

Village of Middleville
Barry County, Michigan

FINANCIAL STATEMENTS

Year ended December 31, 2017

	<i>Page</i>
INDEPENDENT AUDITOR'S REPORT	3 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 13
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net position	14
Statement of activities	15
Fund financial statements:	
Balance sheet - governmental funds	16
Statement of revenues, expenditures, and changes in fund balances - governmental funds	17 - 18
Statement of net position - proprietary funds	19
Statement of revenues, expenses, and changes in net position - proprietary funds	20
Statement of cash flows - proprietary funds	21 - 22
Notes to financial statements	23 - 43
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	44 - 45
Major Street Fund	46
Local Street Fund	47
Schedule of changes in the Village's net pension liability and related ratios	48
Schedule of Village pension contributions	49
Schedule of funding progress for the Postemployment Healthcare Plan	50
SUPPLEMENTARY INFORMATION	
Combining statement of net position - internal service funds	51
Combining statement of revenues, expenses, and changes in net position - Internal service funds	52
Combining statement of cash flows - internal service funds	53 - 54
Balance sheet - component units	55
Statement of revenues, expenditures, and changes in fund balances - component units	56
Budgetary comparison schedules:	
Local Development Finance Authority	57
Downtown Development Authority	58
Schedules of debt retirement and annual interest requirements	59 - 69

INDEPENDENT AUDITOR'S 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 aggregate remaining fund information of the Village of Middleville, Michigan, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Middleville, Michigan, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, the pension schedules, and the schedule of funding progress for the postemployment healthcare plan, 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 internal service fund financial statements, combining component units' fund financial statements, individual component units' budgetary comparison schedules, and the schedules of debt retirement and annual interest requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Siegfried Crandall P.C.

April 26, 2018

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, 2017. 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 2017.

FINANCIAL HIGHLIGHTS

- Net position is the amount by which the Village's assets exceeded its liabilities. Net position totaled \$16,959,628 at December 31, 2017. The unrestricted portion of this amount, \$2,660,551 (16 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 \$1,153,417 (7 percent) as a result of this year's activities. The net position of the governmental activities increased by \$247,248, and the net position of the business-type activities increased by \$906,169.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$518,590.
- 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, which will provide additional funding for major street capital infrastructure needs.
- The Village's multi-year utility rate increase policy for commodity charges 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 annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents additional 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-term and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.

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

A comparative analysis of the government-wide financial statements for 2017 and 2016 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 primary and 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 (6.4 miles) and Local (10.82 miles) Street funds account for improvements to, and preservation of, the 17.22 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-term 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 internal service funds (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 funds include the Motor Vehicle Equipment Fund and the OPEB Fund. The Motor Vehicle Equipment Fund rents a fleet of equipment to the other funds, at rates established by the State, and the OPEB Fund is being used to fund costs of the Village's other post-employment benefits.

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.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$16,959,628 compared to \$15,806,211 at the end of the prior year. Of this total, \$13,145,593 represents the net investment in capital assets and \$1,153,484 is restricted for various purposes. Consequently, unrestricted net position was \$2,660,551, or 16 percent of the total.

*Condensed financial information
Net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 1,386,091	\$ 753,040	\$ 3,479,262	\$ 3,155,005	\$ 4,865,353	\$ 3,908,045
Capital assets	<u>8,441,924</u>	<u>8,810,613</u>	<u>7,959,924</u>	<u>6,276,876</u>	<u>16,401,848</u>	<u>15,087,489</u>
Total assets	<u>9,828,015</u>	<u>9,563,653</u>	<u>11,439,186</u>	<u>9,431,881</u>	<u>21,267,201</u>	<u>18,995,534</u>
Deferred outflows of resources	<u>112,405</u>	<u>318,927</u>	<u>44,871</u>	<u>131,535</u>	<u>157,276</u>	<u>450,462</u>
Current and other liabilities	<u>743,226</u>	<u>836,167</u>	<u>465,368</u>	<u>280,072</u>	<u>1,208,594</u>	<u>1,116,239</u>
Long-term debt	<u>941,543</u>	<u>1,038,010</u>	<u>2,314,712</u>	<u>1,485,536</u>	<u>3,256,255</u>	<u>2,523,546</u>
Total liabilities	<u>1,684,769</u>	<u>1,874,177</u>	<u>2,780,080</u>	<u>1,765,608</u>	<u>4,464,849</u>	<u>3,639,785</u>
Net position:						
Net investment in capital assets	<u>7,500,381</u>	<u>7,772,603</u>	<u>5,645,212</u>	<u>4,791,340</u>	<u>13,145,593</u>	<u>12,563,943</u>
Restricted	<u>618,114</u>	<u>355,302</u>	<u>535,370</u>	<u>541,712</u>	<u>1,153,484</u>	<u>897,014</u>
Unrestricted (deficit)	<u>137,156</u>	<u>(119,502)</u>	<u>2,523,395</u>	<u>2,464,756</u>	<u>2,660,551</u>	<u>2,345,254</u>
Total net position	<u>\$ 8,255,651</u>	<u>\$ 8,008,403</u>	<u>\$ 8,703,977</u>	<u>\$ 7,797,808</u>	<u>\$ 16,959,628</u>	<u>\$ 15,806,211</u>

Changes in net position

The Village's total revenues were \$3,772,901 in the current year compared to \$4,153,656 in the prior year. More than 35 percent of the Village's revenues comes from public utility charges for services. Property taxes represent approximately 26 percent of the total. Capital grants, in the amount of \$574,407, accounted for over 15 percent of the total revenues in 2017, due to substantial grants from other governments in the current year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

*Condensed financial information
Changes in net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	2017	2016	2017	2016	2017	2016
Net position, beginning of year	8,008,403	6,819,609	7,797,808	7,288,189	15,806,211	14,107,798
Program revenues:						
Charges for services	22,953	23,969	1,312,136	1,255,908	1,335,089	1,279,877
Grants and contributions:						
Operating grants	339,060	262,205	28,842	38,853	367,902	301,058
Capital grants	74,407	1,039,632	500,000	15,646	574,407	1,055,278
General revenues:						
Property taxes	987,053	1,101,078	-	-	987,053	1,101,078
State shared revenue	296,799	229,064	-	-	296,799	229,064
Local stabilization grant	195,114	181,665	-	-	195,114	181,665
Interest	16,537	5,636	-	-	16,537	5,636
Total revenues	1,931,923	2,843,249	1,840,978	1,310,407	3,772,901	4,153,656
Expenses:						
General government	373,205	508,910	-	-	373,205	508,910
Public safety	292,464	271,683	-	-	292,464	271,683
Public works	726,735	647,611	-	-	726,735	647,611
Community and economic development	94,934	72,532	-	-	94,934	72,532
Recreation and culture	206,122	160,771	-	-	206,122	160,771
Interest	34,055	35,788	-	-	34,055	35,788
Sewer	-	-	549,235	451,283	549,235	451,283
Water	-	-	342,734	306,665	342,734	306,665
Total expenses	1,727,515	1,697,295	891,969	757,948	2,619,484	2,455,243
Excess before transfers	204,408	1,145,954	949,009	552,459	1,153,417	1,698,413
Transfers	42,840	42,840	(42,840)	(42,840)	-	-
Changes in net position	\$ 247,248	\$ 1,188,794	\$ 906,169	\$ 509,619	\$ 1,153,417	\$ 1,698,413
Net position, end of year	\$ 8,255,651	\$ 8,008,403	\$ 8,703,977	\$ 7,797,808	\$ 16,959,628	\$ 15,806,211

The total cost of the Village's programs for the current year, covering a wide range of services, totaled \$2,619,484 compared to \$2,455,243 in the prior year. More than 34 percent of the Village's costs relates to the provision of utility services. Governmental public works expenses represent approximately 28 percent of all costs, while general government expenses account for more than 14 percent of the total costs.

Governmental activities

Revenues exceeded expenses during each of the past two years, causing the Village's net position to increase by \$247,248 in the current year and \$1,188,794 in the prior year. The increase in net position is lower in the current year because revenues decreased by \$911,326, and expenses increased by \$30,220.

Revenues decreased primarily because capital grant revenue declined by \$965,225. Capital grants, associated with contributions from the State for bridge reconstruction and a riverfront improvement, were recognized in the prior year. In total, expenses only increased by less than two percent.

The following schedule 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 \$1,727,515. After subtracting the direct charges to those who directly benefited from the programs (\$22,953), operating grants (\$339,060), and capital grants and contributions (\$74,407), the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was \$1,291,095.

	<i>Total cost of services</i>	<i>Net cost of services</i>
	<u> </u>	<u> </u>
Public works	\$ 726,735	\$ (393,633)
General government	373,205	(357,024)
Public safety	292,464	(281,192)
Other	<u>335,111</u>	<u>(259,246)</u>
Totals	<u>\$ 1,727,515</u>	<u>\$ (1,291,095)</u>

Business-type activities

Business-type activities increased the Village's net position by \$906,169 in the current year compared to an increase of \$509,619 in the prior year. The increases in each of the past two years indicate that rates have been set to fully cover both operating and debt service costs.

The increase in net position was higher in the current year, as revenues rose by \$530,571, though expenses increased by \$134,021. The increase in revenues was primarily due to a \$500,000 contribution from the Local Development Finance Authority, which partially funded improvements to the sewer system. Expenses increased by nearly 18 percent in the current year, primarily because the business-type activities absorbed a larger share of compensation costs as a more appropriate share of fringe benefit costs was allocated to the utility funds.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental funds

As of December 31, 2017, the Village's governmental funds, in total, reported total fund balances of \$1,153,629, which represents an increase of \$527,622 compared to last year's total.

The General Fund experienced an increase in fund balance of \$267,013 and has a fund balance of \$559,749 at the end of the year; however, portions of the fund balance are nonspendable and restricted, totaling \$16,925 and \$24,234, respectively. Unassigned fund balance amounts to \$518,590 at year end, which represents about 42 percent of current year expenditures.

The Major Street Fund experienced an increase in fund balance of \$155,219. The increase in fund balance occurred because current year resources of \$405,103, which included property taxes (\$157,101) and state grants (\$248,002), exceeded expenditures of \$159,884 and a transfer to the Local Street Fund of \$90,000. The Fund has a fund balance of \$404,024 at the end of the year that is restricted by enabling legislation for major street maintenance and improvements.

The Local Street Fund experienced an increase in fund balance of \$105,390. The increase in fund balance occurred because the Fund received a \$90,000 transfer from the Major Street Fund that will be used for future street improvements. The Fund has a fund balance of \$189,856 at the end of the year that is restricted by enabling legislation for local street maintenance and improvements.

Enterprise funds

The Sewer Fund experienced income from operations of \$2,493 and net nonoperating expenses of \$10,355 in the current year. A transfer to the General Fund, in the amount of \$42,840, reduced the fund's equity. However, capital contributions, in the amount of \$796,012, allowed an increase in net position of \$745,310. Most of the increase is due to a \$500,000 contribution from the Local Development Finance Authority which partially funded sewer improvements in the current year. The fund's net position is \$6,292,004 at December 31, 2017, of which \$535,370 is restricted for debt service, leaving \$1,837,238 in unrestricted net position.

The Water Fund experienced income from operations of \$12,925 in the current year. Capital contributions, in the amount of \$134,739, exceeded debt service expenses (\$20,535), so that the net position increased by \$127,129. The fund's net position is \$2,278,009 at December 31, 2017, of which \$552,193 is unrestricted.

Internal service funds

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.

The OPEB Fund, which receives contributions from the Village's other funds, accounts for the funding of other post-employment benefit costs.

General Fund budgetary highlights

The Village increased its total budgeted revenues by \$210,000, primarily to include \$195,000 in state grants for the Village's share of local community stabilization grant revenue from the State. Total actual revenues were \$1,989 more than budgeted.

The Village amended its expenditure budget to decrease appropriations by a net amount of \$11,209 in response to various changes in expected costs experienced during the year. Total expenditures were \$13,914 less than the final amounts appropriated. Several activities were over budget because the Village decided to fund its new OPEB Fund with \$100,000 at the end of the year, but did not amend the budget for the related costs, which were spread among various activities based on payroll costs incurred.

The fund experienced a \$267,013 increase in fund balance compared to a budgeted increase of \$251,110.

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, 2017, amounts to \$16,401,848 (net of accumulated depreciation). This investment includes a broad range of assets, including land, equipment, buildings, and sewer and water facilities. The increase in the Village's net investment in capital assets for the current fiscal year was \$1,314,359, comprised of \$1,905,835 in additions and \$591,476 in provisions for depreciation.

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Infrastructure	\$ 5,546,397	\$ 7,731,886	\$ 13,278,283
Buildings and improvements	2,289,273	-	2,289,273
Equipment	219,091	84,889	303,980
Land	<u>387,163</u>	<u>143,149</u>	<u>530,312</u>
Totals	<u>\$ 8,441,924</u>	<u>\$ 7,959,924</u>	<u>\$ 16,401,848</u>

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

- Sewer system improvements, which were still in progress at year end, amounted to \$1,877,762
- A new mower was purchased for \$11,918

More detailed information about the Village's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt

At the end of the fiscal year, the Village had total long-term debt outstanding in the amount of \$3,256,255, which represents a net increase of \$732,709, due to issuance of debt, amounting to \$995,000, and principal payments of \$262,291. All scheduled debt payments were made in a timely manner. All debt is backed by the full faith and credit of the Village.

Other noncurrent obligations include a net pension liability of \$427,368 and accrued other postemployment benefits in the amount of \$324,633.

More detailed information about the Village's long-term liabilities is presented in Note 8 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. Council continues their practice of tight fiscal controls, which includes continually monitoring sources and uses, asset management, energy use, and water and sewer rates, to be sure spending is in line with fiscal policies and financial stewardship.

The Village projects a slight increase in property tax revenue, anticipates increases in benefits and wages to employees, and will implement capital projects as funds allow.

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
Duane Weeks, Village Manager
100 East Main Street
Middleville, MI 49333-0069

Phone: (269) 795-3385

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

December 31, 2017

	Primary government			Component units	
	Governmental activities	Business-type activities	Totals	Local Development Finance Authority	Downtown Development Authority
ASSETS					
Current assets:					
Cash	\$ 1,367,666	\$ 3,020,346	\$ 4,388,012	\$ 1,330,962	\$ 364,891
Receivables	135,464	305,780	441,244	36,481	39,078
Prepaid expenses	16,925	2,433	19,358	-	-
Internal balances	(133,964)	133,964	-	-	-
Total current assets	1,386,091	3,462,523	4,848,614	1,367,443	403,969
Noncurrent assets:					
Receivables	-	16,739	16,739	-	-
Capital assets not being depreciated	387,163	2,087,381	2,474,544	426,562	-
Capital assets, net of depreciation	8,054,761	5,872,543	13,927,304	1,288,343	77,300
Total noncurrent assets	8,441,924	7,976,663	16,418,587	1,714,905	77,300
Total assets	9,828,015	11,439,186	21,267,201	3,082,348	481,269
DEFERRED OUTFLOWS OF RESOURCES					
Pension	112,405	44,871	157,276	-	-
LIABILITIES					
Current liabilities:					
Payables	89,491	343,440	432,931	58,358	8,694
Escrows	23,662	-	23,662	-	-
Bonds, contracts, and notes payable	102,822	200,821	303,643	71,644	-
Total current liabilities	215,975	544,261	760,236	130,002	8,694
Noncurrent liabilities:					
Other postemployment obligation, net	324,633	-	324,633	-	-
Net pension liability	305,440	121,928	427,368	-	-
Bonds, contracts, and notes payable	838,721	2,113,891	2,952,612	526,836	-
Total noncurrent liabilities	1,468,794	2,235,819	3,704,613	526,836	-
Total liabilities	1,684,769	2,780,080	4,464,849	656,838	8,694
NET POSITION					
Net investment in capital assets	7,500,381	5,645,212	13,145,593	1,116,425	77,300
Restricted:					
Public safety	24,234	-	24,234	-	-
Public works	593,880	-	593,880	-	-
Debt service	-	535,370	535,370	-	-
Unrestricted	137,156	2,523,395	2,660,551	1,309,085	395,275
Total net position	\$ 8,255,651	\$ 8,703,977	\$ 16,959,628	\$ 2,425,510	\$ 472,575

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended December 31, 2017

Functions/Programs	Program revenues				Net (expenses) revenues and changes in net position				
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government			Component units	
					Governmental activities	Business-type activities	Totals	Local Development Finance Authority	Downtown Development Authority
Governmental activities:									
General government	\$ 373,205	\$ 16,181	\$ -	\$ -	\$ (357,024)		\$ (357,024)		
Public safety	292,464	6,772	4,500	-	(281,192)		(281,192)		
Public works	726,735	-	333,102	-	(393,633)		(393,633)		
Community and economic development	94,934	-	1,458	-	(93,476)		(93,476)		
Recreation and culture	206,122	-	-	74,407	(131,715)		(131,715)		
Interest on long-term debt	34,055	-	-	-	(34,055)		(34,055)		
Total governmental activities	<u>1,727,515</u>	<u>22,953</u>	<u>339,060</u>	<u>74,407</u>	<u>(1,291,095)</u>		<u>(1,291,095)</u>		
Business-type activities:									
Sewer	549,235	821,328	28,842	500,000		\$ 800,935	800,935		
Water	342,734	490,808	-	-		148,074	148,074		
Total business-type activities	<u>891,969</u>	<u>1,312,136</u>	<u>28,842</u>	<u>500,000</u>		<u>949,009</u>	<u>949,009</u>		
Total primary government	<u>\$ 2,619,484</u>	<u>\$ 1,335,089</u>	<u>\$ 367,902</u>	<u>\$ 574,407</u>	<u>(1,291,095)</u>	<u>949,009</u>	<u>(342,086)</u>		
Component units:									
Local Development Finance Authority	\$ 556,511	\$ -	\$ -	\$ -			\$ (556,511)	\$ -	
Downtown Development Authority	103,228	14,388	-	-			-	(88,840)	
Total component units	<u>\$ 659,739</u>	<u>\$ 14,388</u>	<u>\$ -</u>	<u>\$ -</u>			<u>(556,511)</u>	<u>(88,840)</u>	
General revenues:									
Property taxes					987,053	-	987,053	283,417	145,539
Local community stabilization revenue					195,114	-	195,114	286,290	3,594
State shared revenue					296,799	-	296,799	-	-
Unrestricted interest earnings					16,537	-	16,537	-	-
Transfers					42,840	(42,840)	-	-	-
Total general revenues and transfers					<u>1,538,343</u>	<u>(42,840)</u>	<u>1,495,503</u>	<u>569,707</u>	<u>149,133</u>
Changes in net position					247,248	906,169	1,153,417	13,196	60,293
Net position - beginning					8,008,403	7,797,808	15,806,211	2,412,314	412,282
Net position - ending					<u>\$ 8,255,651</u>	<u>\$ 8,703,977</u>	<u>\$ 16,959,628</u>	<u>\$ 2,425,510</u>	<u>\$ 472,575</u>

See notes to financial statements

Village of Middleville

BALANCE SHEET - governmental funds

December 31, 2017

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total governmental funds</u>
ASSETS				
Cash	\$ 545,296	\$ 376,923	\$ 179,414	\$ 1,101,633
Receivables	81,857	40,618	12,989	135,464
Prepaid expenditures	16,925	-	-	16,925
Total assets	<u>\$ 644,078</u>	<u>\$ 417,541</u>	<u>\$ 192,403</u>	<u>\$ 1,254,022</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 60,667	\$ 13,517	\$ 2,547	\$ 76,731
Escrow deposits	23,662	-	-	23,662
Total liabilities	<u>84,329</u>	<u>13,517</u>	<u>2,547</u>	<u>100,393</u>
Fund balances:				
Nonspendable - prepaids	16,925	-	-	16,925
Restricted for:				
Public safety	24,234	-	-	24,234
Public works	-	404,024	189,856	593,880
Unassigned	518,590	-	-	518,590
Total fund balances	<u>559,749</u>	<u>404,024</u>	<u>189,856</u>	<u>1,153,629</u>
Total liabilities and fund balances	<u>\$ 644,078</u>	<u>\$ 417,541</u>	<u>\$ 192,403</u>	<u>\$ 1,254,022</u>
Reconciliation of the balance sheet to the statement of net position:				
Total fund balance - total governmental funds				\$ 1,153,629
Amounts reported for <i>governmental activities</i> in the statement of net position (page 14) are different because:				
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.				
				8,091,734
Certain pension contributions and unamortized changes in pension plan net position are reported as deferred outflows of resources in the statement of net position but are not reported in the funds.				
				107,923
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds:				
Bonds and notes payable				(837,188)
Other postemployment obligation, net				(324,633)
Net pension liability				(293,260)
Interest payable is not due and payable in the current period and, therefore, is not reported in the funds.				
				(9,360)
Internal service funds are used by management to charge costs to individual funds. The assets and liabilities of the internal service funds are included in <i>governmental activities</i> in the statement of net position.				
				<u>366,806</u>
Net position of <i>governmental activities</i>				<u>\$ 8,255,651</u>

See notes to financial statements

Village of Middleville

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

Year ended December 31, 2017

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total governmental funds</u>
REVENUES				
Property taxes	\$ 842,119	\$ 157,101	\$ -	\$ 999,220
Licenses and permits	6,740	-	-	6,740
State grants	556,968	248,002	85,099	890,069
Intergovernmental	13,108	-	-	13,108
Interest and rentals	17,622	-	-	17,622
Other	5,164	-	-	5,164
	<u>1,441,721</u>	<u>405,103</u>	<u>85,099</u>	<u>1,931,923</u>
Total revenues				
EXPENDITURES				
Current:				
General government	344,922	-	-	344,922
Public safety	288,422	-	-	288,422
Public works	265,826	132,178	61,514	459,518
Community and economic development	103,690	-	-	103,690
Recreation and culture	151,333	-	-	151,333
Debt service:				
Principal	61,257	16,064	5,757	83,078
Interest	18,698	11,642	2,438	32,778
	<u>1,234,148</u>	<u>159,884</u>	<u>69,709</u>	<u>1,463,741</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>207,573</u>	<u>245,219</u>	<u>15,390</u>	<u>468,182</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	59,440	-	90,000	149,440
Transfers out	-	(90,000)	-	(90,000)
	<u>59,440</u>	<u>(90,000)</u>	<u>90,000</u>	<u>59,440</u>
Net other financing sources (uses)				
NET CHANGES IN FUND BALANCES	267,013	155,219	105,390	527,622
FUND BALANCES - BEGINNING	<u>292,736</u>	<u>248,805</u>	<u>84,466</u>	<u>626,007</u>
FUND BALANCES - ENDING	<u>\$ 559,749</u>	<u>\$ 404,024</u>	<u>\$ 189,856</u>	<u>\$ 1,153,629</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, 2017

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) \$ 527,622

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.

Asset acquisitions	8,629
Provision for depreciation	(342,899)

Long-term debt:

Principal payments	83,078
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Changes in other current assets/liabilities:

Net decrease in accrued interest expense	650
Net increase in other postemployment benefit obligation	(48,666)
Net decrease in net pension liability	152,368

Net decrease in deferred outflows of resources related to pension	(198,391)
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A portion of the net expense of the internal service funds is reported with
governmental activities.

64,857

Change in net position of *governmental activities*

\$ 247,248

STATEMENT OF NET POSITION - proprietary funds

December 31, 2017

	<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>	
ASSETS				
Current assets:				
Cash	\$ 2,513,796	\$ 506,550	\$ 3,020,346	\$ 266,033
Receivables	207,395	98,385	305,780	-
Prepaid expenses	-	2,433	2,433	-
Total current assets	<u>2,721,191</u>	<u>607,368</u>	<u>3,328,559</u>	<u>266,033</u>
Noncurrent assets:				
Receivables	16,739	-	16,739	-
Capital assets not being depreciated	1,978,012	109,369	2,087,381	-
Capital assets, net of depreciation	<u>3,408,884</u>	<u>2,463,659</u>	<u>5,872,543</u>	<u>350,190</u>
Total noncurrent assets	<u>5,403,635</u>	<u>2,573,028</u>	<u>7,976,663</u>	<u>350,190</u>
Total assets	<u>8,124,826</u>	<u>3,180,396</u>	<u>11,305,222</u>	<u>616,223</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	<u>22,884</u>	<u>21,987</u>	<u>44,871</u>	<u>4,482</u>
LIABILITIES				
Current liabilities:				
Payables	326,024	17,416	343,440	3,400
Bonds, contracts, and notes payable	<u>132,750</u>	<u>68,071</u>	<u>200,821</u>	<u>13,743</u>
Total current liabilities	<u>458,774</u>	<u>85,487</u>	<u>544,261</u>	<u>17,143</u>
Noncurrent liabilities:				
Net pension liability	62,182	59,746	121,928	12,180
Bonds, contracts, and notes payable	<u>1,334,750</u>	<u>779,141</u>	<u>2,113,891</u>	<u>90,612</u>
Total noncurrent liabilities	<u>1,396,932</u>	<u>838,887</u>	<u>2,235,819</u>	<u>102,792</u>
Total liabilities	<u>1,855,706</u>	<u>924,374</u>	<u>2,780,080</u>	<u>119,935</u>
NET POSITION				
Net investment in capital assets	3,919,396	1,725,816	5,645,212	245,835
Restricted for debt service	535,370	-	535,370	-
Unrestricted	<u>1,837,238</u>	<u>552,193</u>	<u>2,389,431</u>	<u>254,935</u>
Total net position	<u>\$ 6,292,004</u>	<u>\$ 2,278,009</u>	<u>\$ 8,570,013</u>	<u>\$ 500,770</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>133,964</u>	
Net position of <i>business-type activities</i> (page 14)			<u>\$ 8,703,977</u>	

See notes to financial statements

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

Year ended December 31, 2017

	<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>	
OPERATING REVENUES				
Charges for services:				
Utility charges	\$ 524,528	\$ 351,859	\$ 876,387	\$ -
Equipment rental	-	-	-	133,077
OPEB contributions	-	-	-	100,000
Other	376	4,210	4,586	-
Total operating revenues	<u>524,904</u>	<u>356,069</u>	<u>880,973</u>	<u>233,077</u>
OPERATING EXPENSES				
Personnel costs	121,938	109,078	231,016	22,665
Contracted services	147,351	53,002	200,353	-
Equipment and supplies	23,354	26,652	50,006	24,531
Utilities	79,203	53,457	132,660	15,532
Internal charges	14,534	23,810	38,344	-
Miscellaneous	5,567	5,369	10,936	6,898
Depreciation	130,464	71,776	202,240	46,337
Total operating expenses	<u>522,411</u>	<u>343,144</u>	<u>865,555</u>	<u>115,963</u>
OPERATING INCOME	<u>2,493</u>	<u>12,925</u>	<u>15,418</u>	<u>117,114</u>
NONOPERATING REVENUES (EXPENSES)				
State grants	28,842	-	28,842	-
Special assessment interest	412	-	412	-
Interest expense	(39,609)	(20,535)	(60,144)	(1,927)
Net nonoperating (expenses)	<u>(10,355)</u>	<u>(20,535)</u>	<u>(30,890)</u>	<u>(1,927)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(7,862)</u>	<u>(7,610)</u>	<u>(15,472)</u>	<u>115,187</u>
CAPITAL CONTRIBUTIONS				
Debt retirement charges	242,957	86,173	329,130	-
Capital contributions	500,000	-	500,000	-
Connection fees	53,055	48,566	101,621	-
Total capital contributions	<u>796,012</u>	<u>134,739</u>	<u>930,751</u>	<u>-</u>
TRANSFERS OUT	<u>(42,840)</u>	<u>-</u>	<u>(42,840)</u>	<u>(16,600)</u>
CHANGES IN NET POSITION	745,310	127,129	872,439	98,587
NET POSITION - BEGINNING	<u>5,546,694</u>	<u>2,150,880</u>	<u>7,697,574</u>	<u>402,183</u>
NET POSITION - ENDING	<u>\$ 6,292,004</u>	<u>\$ 2,278,009</u>	<u>\$ 8,570,013</u>	<u>\$ 500,770</u>
Reconciliation of the fund basis changes in net position to the statement of activities:				
Changes in net position			\$ 872,439	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>33,730</u>	
Change in net position of <i>business-type activities</i> (page 15)			<u>\$ 906,169</u>	

STATEMENT OF CASH FLOWS - proprietary funds

Year ended December 31, 2017

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal services</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 496,107	\$ 346,821	\$ 842,928	\$ 233,077
Payments to vendors and suppliers	(303,939)	(168,747)	(472,686)	(57,104)
Payments to employees	(66,851)	(65,757)	(132,608)	(12,502)
Internal activity - payments to other funds	(14,534)	(23,810)	(38,344)	-
Net cash provided by operating activities	<u>110,783</u>	<u>88,507</u>	<u>199,290</u>	<u>163,471</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State grants	37,483	-	37,483	-
Transfers to other funds	(42,840)	-	(42,840)	(16,600)
Net cash used in noncapital financing activities	<u>(5,357)</u>	<u>-</u>	<u>(5,357)</u>	<u>(16,600)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from the issuance of capital debt	995,000	-	995,000	-
Capital contributions	500,000	-	500,000	-
Debt retirement charges	242,957	86,173	329,130	-
Connection fees	53,055	48,566	101,621	-
Special assessment principal collections	6,342	1,082	7,424	-
Special assessment interest	412	-	412	-
Acquisition of capital assets	(1,586,904)	(7,526)	(1,594,430)	(11,918)
Decrease in payables	(41,210)	-	(41,210)	-
Principal payments on capital debt	(97,750)	(68,074)	(165,824)	(13,389)
Interest payments on capital debt	(32,960)	(21,284)	(54,244)	(3,172)
Net cash provided by (used in) capital and related financing activities	<u>38,942</u>	<u>38,937</u>	<u>77,879</u>	<u>(28,479)</u>
NET CHANGE IN CASH	<u>144,368</u>	<u>127,444</u>	<u>271,812</u>	<u>118,392</u>
CASH - BEGINNING	<u>2,369,428</u>	<u>379,106</u>	<u>2,748,534</u>	<u>147,641</u>
CASH - ENDING	<u>\$ 2,513,796</u>	<u>\$ 506,550</u>	<u>\$ 3,020,346</u>	<u>\$ 266,033</u>

Village of Middleville

STATEMENT OF CASH FLOWS - proprietary funds (Continued)

Year ended December 31, 2017

	<u>Business-type activities</u>			<u>Governmental activities</u>
	<u>Enterprise funds</u>			<u>Internal services</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
Noncash capital and related financing activities				
Acquisition of capital assets	\$ (1,877,762)	\$ (7,526)	\$ (1,885,288)	\$ (11,918)
Less increase in payables	<u>290,858</u>	<u>-</u>	<u>290,858</u>	<u>-</u>
Net cash used	<u>\$ (1,586,904)</u>	<u>\$ (7,526)</u>	<u>\$ (1,594,430)</u>	<u>\$ (11,918)</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 2,493	\$ 12,925	\$ 15,418	\$ 117,114
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	130,464	71,776	202,240	46,337
Decrease in prepaid expenses	-	3,265	3,265	-
Increase in receivables	(28,797)	(9,248)	(38,045)	-
Decrease in deferred outflows of resources	34,325	52,339	86,664	8,131
Increase (decrease) in payables	(6,656)	5,835	(821)	(1,941)
Decrease in net pension liability	<u>(21,046)</u>	<u>(48,385)</u>	<u>(69,431)</u>	<u>(6,170)</u>
Net cash provided by operating activities	<u>\$ 110,783</u>	<u>\$ 88,507</u>	<u>\$ 199,290</u>	<u>\$ 163,471</u>

See notes to financial statements

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:

As required by generally accepted accounting principles, these financial statements present the Village (the primary government, located in Barry County) and its component units described below, for which the Village is 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 primary government.

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, a special revenue fund, accounts for the use of motor fuel taxes that are earmarked by State statute for major street repairs and improvements.

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

The Village reports the following major proprietary funds:

The Sewer Fund accounts for 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 types:

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.

The OPEB Fund, an internal service fund, accounts for the funding of other post-employment benefits.

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 relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, deferred outflows of resources, liabilities, and net position or equity:

Cash - Cash consists of cash on hand, demand deposits, and time 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, and net position or equity (continued):

Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the fund statements and the government-wide financial statements.

Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., sewer and water systems and streets), 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.

Deferred outflows of resources - The statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The related expense will not be recognized until a future event occurs. The Village's deferred outflows of resources relate to the defined benefit pension plan, which is discussed in Note 11. No deferred outflows of resources affect the governmental funds financial statements.

Pension - For purposes of measuring the net pension liability, deferred outflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The Village and its defined pension plan share the same year-end date. Accordingly, the Village has elected to measure its net pension liability as of the prior December 31.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, and net position or equity (continued):

Net position - Net position represents the difference between assets and deferred outflows of resources, and liabilities. The Village reports three categories of net position, as follows: (1) *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the Village's debt. Restricted net position is reduced by liabilities related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the Village.

Net position flow assumption - Sometimes, the Village will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary funds financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund equity - Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are not in spendable form. Restricted fund balance is reported when externally imposed constraints are placed on the use of 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 balance is the residual classification for amounts in the General Fund. 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's 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 2017 ad valorem tax was levied and collectible on July 1, 2017. 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. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the 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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Excess of expenditures over appropriations - The following schedule sets forth reportable budget variances:

<i>Entity</i>	<i>Fund</i>	<i>Function</i>	<i>Activity</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance</i>
Primary government:						
General	General government	General government	Manager	\$ 108,834	\$ 122,218	\$ 13,384
		Public works	Public works department	136,736	162,386	25,650
		Community and economic development	Planning and zoning	91,300	103,690	12,390
		Debt service	Principal	50,000	61,257	11,257
Major Street	Debt service		Interest	16,884	18,698	1,814
			Interest	1,795	11,642	9,847

NOTE 3 - CASH

At December 31, 2017, cash is classified in the accompanying financial statements as follows:

Statement of net position:	
Primary government - cash	\$ 4,388,012
Component units:	
L DFA - cash	1,330,962
DDA - cash	<u>364,891</u>
Total	<u>\$ 6,083,865</u>

At December 31, 2017, cash consists of the following:

Cash on hand	\$ 550
Deposits with financial institutions	<u>6,083,315</u>
Total	<u>\$ 6,083,865</u>

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

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Village will not be able to recover its deposits. The Village’s investment policy does not specifically address custodial credit risk for deposits. At December 31, 2017, \$5,632,223 of the Village’s bank balances of \$6,132,223 was exposed to custodial credit risk because it was uninsured. However, this amount is collateralized by securities held by the pledging financial institution.

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, 2017, for the Village’s funds were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Inter- govern- mental</u>	<u>Interest</u>	<u>Special assess- ments</u>	<u>Totals</u>
Primary government:						
Governmental:						
General	\$ -	\$ 25,231	\$ 48,765	\$ 7,861	\$ -	\$ 81,857
Major Street	-	4,749	35,869	-	-	40,618
Local Street	-	-	12,989	-	-	12,989
Total governmental funds	<u>\$ -</u>	<u>\$ 29,980</u>	<u>\$ 97,623</u>	<u>\$ 7,861</u>	<u>\$ -</u>	<u>\$ 135,464</u>
Proprietary:						
Sewer	\$ 201,815	\$ -	\$ -	\$ -	\$ 22,319	\$ 224,134
Water	98,385	-	-	-	-	98,385
Total proprietary funds	<u>\$ 201,815</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,319</u>	<u>\$ 322,519</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,739</u>	<u>\$ 16,739</u>
Component units:						
LDFA	<u>\$ -</u>	<u>\$ 36,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,481</u>
DDA	<u>\$ -</u>	<u>\$ 39,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,078</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, 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	\$ 387,163	\$ -	\$ -	\$ 387,163
Capital assets being depreciated:				
Land improvements	786,448	8,629	-	795,077
Buildings	2,146,180	-	-	2,146,180
Furniture, fixtures, and equipment	373,708	11,918	-	385,626
Infrastructure	6,781,656	-	-	6,781,656
Vehicles	573,984	-	-	573,984
Subtotal	<u>10,661,976</u>	<u>20,547</u>	<u>-</u>	<u>10,682,523</u>
Less accumulated depreciation for:				
Land improvements	(85,522)	(39,610)	-	(125,132)
Buildings	(468,332)	(58,520)	-	(526,852)
Furniture, fixtures, and equipment	(315,473)	(14,962)	-	(330,435)
Infrastructure	(990,294)	(244,965)	-	(1,235,259)
Vehicles	(378,905)	(31,179)	-	(410,084)
Subtotal	<u>(2,238,526)</u>	<u>(389,236)</u>	<u>-</u>	<u>(2,627,762)</u>
Total capital assets being depreciated, net	<u>8,423,450</u>	<u>(368,689)</u>	<u>-</u>	<u>8,054,761</u>
Governmental activities capital assets, net	<u>\$ 8,810,613</u>	<u>\$ (368,689)</u>	<u>\$ -</u>	<u>\$ 8,441,924</u>

Sometimes, the Village records capitalizable costs, as part of current expenditure functions, for purposes of administrative control. In 2017, capitalizable costs of \$8,629 were reported within recreation and culture in the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 17).

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 22,592
Public safety	4,042
Public works	250,251
Recreation and culture	66,014
Depreciation on capital assets held by internal service fund	<u>46,337</u>
Total governmental activities	<u>\$ 389,236</u>

	<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	<u>66,470</u>	<u>1,877,762</u>	<u>-</u>	<u>1,944,232</u>
Subtotal	<u>209,619</u>	<u>1,877,762</u>	<u>-</u>	<u>2,087,381</u>
Capital assets being depreciated:				
Sewer system	6,023,139	-	-	6,023,139
Water system	3,692,639	-	-	3,692,639
Equipment	<u>375,206</u>	<u>7,526</u>	<u>-</u>	<u>382,732</u>
Subtotal	<u>10,090,984</u>	<u>7,526</u>	<u>-</u>	<u>10,098,510</u>
Less accumulated depreciation for:				
Sewer system	(2,447,499)	(66,237)	-	(2,513,736)
Water system	(1,296,014)	(118,374)	-	(1,414,388)
Equipment	<u>(280,214)</u>	<u>(17,629)</u>	<u>-</u>	<u>(297,843)</u>
Subtotal	<u>(4,023,727)</u>	<u>(202,240)</u>	<u>-</u>	<u>(4,225,967)</u>
Total capital assets being depreciated, net	<u>6,067,257</u>	<u>(194,714)</u>	<u>-</u>	<u>5,872,543</u>
Business-type activities capital assets, net	<u>\$ 6,276,876</u>	<u>\$ 1,683,048</u>	<u>\$ -</u>	<u>\$ 7,959,924</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Component units:				
LDFA:				
Capital assets not being depreciated - construction in progress	\$ -	\$ 426,562	\$ -	\$ 426,562
Capital assets being depreciated - infrastructure	1,557,746	-	-	1,557,746
Less accumulated depreciation for - infrastructure	<u>(230,443)</u>	<u>(38,960)</u>	<u>-</u>	<u>(269,403)</u>
Total capital assets being depreciated, net	<u>1,327,303</u>	<u>(38,960)</u>	<u>-</u>	<u>1,288,343</u>
LDFA capital assets, net	<u>\$ 1,327,303</u>	<u>\$ 387,602</u>	<u>\$ -</u>	<u>\$ 1,714,905</u>
DDA:				
Capital assets being depreciated - infrastructure	\$ 91,573	\$ -	\$ -	\$ 91,573
Less accumulated depreciation for - infrastructure	<u>(10,310)</u>	<u>(3,963)</u>	<u>-</u>	<u>(14,273)</u>
DDA capital assets, net	<u>\$ 81,263</u>	<u>\$ (3,963)</u>	<u>\$ -</u>	<u>\$ 77,300</u>

NOTE 6 - PAYABLES

Payables as of December 31, 2017, for the Village were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Primary government:				
Governmental:				
General	\$ 47,396	\$ 13,271	\$ -	\$ 60,667
Major Street	13,041	476	-	13,517
Local Street	<u>1,724</u>	<u>823</u>	-	<u>2,547</u>
Total governmental funds	<u>\$ 62,161</u>	<u>\$ 14,570</u>	<u>\$ -</u>	<u>\$ 76,731</u>
Proprietary:				
Enterprise:				
Sewer	\$ 306,766	\$ 3,786	\$ 15,472	\$ 326,024
Water	<u>9,307</u>	<u>2,284</u>	<u>5,825</u>	<u>17,416</u>
	316,073	6,070	21,297	343,440
Motor Vehicle Equipment	<u>1,251</u>	<u>740</u>	<u>1,409</u>	<u>3,400</u>
Total proprietary funds	<u>\$ 317,324</u>	<u>\$ 6,810</u>	<u>\$ 22,706</u>	<u>\$ 346,840</u>
Component units:				
LDFA	<u>\$ 52,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,822</u>
DDA	<u>\$ 7,114</u>	<u>\$ 1,580</u>	<u>\$ -</u>	<u>\$ 8,694</u>

NOTE 7 - INTERFUND TRANSFERS

The interfund transfers for the year ended December 31, 2017, were as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
General	<u>\$ 59,440</u>	Sewer	\$ 42,840
		Internal service	<u>16,600</u>
			<u>59,440</u>
Local street	<u>90,000</u>	Major street	<u>90,000</u>
	<u>\$ 149,440</u>		<u>\$ 149,440</u>

The transfers out of the Sewer and Internal Service funds relate to the Village's payment in lieu of taxes program. The payment is classified as a transfer because the transaction does not involve an exchange for services provided.

The transfer to the Local Street Fund represents cash assistance for future construction projects.

NOTE 8 - LONG-TERM LIABILITIES

At December 31, 2017, 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	\$ 340,288
\$410,000 2014 Capital Improvement bonds payable - payable in annual installments ranging from \$15,000 to \$30,000, plus interest ranging between 1.00% and 4.60%; final payment due March 2032	<u>365,000</u>
Total bonds payable	<u>705,288</u>

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	30,000
\$136,000 2013 Drain improvement agreement - payable in annual installments of \$13,600, including interest at 3.73%; final payment due February 2023	68,000
\$145,000 2014 Installment purchase agreement - payable in annual installments of \$16,561, including interest at 2.70%; final payment due April 2024	104,355
\$45,200 2016 Installment purchase agreement - payable in annual installments of \$11,300; final payment due July 2020	<u>33,900</u>
Total notes payable	<u>236,255</u>
Total governmental activities	<u>\$ 941,543</u>

NOTE 8 - LONG-TERM LIABILITIES (Continued)

Business-type activities:

Contracts and bonds payable:

\$1,125,000 1999 Barry County Sewer 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	\$ 75,000
\$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	95,000
\$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	575,000
\$425,000 2010 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	315,000
\$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	259,712
\$995,000 2017 Capital Improvement bonds payable - payable in annual installments ranging from \$35,000 to \$70,000, plus interest ranging between 1.00% and 3.55%; final payment due March 2037	<u>995,000</u>
Total business-type activities	<u>\$ 2,314,712</u>

Component unit - LDFA:

Contract payable - \$745,509 2013 Barry County contract payable - payable in annual installments ranging from \$47,000 to \$75,000, plus interest at 0.80% to 3.60%; final payment due February 2026	<u>\$ 598,480</u>
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NOTE 8 - LONG-TERM LIABILITIES (Continued)

Long-term liability activity for the year ended December 31, 2017, 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:					
2008 Note payable	\$ 59,000	\$ -	\$ (29,000)	\$ 30,000	\$ 30,000
2012 Bonds payable	354,466	-	(14,178)	340,288	14,179
2013 Drain assessment	81,600	-	(13,600)	68,000	13,600
2014 Bonds payable	380,000	-	(15,000)	365,000	20,000
2014 Note payable	117,744	-	(13,389)	104,355	13,743
2016 Note payable	45,200	-	(11,300)	33,900	11,300
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	<u>\$ 1,038,010</u>	<u>\$ -</u>	<u>\$ (96,467)</u>	<u>\$ 941,543</u>	<u>\$ 102,822</u>
Business-type activities:					
1999 Contract payable	\$ 150,000	\$ -	\$ (75,000)	\$ 75,000	\$ 75,000
2006 Contract payable	105,000	-	(10,000)	95,000	10,000
2006 Contract payable	625,000	-	(50,000)	575,000	50,000
2010 Bonds payable	335,000	-	(20,000)	315,000	20,000
2012 Bonds payable	270,536	-	(10,824)	259,712	10,821
2017 Bonds payable	-	995,000	-	995,000	35,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total business-type activities	<u>\$ 1,485,536</u>	<u>\$ 995,000</u>	<u>\$ (165,824)</u>	<u>\$ 2,314,712</u>	<u>\$ 200,821</u>
Component unit - LDFA:					
2013 Contract payable	\$ 645,480	\$ -	\$ (47,000)	\$ 598,480	\$ 71,644
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTE 8 - LONG-TERM LIABILITIES (Continued)

At December 31, 2017, debt service requirements were as follows:

Year ended December 31:	Primary government					
	Governmental activities		Business-type activities		Component unit - LDFA	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 102,822	\$ 32,598	\$ 200,821	\$ 66,558	\$ 71,644	\$ 15,362
2019	73,194	29,932	130,821	60,252	66,279	14,266
2020	73,570	27,789	140,821	57,219	65,904	12,980
2021	62,669	25,514	140,821	53,907	65,518	11,427
2022	63,068	23,612	140,821	50,426	60,122	9,714
2023 - 2027	284,433	86,840	722,393	190,327	269,013	19,272
2028 - 2032	281,787	31,630	518,214	93,799	-	-
2033 - 2037	-	-	320,000	28,741	-	-
Totals	<u>\$ 941,543</u>	<u>\$ 257,915</u>	<u>\$ 2,314,712</u>	<u>\$ 601,229</u>	<u>\$ 598,480</u>	<u>\$ 83,021</u>

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

NOTE 9 - PROPERTY TAXES

The 2017 taxable valuation of the Village approximated \$96,775,000, on which ad valorem taxes levied consisted of 10.5 mills for operating purposes and 2.0 mills for major street preservation and improvements, raising approximately \$1,016,000 for operating purposes and \$194,000 for major street preservation and improvements. These amounts are recognized in the respective fund financial statements as property tax revenue, though they are reduced by tax captures from the Village's component units.

NOTE 10 - TAX ABATEMENTS

The Village enters into property tax abatement agreements with local businesses for the purpose of attracting or retaining businesses within the Village. Each agreement was negotiated under a state law, which allows local units to abate property taxes for a variety of economic development purposes. The abatements may be granted to local businesses located within the Village or promising to relocate within the Village. Depending on the statute referenced for a particular abatement, the Village may grant abatements of up to 50% of annual property taxes through a direct reduction of the entity's property tax bill or not tax the entity on improvements to a property for a period of time, not to exceed twelve years. Depending on the terms of the agreement and state law, abated taxes may be subject to recapture upon default of the entity. The Village has not made any commitments as part of the agreements other than to reduce taxes. The Village is not subject to any tax abatement agreements entered into by other governmental entities.

For the year ended December 31, 2017, the Village abated property taxes totaling \$20,031 under the Industrial Facilities Exemption, which is authorized by Public Act 198 of 1974.

NOTE 11 - DEFINED BENEFIT PENSION PLAN

Plan description:

The Village participates in the Municipal Employees' Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member retirement board. MERS issues a publicly-available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at www.mersofmich.com.

Benefits provided:

The Village's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries and covers the Village's full-time employees. Retirement benefits for eligible employees are calculated as 2.25% of the employee's three-year final average compensation, times the employee's years of service, with a maximum of 80% of final average compensation. Normal retirement age is 60, with early retirement at a reduced benefit at age 50, with 25 years of service, or age 55 with 15 years of service. Deferred retirement benefits vest after 10 years of credited service, but are not paid until the date retirement would have occurred had the member remained an employee. Covered employees are required to contribute a percentage of their compensation to the plan, depending on the employee's classification within the plan. An employee who leaves service may withdraw their contributions, plus any accumulated interest. Benefit terms, within the parameters of MERS, are established and amended by the authority of the Village Council.

Employees covered by benefit terms:

At the December 31, 2016, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>8</u>
 Total	 <u><u>20</u></u>

Contributions:

The Village is required to contribute amounts at least equal to an actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the fiscal year ended December 31, 2017, Village contributions ranged from 1.50% to 19.56% of monthly covered payroll. Covered employees made contributions ranging from 2.2% to 4.7% to the plan. For the fiscal year ended December 31, 2017, the Village contributed \$55,650 to the plan, while employees contributed \$20,032.

Net pension liability:

The Village's net pension liability reported at December 31, 2017, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2016. The total pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions:

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.75%	in the long term
Investment rate of return	7.75%	net of investment expense, including inflation

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial assumptions (continued):

Mortality rates were based on a blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables all with a 50 percent male and 50 percent female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50 percent male and 50 percent female blend is used to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of the 2015 Experience Study, which is the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following schedule:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Global equity	57.50%	5.02%
Global fixed income	20.00%	2.18%
Real assets	12.50%	4.23%
Diversifying strategies	10.00%	6.56%

Discount rate:

The discount rate used to measure the total pension liability is 8.00% for 2016. The projection of cash flows used to determine the discount rate assumes that employer contributions will be made at the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

Changes in net pension liability:

	<i>Increase (decrease)</i>		
	<i>Total pension liability</i>	<i>Plan fiduciary net position</i>	<i>Net pension liability</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balances at December 31, 2014	\$ 1,816,984	\$ 1,161,647	\$ 655,337
Changes for the year:			
Service cost	40,702	-	40,702
Interest	143,405	-	143,405
Difference in experience	(6,723)	-	(6,723)
Employer contributions	-	246,876	(246,876)
Employee contribution	-	17,729	(17,729)
Net investment income	-	143,577	(143,577)
Benefit payments, including refunds	(89,537)	(89,537)	-
Administrative expenses	-	(2,829)	2,829
Net changes	<u>87,847</u>	<u>315,816</u>	<u>(227,969)</u>
Balances at December 31, 2015	<u>\$ 1,904,831</u>	<u>\$ 1,477,463</u>	<u>\$ 427,368</u>

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the Village, calculated using the discount rate of 8.00%, as well as what the Village's net pension liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate.

	<i>1% Decrease</i>	<i>Current rate</i>	<i>1% Increase</i>
	<i>(7.25%)</i>	<i>(8.25%)</i>	<i>(9.25%)</i>
Village's net pension liability	<u>\$ 640,244</u>	<u>\$ 427,368</u>	<u>\$ 246,827</u>

Pension plan fiduciary net position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued MERS financial report, which can be found at www.mersofmich.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due. Benefit payments are recognized as expenses when due and payable in accordance with benefit terms.

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

Pension expense and deferred outflows of resources related to pensions:

For the fiscal year ended December 31, 2017, the Village recognized pension expense of \$116,575. At December 31, 2017, the Village reported deferred outflows of resource related to pensions from the following sources:

<u>Source</u>	<u>Deferred outflows of resources</u>
Difference between projected and actual earnings	\$ 45,671
Difference between expected and actual experience	11,704
Difference in assumptions	<u>48,543</u>
	105,918
Contributions made subsequent to measurement date	<u>51,358</u>
Totals	<u>\$ 157,276</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in fiscal year 2018.

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

<u>Year ended December 31:</u>	<u>Deferred outflows of resources</u>
2018	\$ 50,310
2019	50,308
2020	13,427
2021	<u>(8,127)</u>
	<u>\$ 105,918</u>

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 (\$777 for single and \$1,258 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 \$417 for single and \$834 for retiree and spouse) for retired union employees from the first day following the retiree's 65th 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.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2017, the Village contributed \$7,818 to the plan.

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 No. 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 schedule shows the components of the Village’s annual OPEB cost for the year ended December 31, 2017, the amount actually contributed to the plan, and changes in the Village’s net OPEB obligation:

Annual required contribution (ARC)	\$ 71,875
Interest on net OPEB obligation	15,178
Adjustment to annual required contribution	<u>(30,569)</u>
Annual OPEB cost (expense)	56,484
Contributions made	<u>(7,818)</u>
Increase in net OPEB obligation	48,666
Net OPEB obligation - beginning of year	<u>275,967</u>
Net OPEB obligation - end of year	<u>\$ 324,633</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, 2017, were as follows:

<i>Fiscal year ended</i>	<i>Annual OPEB cost</i>	<i>Contributions</i>	<i>Percentage of annual OPEB cost contributed</i>	<i>Net OPEB obligation</i>
12/31/2017	\$ 56,484	\$ 7,818	14%	\$ 324,633

Funded status and funding progress:

As of December 31, 2017, the most recent valuation date, the plan had not been funded, resulting in an unfunded actuarial accrued liability (UAAL) of \$651,714. The covered payroll (annual payroll of active employees covered by the plan) was \$379,625, and the ratio of the UAAL to the covered payroll was 172%.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funded status and funding progress (continued):

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.

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 1% each year thereafter.

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

NOTE 13 - DEFERRED COMPENSATION PLAN

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

NOTE 14 - 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 15 - RESTRICTED NET POSITION

In the government-wide statement of net position, the governmental activities report restricted net position, in the amount of \$593,880, which is restricted by enabling legislation for public works expenditures.

NOTE 16 - PENDING ACCOUNTING PRONOUNCEMENT

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the year ending December 31, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB). For defined benefit OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Statement also enhances accountability and transparency through revised note disclosures and required supplemental 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, 2018.

SUPPLEMENTARY INFORMATION

Village of Middleville

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2017

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 868,582	\$ 868,582	\$ 842,119	\$ (26,463)
Licenses and permits	3,000	3,000	6,740	3,740
State grants	347,150	557,150	556,968	(182)
Intergovernmental	-	-	13,108	13,108
Interest and rentals	4,000	4,000	17,622	13,622
Other	7,000	7,000	5,164	(1,836)
Total revenues	<u>1,229,732</u>	<u>1,439,732</u>	<u>1,441,721</u>	<u>1,989</u>
EXPENDITURES				
General government:				
Legislative	26,492	26,492	23,747	2,745
Manager	86,834	108,834	122,218	(13,384)
Finance director	30,741	40,741	41,025	(284)
Professional fees	51,000	37,000	33,585	3,415
Clerk	38,210	38,210	34,451	3,759
Building and grounds	40,500	42,500	37,763	4,737
Nondepartmental	152,334	71,675	52,133	19,542
Total general government	<u>426,111</u>	<u>365,452</u>	<u>344,922</u>	<u>20,530</u>
Public safety:				
Police protection	319,010	309,410	284,867	24,543
Crossing guards	5,862	5,862	3,555	2,307
Total public safety	<u>324,872</u>	<u>315,272</u>	<u>288,422</u>	<u>26,850</u>
Public works:				
Public works department	109,736	136,736	162,386	(25,650)
Environmental control	38,744	50,744	53,271	(2,527)
Street lighting	37,000	37,000	35,848	1,152
Sidewalks	27,261	20,261	14,321	5,940
Total public works	<u>212,741</u>	<u>244,741</u>	<u>265,826</u>	<u>(21,085)</u>

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended December 31, 2017

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	\$ 91,300	\$ 91,300	\$ 103,690	\$ (12,390)
Recreation and culture	137,363	164,413	151,333	13,080
Debt service:				
Principal	50,000	50,000	61,257	(11,257)
Interest	16,884	16,884	18,698	(1,814)
Total expenditures	<u>1,259,271</u>	<u>1,248,062</u>	<u>1,234,148</u>	<u>13,914</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(29,539)	191,670	207,573	15,903
OTHER FINANCING SOURCES				
Transfers in	59,440	59,440	59,440	-
NET CHANGES IN FUND BALANCES	29,901	251,110	267,013	15,903
FUND BALANCES - BEGINNING	<u>292,736</u>	<u>292,736</u>	<u>292,736</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 322,637</u>	<u>\$ 543,846</u>	<u>\$ 559,749</u>	<u>\$ 15,903</u>

Village of Middleville

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended December 31, 2017

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 153,029	\$ 153,029	\$ 157,101	\$ 4,072
State grants	219,048	219,048	248,002	28,954
Total revenues	<u>372,077</u>	<u>372,077</u>	<u>405,103</u>	<u>33,026</u>
EXPENDITURES				
Public works:				
Preservation	55,000	55,000	47,665	7,335
Routine maintenance	43,641	41,641	40,488	1,153
Winter maintenance	58,027	58,027	29,627	28,400
Traffic services	14,157	14,157	14,398	(241)
Total public works	<u>170,825</u>	<u>168,825</u>	<u>132,178</u>	<u>36,647</u>
Debt service:				
Principal	16,064	16,064	16,064	-
Interest	1,795	1,795	11,642	(9,847)
Total expenditures	<u>188,684</u>	<u>186,684</u>	<u>159,884</u>	<u>26,800</u>
EXCESS OF REVENUES OVER EXPENDITURES	183,393	185,393	245,219	59,826
OTHER FINANCING USES				
Transfers out	(90,000)	(90,000)	(90,000)	-
NET CHANGES IN FUND BALANCES	93,393	95,393	155,219	59,826
FUND BALANCES - BEGINNING	<u>248,805</u>	<u>248,805</u>	<u>248,805</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 342,198</u>	<u>\$ 344,198</u>	<u>\$ 404,024</u>	<u>\$ 59,826</u>

Village of Middleville

BUDGETARY COMPARISON SCHEDULE - Local Street Fund

Year ended December 31, 2017

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
State grants	\$ 78,940	\$ 78,940	\$ 85,099	\$ 6,159
EXPENDITURES				
Public works:				
Preservation	33,000	30,000	7,314	22,686
Routine maintenance	33,411	36,411	20,466	15,945
Winter maintenance	40,019	42,019	26,290	15,729
Traffic services	8,141	8,141	7,444	697
Total public works	114,571	116,571	61,514	55,057
Debt service:				
Principal	5,757	5,757	5,757	-
Interest	2,593	2,593	2,438	155
Total expenditures	122,921	124,921	69,709	55,212
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(43,981)	(45,981)	15,390	61,371
OTHER FINANCING SOURCES				
Transfers in	90,000	90,000	90,000	-
NET CHANGES IN FUND BALANCES	46,019	44,019	105,390	61,371
FUND BALANCES - BEGINNING	84,466	84,466	84,466	-
FUND BALANCES - ENDING	\$ 130,485	\$ 128,485	\$ 189,856	\$ 61,371

Village of Middleville

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

Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:			
Service cost	\$ 40,702	\$ 32,669	\$ 30,840
Interest	143,405	130,827	125,042
Changes in benefits	-	(2,694)	-
Difference between expected and actual experience	(6,723)	33,494	-
Changes in assumptions	-	97,087	-
Benefit payments, including refunds	<u>(89,537)</u>	<u>(87,644)</u>	<u>(85,745)</u>
Net change in total pension liability	87,847	203,739	70,137
Total pension liability, beginning of year	<u>1,816,984</u>	<u>1,613,245</u>	<u>1,543,108</u>
Total pension liability, end of year	<u>\$ 1,904,831</u>	<u>\$ 1,816,984</u>	<u>\$ 1,613,245</u>
Plan fiduciary net position:			
Contributions:			
Employer	\$ 246,876	\$ 56,267	\$ 44,269
Employee	17,729	12,162	10,789
Net investment income	143,577	(17,960)	73,272
Benefit payments, including refunds	(89,537)	(87,640)	(85,745)
Administrative expenses	<u>(2,829)</u>	<u>(2,641)</u>	<u>(2,689)</u>
Net change in plan fiduciary net position	315,816	(39,812)	39,896
Plan fiduciary net position, beginning of year	<u>1,161,647</u>	<u>1,201,459</u>	<u>1,161,563</u>
Plan fiduciary net position, end of year	<u>\$ 1,477,463</u>	<u>\$ 1,161,647</u>	<u>\$ 1,201,459</u>
Village's net pension liability, end of year	<u>\$ 427,368</u>	<u>\$ 655,337</u>	<u>\$ 411,786</u>
Plan fiduciary net position as a percent of total pension liability	77.56%	63.93%	74.47%
Covered payroll	\$ 398,578	\$ 346,677	\$ 282,404
Village's net pension liability as a percentage of covered payroll	107.22%	189.03%	145.81%

Note: This schedule is being built prospectively after the implementation of GASB 68 in 2015.

Ultimately, ten years of data will be presented.

Village of Middleville

SCHEDULE OF VILLAGE PENSION CONTRIBUTIONS

Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contributions	\$ 55,650	\$ 49,224	\$ 56,268	\$ 44,268	\$ 48,364	\$ 54,583	\$ 27,670	\$ 27,478	\$ 28,606	\$ 22,116
Contributions in relation to the actuarially determined contributions	<u>55,650</u>	<u>249,224</u>	<u>56,268</u>	<u>44,268</u>	<u>48,364</u>	<u>54,583</u>	<u>27,670</u>	<u>27,478</u>	<u>28,606</u>	<u>22,116</u>
Contribution excess/(deficiency)	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>							
Covered payroll	\$ 398,578	\$ 346,677	\$ 282,404	\$ 355,407	\$ 341,308	\$ 270,683	\$ 185,271	\$ 327,929	\$ 367,958	\$ 363,950
Contributions as a percentage of covered payroll	13.96%	71.89%	19.92%	12.46%	14.17%	20.16%	14.93%	8.38%	7.77%	6.08%

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 each year, which is 24 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal cost
Amortization method	Level percentage of payroll, open
Remaining amortization period	22 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%, net of investment and administrative expenses, including inflation
Retirement age	Normal retirement age is 60 years
Mortality	50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%

Village of Middleville

SCHEDULE OF FUNDING PROGRESS FOR THE POSTEMPLOYMENT HEALTHCARE PLAN

Year ended December 31, 2017

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>
2012	\$ -	\$ 257,860	\$ 257,860	0%	\$ 298,576	86%
2013	-	303,017	303,017	0%	321,484	94%
2014	-	479,766	479,766	0%	321,185	149%
2015	-	577,999	577,999	0%	363,216	159%
2016	-	608,979	608,979	0%	387,968	157%
2017	-	651,714	651,714	0%	379,625	172%

REQUIRED SUPPLEMENTARY INFORMATION

Village of Middleville

COMBINING STATEMENT OF NET POSITION - internal service funds

December 31, 2017

	<u>Equipment</u>	<u>OPEB</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 166,033	\$ 100,000	\$ 266,033
Noncurrent assets:			
Capital assets, net of depreciation	<u>350,190</u>	<u>-</u>	<u>350,190</u>
Total assets	<u>516,223</u>	<u>100,000</u>	<u>616,223</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	<u>4,482</u>	<u>-</u>	<u>4,482</u>
LIABILITIES			
Current liabilities:			
Payables	3,400	-	3,400
Note payable	<u>13,743</u>	<u>-</u>	<u>13,743</u>
Total current liabilities	<u>17,143</u>	<u>-</u>	<u>17,143</u>
Noncurrent liabilities:			
Net pension liability	12,180	-	12,180
Note payable	<u>90,612</u>	<u>-</u>	<u>90,612</u>
Total noncurrent liabilities	<u>102,792</u>	<u>-</u>	<u>102,792</u>
Total liabilities	<u>119,935</u>	<u>-</u>	<u>119,935</u>
NET POSITION			
Net investment in capital assets	245,835	-	245,835
Unrestricted	<u>154,935</u>	<u>100,000</u>	<u>254,935</u>
Total net position	<u>\$ 400,770</u>	<u>\$ 100,000</u>	<u>\$ 500,770</u>

See notes to financial statements

Village of Middleville

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

- internal service funds

Year ended December 31, 2017

	<u>Equipment</u>	<u>OPEB</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services:			
Equipment rental	\$ 133,077	\$ -	\$ 133,077
OPEB contributions	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Total operating revenues	<u>133,077</u>	<u>100,000</u>	<u>233,077</u>
OPERATING EXPENSES			
Personnel costs	22,665	-	22,665
Equipment and supplies	24,531	-	24,531
Utilities	15,532	-	15,532
Miscellaneous	6,898	-	6,898
Depreciation	<u>46,337</u>	<u>-</u>	<u>46,337</u>
Total operating expenses	<u>115,963</u>	<u>-</u>	<u>115,963</u>
OPERATING INCOME	17,114	100,000	117,114
NONOPERATING EXPENSE			
Interest expense	<u>(1,927)</u>	<u>-</u>	<u>(1,927)</u>
INCOME BEFORE TRANSFERS	15,187	100,000	115,187
TRANSFERS OUT	<u>(16,600)</u>	<u>-</u>	<u>(16,600)</u>
CHANGES IN NET POSITION	(1,413)	100,000	98,587
NET POSITION - BEGINNING	<u>402,183</u>	<u>-</u>	<u>402,183</u>
NET POSITION - ENDING	<u>\$ 400,770</u>	<u>\$ 100,000</u>	<u>\$ 500,770</u>

See notes to financial statements

Village of Middleville

COMBINING STATEMENT OF CASH FLOWS - *internal service funds*

Year ended December 31, 2017

	<u>Equipment</u>	<u>OPEB</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	\$ 133,077	\$ 100,000	\$ 233,077
Payments to vendors and suppliers	(57,104)	-	(57,104)
Payments to employees	(12,502)	-	(12,502)
Net cash provided by operating activities	<u>63,471</u>	<u>100,000</u>	<u>163,471</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	<u>(16,600)</u>	<u>-</u>	<u>(16,600)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(11,918)	-	(11,918)
Principal payments on capital debt	(13,389)	-	(13,389)
Interest payments on capital debt	(3,172)	-	(3,172)
Net cash used in capital and related financing activities	<u>(28,479)</u>	<u>-</u>	<u>(28,479)</u>
NET CHANGE IN CASH	18,392	100,000	118,392
CASH - BEGINNING	<u>147,641</u>	<u>-</u>	<u>147,641</u>
CASH - ENDING	<u>\$ 166,033</u>	<u>\$ 100,000</u>	<u>\$ 266,033</u>

See notes to financial statements

COMBINING STATEMENT OF CASH FLOWS - internal service funds (Continued)

Year ended December 31, 2017

	<u>Equipment</u>	<u>OPEB</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 17,114	\$ 100,000	\$ 117,114
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	46,337	-	46,337
Decrease in deferred outflows of resources	8,131	-	8,131
Decrease in payables	(1,941)	-	(1,941)
Decrease in net pension liability	<u>(6,170)</u>	<u>-</u>	<u>(6,170)</u>
Net cash provided by operating activities	<u>\$ 63,471</u>	<u>\$ 100,000</u>	<u>\$ 163,471</u>

See notes to financial statements

Village of Middleville

BALANCE SHEET - component units

December 31, 2017

	<u>Local Development Finance Authority</u>	<u>Downtown Development Authority</u>
ASSETS		
Cash	\$ 1,330,962	\$ 364,891
Receivables	<u>36,481</u>	<u>39,078</u>
Total assets	<u>\$ 1,367,443</u>	<u>\$ 403,969</u>
LIABILITIES AND FUND BALANCES		
Liabilities - payables	\$ 52,822	\$ 8,694
Fund balances - unassigned	<u>1,314,621</u>	<u>395,275</u>
Total liabilities and fund balances	<u>\$ 1,367,443</u>	<u>\$ 403,969</u>
 Total fund balances	 \$ 1,314,621	 \$ 395,275
 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.	1,714,905	77,300
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.	(598,480)	-
Interest related to long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(5,536)</u>	<u>-</u>
Net position of the <i>component units</i>	<u>\$ 2,425,510</u>	<u>\$ 472,575</u>

Village of Middleville

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

Year ended December 31, 2017

	Local Development Finance Authority	Downtown Development Authority
REVENUES		
Property taxes	\$ 283,417	\$ 145,539
State grants	286,290	3,594
Charges for services	<u>-</u>	<u>14,388</u>
Total revenues	<u>569,707</u>	<u>163,521</u>
EXPENDITURES		
Current - public works	501,477	99,265
Capital outlay	426,562	-
Debt service:		
Principal	47,000	-
Interest	<u>16,127</u>	<u>-</u>
Total expenditures	<u>991,166</u>	<u>99,265</u>
NET CHANGES IN FUND BALANCES	(421,459)	64,256
FUND BALANCES - BEGINNING	<u>1,736,080</u>	<u>331,019</u>
FUND BALANCES - ENDING	<u>\$ 1,314,621</u>	<u>\$ 395,275</u>
Net changes in fund balances	\$ (421,459)	\$ 64,256
Amounts reported for the <i>component units</i> in the statement of activities (page 15) are different because:		
Capital assets:		
Assets acquired	426,562	-
Depreciation provision	(38,960)	(3,963)
Long term obligations - principal payments	47,000	-
Decrease in accrued interest expense	<u>53</u>	<u>-</u>
Change in net position of <i>component units</i>	<u>\$ 13,196</u>	<u>\$ 60,293</u>

Village of Middleville

BUDGETARY COMPARISON SCHEDULE - Local Development Finance Authority

Year ended December 31, 2017

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 290,197	\$ 290,197	\$ 283,417	\$ (6,780)
State grants	<u>274,790</u>	<u>274,790</u>	<u>286,290</u>	<u>11,500</u>
Total revenues	<u>564,987</u>	<u>564,987</u>	<u>569,707</u>	<u>4,720</u>
EXPENDITURES				
Current:				
Public works	322,800	652,800	501,477	151,323
Capital outlay	500,000	500,000	426,562	73,438
Debt service:				
Principal	47,000	47,000	47,000	-
Interest	<u>16,127</u>	<u>16,127</u>	<u>16,127</u>	<u>-</u>
Total expenditures	<u>885,927</u>	<u>1,215,927</u>	<u>991,166</u>	<u>224,761</u>
NET CHANGES IN FUND BALANCES	(320,940)	(650,940)	(421,459)	229,481
FUND BALANCES - BEGINNING	<u>1,736,080</u>	<u>1,736,080</u>	<u>1,736,080</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,415,140</u>	<u>\$ 1,085,140</u>	<u>\$ 1,314,621</u>	<u>\$ 229,481</u>

Village of Middleville

BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority

Year ended December 31, 2017

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 139,597	\$ 139,597	\$ 145,539	\$ 5,942
State grants	-	-	3,594	3,594
Charges for services	<u>20,700</u>	<u>20,700</u>	<u>14,388</u>	<u>(6,312)</u>
Total revenues	160,297	160,297	163,521	3,224
EXPENDITURES				
Current - public works	<u>181,525</u>	<u>181,525</u>	<u>99,265</u>	<u>82,260</u>
NET CHANGES IN FUND BALANCES	(21,228)	(21,228)	64,256	85,484
FUND BALANCES - BEGINNING	<u>331,019</u>	<u>331,019</u>	<u>331,019</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 309,791</u>	<u>\$ 309,791</u>	<u>\$ 395,275</u>	<u>\$ 85,484</u>

Village of Middleville

SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

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

December 31, 2017

<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>			
2018	<u>\$ 1,800</u>	<u>\$ 1,800</u>	10/1/18	<u>\$ 75,000</u>	<u>\$ 78,600</u>

Village of Middleville

SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$205,000 2006 BARRY COUNTY WATER CONTRACT PAYABLE

December 31, 2017

<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>			
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>\$ 5,259</u>	<u>\$ 5,259</u>		<u>\$ 95,000</u>	<u>\$ 105,518</u>

Village of Middleville

SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

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

December 31, 2017

<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>			
2018	\$ 5,806	\$ 5,275	4/1/18	\$ 50,000	\$ 61,081
2019	5,275	4,691	4/1/19	55,000	64,966
2020	4,691	4,106	4/1/20	55,000	63,797
2021	4,106	3,522	4/1/21	55,000	62,628
2022	3,522	2,937	4/1/22	55,000	61,459
2023	2,937	2,300	4/1/23	60,000	65,237
2024	2,300	1,662	4/1/24	60,000	63,962
2025	1,662	1,025	4/1/25	60,000	62,687
2026	1,025	387	4/1/26	60,000	61,412
2027	387	-	4/1/27	65,000	65,387
	<u>\$ 31,711</u>	<u>\$ 25,905</u>		<u>\$ 575,000</u>	<u>\$ 632,616</u>

Village of Middleville

SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$250,000 2008 INSTALLMENT PURCHASE AGREEMENT

December 31, 2017

<u>Fiscal</u> <u>period</u>	<u>Interest</u>		<u>Maturity</u> <u>date</u>	<u>Principal</u>	<u>Total</u> <u>requirements</u>
	<u>March 1</u>	<u>September 1</u>			
2018	<u>\$ 643</u>	<u>\$ -</u>	2/28/23	<u>\$ 30,000</u>	<u>\$ 30,643</u>

Village of Middleville

SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$425,000 2010 CAPITAL IMPROVEMENT BONDS PAYABLE

December 31, 2017

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>March 1</i>	<i>September 1</i>			
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	3,643	3/1/24	25,000	32,868
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>\$ 53,292</u>	<u>\$ 46,178</u>		<u>\$ 315,000</u>	<u>\$ 414,470</u>

Village of Middleville

SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$700,000 2012 CAPITAL IMPROVEMENT BONDS PAYABLE

December 31, 2017

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>March 1</i>	<i>September 1</i>			
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>\$ 108,787</u>	<u>\$ 97,724</u>		<u>\$ 600,000</u>	<u>\$ 806,511</u>

	<i>Principal</i>	<i>Interest</i>	<i>Totals</i>
Allocation by activity:			
Governmental activities	\$ 340,288	\$ 117,121	\$ 457,409
Business-type activities	<u>259,712</u>	<u>89,390</u>	<u>349,102</u>
	<u>\$ 600,000</u>	<u>\$ 206,511</u>	<u>\$ 806,511</u>

Village of Middleville

**LOCAL DEVELOPMENT FINANCE AUTHORITY
SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS
\$745,509 2013 BARRY COUNTY CONTRACT PAYABLE**

December 31, 2017

<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>			
2018	\$ 6,643	\$ 8,719	2/1/18	\$ 71,644	\$ 87,006
2019	6,307	7,959	2/1/19	66,279	80,545
2020	5,922	7,059	2/1/20	65,904	78,885
2021	5,408	6,019	2/1/21	65,518	76,945
2022	4,764	4,950	2/1/22	60,122	69,836
2023	4,103	3,825	2/1/23	59,715	67,643
2024	3,395	2,625	2/1/24	59,298	65,318
2025	2,625	1,349	2/1/25	75,000	78,974
2026	1,349	-	2/1/26	75,000	76,349
	<u>\$ 40,516</u>	<u>\$ 42,505</u>		<u>\$ 598,480</u>	<u>\$ 681,501</u>

Village of Middleville

SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$136,000 2013 BARRY COUNTY DRAIN COMMISSION CONTRACT PAYABLE

December 31, 2017

<u>Fiscal period</u>	<u>Interest February 1</u>	<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
2018	\$ -	2/28/18	\$ -	\$ -
2019	2,584	2/28/19	13,600	16,184
2020	2,067	2/28/20	13,600	15,667
2021	1,551	2/28/21	13,600	15,151
2022	1,033	2/28/22	13,600	14,633
2023	517	2/28/23	13,600	14,117
	<u>\$ 7,752</u>		<u>\$ 68,000</u>	<u>\$ 75,752</u>

Village of Middleville

SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$410,000 2014 CAPITAL IMPROVEMENT BONDS PAYABLE

December 31, 2017

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>March 1</i>	<i>September 1</i>			
2018	\$ 6,482	\$ 6,313	3/1/18	\$ 20,000	\$ 32,795
2019	6,313	6,107	3/1/19	20,000	32,420
2020	6,107	5,858	3/1/20	20,000	31,965
2021	5,858	5,582	3/1/21	20,000	31,440
2022	5,582	5,288	3/1/22	20,000	30,870
2023	5,288	4,893	3/1/23	25,000	35,181
2024	4,893	4,476	3/1/24	25,000	34,369
2025	4,476	4,030	3/1/25	25,000	33,506
2026	4,030	3,564	3/1/26	25,000	32,594
2027	3,564	3,067	3/1/27	25,000	31,631
2028	3,067	2,558	3/1/28	25,000	30,625
2029	2,558	2,023	3/1/29	25,000	29,581
2030	2,023	1,366	3/1/30	30,000	33,389
2031	1,366	690	3/1/31	30,000	32,056
2032	690	-	3/1/32	30,000	30,690
	<u>\$ 62,297</u>	<u>\$ 55,815</u>		<u>\$ 365,000</u>	<u>\$ 483,112</u>

Village of Middleville

SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$145,000 2014 INSTALLMENT PURCHASE AGREEMENT

December 31, 2017

<u>Fiscal period</u>	<u>Interest February 1</u>	<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
2018	\$ 2,818	4/01/18	\$ 13,743	\$ 16,561
2019	2,447	4/01/19	14,115	16,562
2020	2,070	4/01/20	14,491	16,561
2021	1,671	4/01/21	14,890	16,561
2022	1,272	4/01/22	15,289	16,561
2023	859	4/01/23	15,702	16,561
2024	436	4/01/24	16,125	16,561
	<u>\$ 11,573</u>		<u>\$ 104,355</u>	<u>\$ 115,928</u>

Village of Middleville

SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$995,000 2017 GENERAL OBLIGATION LIMITED TAX SERIES

December 31, 2017

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>March 1</i>	<i>September 1</i>			
2018	\$ 13,354	\$ 13,179	3/1/18	\$ 35,000	\$ 48,354
2019	13,179	12,960	3/1/19	35,000	48,179
2020	12,960	12,680	3/1/20	40,000	52,960
2021	12,680	12,350	3/1/21	40,000	52,680
2022	12,350	11,970	3/1/22	40,000	52,350
2023	11,970	11,570	3/1/23	40,000	51,970
2024	11,570	11,140	3/1/24	40,000	51,570
2025	11,140	10,611	3/1/25	45,000	56,140
2026	10,611	10,049	3/1/26	45,000	55,611
2027	10,049	9,464	3/1/27	45,000	55,049
2028	9,464	8,789	3/1/28	50,000	59,464
2029	8,789	8,076	3/1/29	50,000	58,789
2030	8,076	7,265	3/1/30	55,000	63,076
2031	7,265	6,426	3/1/31	55,000	62,265
2032	6,426	5,481	3/1/32	60,000	66,426
2033	5,481	4,506	3/1/33	60,000	65,481
2034	4,506	3,501	3/1/34	60,000	64,506
2035	3,501	2,380	3/1/35	65,000	68,501
2036	2,380	1,243	3/1/36	65,000	67,380
2037	1,243	-	3/1/37	70,000	71,243
	<u>\$ 176,994</u>	<u>\$ 163,640</u>		<u>\$ 995,000</u>	<u>\$ 1,171,994</u>