover data from GASB Statement No. 45 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

*Healthcare cost trend rate* - The expected rate of increase in healthcare insurance premiums was not specifically considered in the valuation due to the Village requiring eligible retirees to pay the difference between the actual premium amounts charged and the Village's contractually required contribution amount.

*Inflation rate* - The expected long-term inflation assumption of 2.8% was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* for an intermediate growth scenario. The healthcare inflation rate utilized is from 9% to 5% beginning with 9% in the subsequent year and declining one percent each year thereafter.

*Payroll growth rate* - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

**NOTE 13 - 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. The Village has joined together with other local governmental units in the State to form the Michigan Municipal League Insurance Pool (MML), a public entity risk pool currently operating as a common risk management and insurance program for local governmental units within the State. The Village pays an annual premium to MML for all of its insurance coverages. MML is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$2,000,000 for each insured event.

**NOTE 14 - RESTRICTED NET POSITION**

In the government-wide statement of net position, the governmental activities report restricted net position, in the amount of \$45,590, which is restricted by enabling legislation for public works expenditures.



**NOTE 15 - RECENT ACCOUNTING PRONOUNCEMENTS**

Effective January 1, 2012, the Village adopted the provisions of the following accounting pronouncements:

Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989, that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. Adoption of this standard did not result in restatement or reclassification of opening net position (formerly net assets) or fund balances.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This Statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Adoption of this standard did not result in restatement or reclassification of opening net position or fund balances.

**NOTE 16 - PENDING ACCOUNTING PRONOUNCEMENTS**

In November 2010, the GASB issued Statement No 61, *The Financial Reporting Entity Omnibus*, effective for periods beginning after June 15, 2012. This Statement, which is an amendment to Statements No. 14 and No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the Statement also clarifies the reporting of equity interest in legally separate organizations. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the fiscal year beginning January 1, 2013.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the fiscal year beginning January 1, 2013.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for periods beginning after June 15, 2014. This Statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded in the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the fiscal year beginning January 1, 2015.

**REQUIRED SUPPLEMENTARY INFORMATION**

Village of Middleville

**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended December 31, 2012

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>				
Property taxes	\$ 735,371	\$ 735,371	\$ 812,294	\$ 76,923
Licenses and permits	2,000	2,000	7,626	5,626
State grants	227,807	227,807	271,618	43,811
Intergovernmental	-	3,747	3,957	210
Interest and rentals	9,087	9,087	15,367	6,280
Other	5,850	10,790	15,418	4,628
Total revenues	<u>980,115</u>	<u>988,802</u>	<u>1,126,280</u>	<u>137,478</u>
<b>EXPENDITURES</b>				
Legislative	<u>21,224</u>	<u>24,381</u>	<u>24,348</u>	<u>33</u>
General government:				
Manager	71,862	72,501	72,393	108
Finance director	55,516	63,421	62,615	806
Professional fees	56,800	65,223	63,620	1,603
Clerk	29,720	29,220	29,140	80
Building and grounds	23,000	46,077	46,042	35
Nondepartmental	<u>108,199</u>	<u>86,055</u>	<u>82,734</u>	<u>3,321</u>
Total general government	<u>345,097</u>	<u>362,497</u>	<u>356,544</u>	<u>5,953</u>
Public safety:				
Police protection	292,928	292,928	292,411	517
Crossing guards	<u>6,134</u>	<u>7,974</u>	<u>2,998</u>	<u>4,976</u>
Total public safety	<u>299,062</u>	<u>300,902</u>	<u>295,409</u>	<u>5,493</u>
Public works:				
Public works department	114,176	144,357	143,348	1,009
Environmental control	31,348	28,649	27,687	962
Street lighting	44,340	32,100	32,039	61
Sidewalks	<u>20,326</u>	<u>32,826</u>	<u>21,652</u>	<u>11,174</u>
Total public works	<u>210,190</u>	<u>237,932</u>	<u>224,726</u>	<u>13,206</u>

Village of Middleville

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended December 31, 2012

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>EXPENDITURES (Continued)</b>				
Community and economic development - planning and zoning	\$ 42,398	\$ 44,878	\$ 43,924	\$ 954
Recreation and culture	34,671	75,785	73,454	2,331
Capital outlay	-	37,823	32,129	5,694
Debt service:				
Principal	22,782	23,000	23,000	-
Interest	8,000	7,782	7,619	163
Total debt service	30,782	30,782	30,619	163
Total expenditures	983,424	1,114,980	1,081,153	33,827
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(3,309)</u>	<u>(126,178)</u>	<u>45,127</u>	<u>171,305</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	28,182	499,934	103,000	(396,934)
Transfers in	42,840	42,840	42,840	-
Transfers out	(50,000)	(50,000)	(50,000)	-
Net other financing sources	21,022	492,774	95,840	(396,934)
<b>NET CHANGES IN FUND BALANCES</b>	17,713	366,596	140,967	(225,629)
<b>FUND BALANCES - BEGINNING</b>	43,220	43,220	43,220	-
<b>FUND BALANCES - ENDING</b>	<u>\$ 60,933</u>	<u>\$ 409,816</u>	<u>\$ 184,187</u>	<u>\$ (225,629)</u>

Village of Middleville

**BUDGETARY COMPARISON SCHEDULE - Major Street Fund**

Year ended December 31, 2012

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 137,437	\$ 137,437	\$ 133,889	\$ (3,548)
State grant - Michigan Transportation Fund	125,000	125,000	156,587	31,587
Other	-	-	2,149	2,149
Total revenues	<u>262,437</u>	<u>262,437</u>	<u>292,625</u>	<u>30,188</u>
<b>EXPENDITURES</b>				
Public works:				
Preservation	10,000	10,000	3,433	6,567
Routine maintenance	40,735	35,603	27,558	8,045
Winter maintenance	46,918	45,918	20,721	25,197
Traffic services	15,006	16,006	13,649	2,357
Total expenditures	<u>112,659</u>	<u>107,527</u>	<u>65,361</u>	<u>42,166</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>149,778</u>	<u>154,910</u>	<u>227,264</u>	<u>72,354</u>
<b>OTHER FINANCING SOURCES</b>				
Bond proceeds	-	-	295,000	295,000
Transfers in	100,000	100,000	50,000	(50,000)
Total other financing sources	<u>100,000</u>	<u>100,000</u>	<u>345,000</u>	<u>245,000</u>
<b>NET CHANGES IN FUND BALANCES</b>	249,778	254,910	572,264	317,354
<b>FUND BALANCES (DEFICIT) - BEGINNING</b>	<u>(462,209)</u>	<u>(462,209)</u>	<u>(462,209)</u>	<u>-</u>
<b>FUND BALANCES (DEFICIT) - ENDING</b>	<u>\$ (212,431)</u>	<u>\$ (207,299)</u>	<u>\$ 110,055</u>	<u>\$ 317,354</u>

Village of Middleville

**BUDGETARY COMPARISON SCHEDULE - Local Street Fund**

Year ended December 31, 2012

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
State grant - Michigan Transportation Fund	\$ 48,000	\$ 48,000	\$ 57,830	\$ 9,830
<b>EXPENDITURES</b>				
Public works:				
Preservation	4,000	3,000	2,007	993
Routine maintenance	31,486	31,886	25,219	6,667
Winter maintenance	5,477	6,077	4,625	1,452
Traffic services	<u>33,112</u>	<u>33,112</u>	<u>26,522</u>	<u>6,590</u>
Total expenditures	<u>74,075</u>	<u>74,075</u>	<u>58,373</u>	<u>15,702</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(26,075)</u>	<u>(26,075)</u>	<u>(543)</u>	<u>25,532</u>
<b>OTHER FINANCING SOURCES</b>				
Bond proceeds	-	-	19,000	19,000
Transfers in	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total other financing sources	<u>25,000</u>	<u>25,000</u>	<u>44,000</u>	<u>19,000</u>
<b>NET CHANGES IN FUND BALANCES</b>	(1,075)	(1,075)	43,457	44,532
<b>FUND BALANCES - BEGINNING</b>	<u>21,133</u>	<u>21,133</u>	<u>21,133</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 20,058</u>	<u>\$ 20,058</u>	<u>\$ 64,590</u>	<u>\$ 44,532</u>

Village of Middleville

**SCHEDULE OF FUNDING PROGRESS FOR THE EMPLOYEE RETIREMENT SYSTEM**  
*(Municipal Employees' Retirement System of Michigan)*

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated.

<i>Actuarial valuation date December 31:</i>	<i>Actuarial value of assets (a)</i>	<i>Actuarial liability (AAL) entry age (b)</i>	<i>Underfunded (overfunded) AAL (UAAL) (b-a)</i>	<i>Funded ratio (a/b)</i>	<i>Covered payroll (c)</i>	<i>UAAL as a percentage of covered payroll ((b-a)/c)</i>
1999	\$ 568,258	\$ 379,920	\$ (188,338)	150%	\$ 191,809	-98%
2000	616,154	510,260	(105,894)	121%	255,306	-41%
2001	651,394	578,113	(73,281)	113%	264,364	-28%
2002	663,155	607,675	(55,480)	109%	273,594	-20%
2003	705,803	643,480	(62,323)	110%	265,133	-24%
2004	742,540	675,163	(67,377)	110%	309,293	-22%
2005	793,419	736,086	(57,333)	108%	311,158	-18%
2006	865,482	806,364	(59,118)	107%	350,681	-17%
2007	933,525	865,519	(68,006)	108%	363,950	-19%
2008	994,601	1,039,929	45,328	96%	367,958	12%
2009	1,076,232	1,067,598	(8,634)	101%	327,929	-3%
2010	1,139,091	1,354,788	215,697	84%	185,271	116%
2011	1,150,761	1,442,669	291,908	80%	270,683	108%

Notes to schedule:

The 2011 valuation reflects the following changes in the actuarial assumptions:

1. Revised rates of expected early reduced retirement.
2. Revised rates of disability.
3. Revised rates of expected employee turnover (withdrawal or termination of employment before retirement).
4. Revised rates of merit/longevity pay increases.
5. Revised assumptions related to increases in final average compensation for some municipalities.
6. New minimum funding requirements for poorly funded, closed divisions.

Village of Middleville

SCHEDULE OF FUNDING PROGRESS FOR THE POSTEMPLOYMENT HEALTHCARE PLAN

Year ended December 31, 2012

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated.

<i>Actuarial valuation date December 31:</i>	<i>Actuarial value of assets (a)</i>	<i>Actuarial accrued liability (AAL) entry age (b)</i>	<i>Underfunded (overfunded) AAL (UAAL) (b-a)</i>	<i>Funded ratio (a/b)</i>	<i>Covered payroll (c)</i>	<i>UAAL as a percentage of covered payroll ((b-a)/c)</i>
2011	\$ -	\$ 236,900	\$ 236,900	0%	\$ 306,092	77%
2012	-	257,860	257,860	0%	298,576	86%



**SUPPLEMENTARY INFORMATION**

Village of Middleville

BALANCE SHEET - *component units*

December 31, 2012

	<u>Local Development Finance Authority</u>	<u>Downtown Development Authority</u>
<b>ASSETS</b>		
Cash	\$ 345,273	\$ 137,009
Receivables	<u>6,827</u>	<u>18,766</u>
Total assets	<u>\$ 352,100</u>	<u>\$ 155,775</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities - payables	\$ 1,623	\$ 110
Advance from primary government	<u>-</u>	<u>56,313</u>
Total liabilities	1,623	56,423
Fund balances - unassigned	<u>350,477</u>	<u>99,352</u>
Total liabilities and fund balances	<u>\$ 352,100</u>	<u>\$ 155,775</u>
 Total fund balances	 \$ 350,477	 \$ 99,352
 Amounts reported for the <i>component units</i> in the statement of net position (page 14) are different because:		
Capital assets used by the <i>component units</i> are not financial resources and, therefore, are not reported in the funds.	1,456,318	61,997
Long-term liabilities, consisting of a contract payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(765,632)	-
Interest related to long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(13,862)</u>	<u>-</u>
Net position of the <i>component units</i>	<u>\$ 1,027,301</u>	<u>\$ 161,349</u>

Village of Middleville

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - component units**

Year ended December 31, 2012

	<i>Local Development Finance Authority</i>	<i>Downtown Development Authority</i>
<b>REVENUES</b>		
Property taxes	\$ 136,632	\$ 113,009
Charges for services	-	3,567
Other	-	131
	<u>136,632</u>	<u>116,707</u>
Total revenues		
<b>EXPENDITURES</b>		
Public works	20,747	50,030
Capital outlay	-	9,450
Debt service:		
Principal	37,248	-
Interest	31,217	-
	<u>89,212</u>	<u>59,480</u>
Total expenditures		
<b>NET CHANGES IN FUND BALANCES</b>	47,420	57,227
<b>FUND BALANCES - BEGINNING</b>	<u>303,057</u>	<u>42,125</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 350,477</u>	<u>\$ 99,352</u>
Net changes in fund balances	\$ 47,420	\$ 57,227
Amounts reported for the <i>component units</i> in the statement of activities (page 15) are different because:		
Capital assets - depreciation provision	(37,962)	(596)
Long term obligations - principal payments	37,248	-
Decrease in accrued interest expense	<u>673</u>	<u>-</u>
Change in net position of <i>component units</i>	<u>\$ 47,379</u>	<u>\$ 56,631</u>

Village of Middleville

BUDGETARY COMPARISON SCHEDULE - Local Development Finance Authority

Year ended December 31, 2012

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>				
Property taxes	\$ 131,000	\$ 131,000	\$ 136,632	\$ 5,632
Interest	500	500	-	(500)
Total revenues	<u>131,500</u>	<u>131,500</u>	<u>136,632</u>	<u>5,132</u>
<b>EXPENDITURES</b>				
Public works	51,750	34,136	20,747	13,389
Debt service:				
Principal	37,248	45,000	37,248	7,752
Interest	34,076	26,324	31,217	(4,893)
Total expenditures	<u>123,074</u>	<u>105,460</u>	<u>89,212</u>	<u>16,248</u>
<b>NET CHANGES IN FUND BALANCES</b>	8,426	26,040	47,420	21,380
<b>FUND BALANCES - BEGINNING</b>	<u>303,057</u>	<u>303,057</u>	<u>303,057</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 311,483</u>	<u>\$ 329,097</u>	<u>\$ 350,477</u>	<u>\$ 21,380</u>

Village of Middleville

BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority

Year ended December 31, 2012

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>				
Property taxes	\$ 135,870	\$ 111,400	\$ 113,009	\$ 1,609
Charges for services	3,500	3,000	3,567	567
Other	-	-	131	131
Total revenues	<u>139,370</u>	<u>114,400</u>	<u>116,707</u>	<u>2,307</u>
<b>EXPENDITURES</b>				
Public works	108,406	97,682	50,030	47,652
Capital outlay	<u>20,000</u>	<u>14,000</u>	<u>9,450</u>	<u>4,550</u>
Total expenditures	<u>128,406</u>	<u>111,682</u>	<u>59,480</u>	<u>52,202</u>
<b>NET CHANGES IN FUND BALANCES</b>	10,964	2,718	57,227	54,509
<b>FUND BALANCES - BEGINNING</b>	<u>42,125</u>	<u>42,125</u>	<u>42,125</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 53,089</u>	<u>\$ 44,843</u>	<u>\$ 99,352</u>	<u>\$ 54,509</u>

Village of Middleville

SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$1,125,000 1999 BARRY COUNTY CONTRACT PAYABLE

December 31, 2012

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>April 1</i>	<i>October 1</i>			
2013	\$ 10,687	\$ 10,687	10/1/13	\$ 75,000	\$ 96,374
2014	8,944	8,944	10/1/14	75,000	92,888
2015	7,181	7,181	10/1/15	75,000	89,362
2016	5,400	5,400	10/1/16	75,000	85,800
2017	3,600	3,600	10/1/17	75,000	82,200
2018	1,800	1,800	10/1/18	75,000	78,600
	<u>\$ 37,612</u>	<u>\$ 37,612</u>		<u>\$ 450,000</u>	<u>\$ 525,224</u>

Village of Middleville

SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$1,870,000 2003 BARRY COUNTY CONTRACT PAYABLE

December 31, 2012

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>May 1</i>	<i>November 1</i>			
2013	\$ 7,787	\$ 7,787	11/1/13	\$ 195,000	\$ 210,574
2014	4,180	4,180	11/1/14	220,000	228,360
	<u>\$ 11,967</u>	<u>\$ 11,967</u>		<u>\$ 415,000</u>	<u>\$ 438,934</u>

Village of Middleville

SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$205,000 2006 BARRY COUNTY WATER CONTRACT PAYABLE

December 31, 2012

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>April 1</i>	<i>October 1</i>			
2013	\$ 1,541	\$ 1,541	4/1/13	\$ 10,000	\$ 13,082
2014	1,434	1,434	4/1/14	10,000	12,868
2015	1,328	1,328	4/1/15	10,000	12,656
2016	1,222	1,222	4/1/16	10,000	12,444
2017	1,116	1,116	4/1/17	10,000	12,232
2018	1,009	1,009	4/1/18	10,000	12,018
2019	903	903	4/1/19	10,000	11,806
2020	797	797	4/1/20	10,000	11,594
2021	691	691	4/1/21	10,000	11,382
2022	584	584	4/1/22	10,000	11,168
2023	478	478	4/1/23	10,000	10,956
2024	372	372	4/1/24	10,000	10,744
2025	266	266	4/1/25	10,000	10,532
2026	159	159	4/1/26	15,000	15,318
	<u>\$ 11,900</u>	<u>\$ 11,900</u>		<u>\$ 145,000</u>	<u>\$ 168,800</u>



Village of Middleville

SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$1,040,000 2006 BARRY COUNTY WATER CONTRACT PAYABLE

December 31, 2012

Fiscal period	Interest requirements		Maturity date	Principal	Total requirements
	April 1	October 1			
2013	\$ 8,713	\$ 8,713	4/1/13	\$ 45,000	\$ 62,426
2014	8,234	8,234	4/1/14	50,000	66,468
2015	7,703	7,703	4/1/15	50,000	65,406
2016	7,172	7,172	4/1/16	50,000	64,344
2017	6,641	6,641	4/1/17	50,000	63,282
2018	6,109	6,109	4/1/18	50,000	62,218
2019	5,578	5,578	4/1/19	55,000	66,156
2020	4,994	4,994	4/1/20	55,000	64,988
2021	4,409	4,409	4/1/21	55,000	63,818
2022	3,825	3,825	4/1/22	55,000	62,650
2023	3,241	3,241	4/1/23	60,000	66,482
2024	2,603	2,603	4/1/24	60,000	65,206
2025	1,966	1,966	4/1/25	60,000	63,932
2026	1,328	1,328	4/1/26	60,000	62,656
2027	691	691	4/1/27	65,000	66,382
	<u>\$ 73,207</u>	<u>\$ 73,207</u>		<u>\$ 820,000</u>	<u>\$ 966,414</u>

Village of Middleville

SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$425,000 2010 CAPITAL IMPROVEMENT BONDS PAYABLE

December 31, 2012

Fiscal period	Interest requirements		Maturity date	Principal	Total requirements
	March 1	September 1			
2013	\$ 8,466	\$ 8,286	3/1/13	\$ 15,000	\$ 31,752
2014	8,286	8,088	3/1/14	15,000	31,374
2015	8,088	7,782	3/1/15	20,000	35,870
2016	7,782	7,458	3/1/16	20,000	35,240
2017	7,458	7,113	3/1/17	20,000	34,571
2018	7,113	6,747	3/1/18	20,000	33,860
2019	6,747	6,363	3/1/19	20,000	33,110
2020	6,363	5,856	3/1/20	25,000	37,219
2021	5,856	5,331	3/1/21	25,000	36,187
2022	5,331	4,788	3/1/22	25,000	35,119
2023	4,788	4,225	3/1/23	25,000	34,013
2024	4,225	3,644	3/1/24	25,000	32,869
2025	3,644	3,044	3/1/25	25,000	31,688
2026	3,044	2,431	3/1/26	25,000	30,475
2027	2,431	1,806	3/1/27	25,000	29,237
2028	1,806	1,294	3/1/28	25,000	28,100
2029	1,294	650	3/1/29	25,000	26,944
2030	650	-	3/1/30	25,000	25,650
	<u>\$ 93,372</u>	<u>\$ 84,906</u>		<u>\$ 405,000</u>	<u>\$ 583,278</u>

Village of Middleville

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS**

**\$700,000 2012 CAPITAL IMPROVEMENT BONDS PAYABLE**

December 31, 2012

Fiscal period	Interest requirements		Maturity date	Principal	Total requirements
	March 1	September 1			
2013	\$ 11,997	\$ 11,800	3/1/13	\$ -	\$ 23,797
2014	11,800	11,650	3/1/14	25,000	48,450
2015	11,650	11,475	3/1/15	25,000	48,125
2016	11,475	11,281	3/1/16	25,000	47,756
2017	11,281	11,063	3/1/17	25,000	47,344
2018	11,063	10,806	3/1/18	25,000	46,869
2019	10,806	10,519	3/1/19	25,000	46,325
2020	10,519	10,200	3/1/20	25,000	45,719
2021	10,200	9,850	3/1/21	25,000	45,050
2022	9,850	9,462	3/1/22	25,000	44,312
2023	9,462	9,050	3/1/23	25,000	43,512
2024	9,050	8,175	3/1/24	50,000	67,225
2025	8,175	7,250	3/1/25	50,000	65,425
2026	7,250	6,287	3/1/26	50,000	63,537
2027	6,287	5,300	3/1/27	50,000	61,587
2028	5,300	4,288	3/1/28	50,000	59,588
2029	4,288	3,250	3/1/29	50,000	57,538
2030	3,250	2,187	3/1/30	50,000	55,437
2031	2,187	1,100	3/1/31	50,000	53,287
2032	1,100	-	3/1/32	50,000	51,100
	<u>\$ 166,990</u>	<u>\$ 154,993</u>		<u>\$ 700,000</u>	<u>\$ 1,021,983</u>

	<u>Interest</u>	<u>Principal</u>	<u>Totals</u>
Allocation by activity:			
Governmental activities	\$ 182,610	\$ 397,000	\$ 579,610
Business-type activities	139,373	303,000	442,373
	<u>\$ 321,983</u>	<u>\$ 700,000</u>	<u>\$ 1,021,983</u>

Village of Middleville

LOCAL DEVELOPMENT FINANCE AUTHORITY

SCHEDULE OF CONTRACT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$823,574 2010 BARRY COUNTY CONTRACT PAYABLE

December 31, 2012

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>February 1</i>	<i>August 1</i>			
2013	\$ 16,634	\$ 15,734	2/1/13	\$ 41,386	\$ 73,754
2014	15,734	14,835	2/1/14	41,386	71,955
2015	14,835	13,936	2/1/15	41,386	70,157
2016	13,936	13,037	2/1/16	41,386	68,359
2017	13,037	12,138	2/1/17	41,386	66,561
2018	12,138	10,789	2/1/18	62,078	85,005
2019	10,789	9,441	2/1/19	62,078	82,308
2020	9,441	8,092	2/1/20	62,078	79,611
2021	8,092	6,743	2/1/21	62,078	76,913
2022	6,743	5,395	2/1/22	62,078	74,216
2023	5,395	4,046	2/1/23	62,078	71,519
2024	4,046	2,698	2/1/24	62,078	68,822
2025	2,698	1,348	2/1/25	62,078	66,124
2026	1,348	-	2/1/26	62,078	63,426
	<u>\$ 134,866</u>	<u>\$ 118,232</u>		<u>\$ 765,632</u>	<u>\$ 1,018,730</u>

Village of Middleville

DOWNTOWN DEVELOPMENT AUTHORITY

SCHEDULE OF CONTRACT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$310,387 2002 LONG-TERM ADVANCE FROM GENERAL FUND

December 31, 2012

<u>Fiscal period</u>	<u>Interest July 1</u>	<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
2013	\$ 2,649	7/1/13	\$ 28,182	\$ 30,831
2014	<u>1,325</u>	7/1/14	<u>28,131</u>	<u>29,456</u>
	<u>\$ 3,974</u>		<u>\$ 56,313</u>	<u>\$ 60,287</u>