

**Village of Fowlerville
Livingston County, Michigan**

FINANCIAL STATEMENTS

June 30, 2018

Village of Fowlerville
Livingston County, Michigan

June 30, 2018

VILLAGE COUNCIL AND ADMINISTRATION

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Village of Fowlerville

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INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Fowlerville, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Fowlerville, Michigan (the Village), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Fowlerville, Michigan, as of June 30, 2018, 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.

Change in Accounting Principle

As discussed in Note L to the financial statements, the Village implemented GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*, during the year. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and the employee retirement system schedules, as identified in the table of 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related 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 statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the financial statements as a whole.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

November 5, 2018

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

The following is a discussion and analysis of the Village of Fowlerville's financial performance and position, providing an overview of the activities for the fiscal year ended June 30, 2018. This analysis should be read in conjunction with the *Independent Auditor's Report* and with the Village of Fowlerville's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net position or the amount assets exceeded liabilities was \$13,336,005 at the close of 2018 (excluding component units).
- Governmental activities net position was \$2,661,227.
- Business-type activities net position was \$10,674,778.
- Component unit net position was \$6,378,846.

Fund Level:

- At the close of the fiscal year, the Village of Fowlerville's governmental funds reported a combined ending fund balance of \$1,573,716 with \$939,654 being nonspendable, restricted, committed, or assigned.
- The General Fund's fund balance decreased by \$52,796, due to the fact that \$102,000 was estimated for sale of land, it will not be received until 2018-2019.

Capital and Long-term Debt Activities:

- The total long-term debt for the governmental activities of the primary government was \$2,082,153.
- The total long-term debt for the business-type activities of the primary government was \$2,200,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the Village of Fowlerville consists of the following components: 1) *Independent Auditor's Report*; 2) *Management's Discussion and Analysis*; and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information*, such as budget to actual comparisons for the General Fund and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds.

Government-wide Financial Statements (Reporting the Village of Fowlerville as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Position and the Statement of Activities, which report information about the Village of Fowlerville as a whole and about its activities. Their purpose is to assist in answering the question, is the Village of Fowlerville, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Position (page 1) presents all of the Village of Fowlerville's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, recording the difference between the four as "net position". Over time, increases or decreases in net position measure whether the Village of Fowlerville's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the Village of Fowlerville's net position changed during fiscal year 2018. All changes in net position are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Both statements report the following activities:

- **Governmental Activities** - Most of the Village of Fowlerville's basic services are reported under this category. Taxes, charges for services, and operating grants and contributions primarily fund these services. The Village of Fowlerville's general government departments such as the police department, the Village Council, public works, the Village's share of fire costs, and recreation programs are reported under these activities. This also includes activities such as the Major and Local street maintenance, the cemetery, and the various refuse services.
- **Business-type Activities** - These activities operate like private businesses. The Village of Fowlerville charges fees to recover the cost of the services provided. The Village of Fowlerville Water & Sewer System services are examples of such activities.
- **Discretely Presented Component Units** - Discretely Presented Component units are legally separate organizations for which the Village of Fowlerville's Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the Village of Fowlerville. Organizations included as component units are the Downtown Development Authority and the Local Development Finance Authority.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide financial statements, pages 4 and 6 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however, depreciation expense is reported on the government-wide financial statements.
- Capital outlay spending results in capital assets on the government-wide financial statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide financial statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide financial statements; however, they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide financial statements, but are recorded as other financing sources on the fund financial statements.

Fund Financial Statements (Reporting the Village of Fowlerville Major Funds)

The fund financial statements, which begin on page 3, provide information on the Village of Fowlerville's significant (major) funds and aggregated nonmajor funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Village of Fowlerville uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by bond or grant agreements. Funds are also utilized to track specific operations; these include the internal services funds (e.g., Motor Pool) as well as enterprise funds such as the Water and Sewer Fund.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. GASB Statement No. 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues, or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for the Village of Fowlerville include the General Fund, Major Street Fund, and Water and Sewer Fund. All other funds are classified as nonmajor funds and are reported in aggregate. The Village of Fowlerville includes detailed information on its nonmajor funds in other supplementary sections of this report.

The Village of Fowlerville's funds are divided into three categories - governmental, proprietary, and fiduciary, and use different accounting approaches:

- **Governmental Funds** - Most of the Village of Fowlerville's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the Village of Fowlerville's programs. The *General Fund* is a Governmental Fund.
- **Proprietary Funds** - Services for which the Village of Fowlerville charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. *Internal Service funds* report activities that provide supplies or service to the Village of Fowlerville's other operations, such as the Motor Pool Fund. Internal Service funds are reported as governmental activities on the government-wide statements.
- **Fiduciary Fund** - The Village reports an agency fund to account for assets that are held by the Village as an agent for other governments, private organizations, or individuals. Agency funds are, by nature, custodial; therefore, operation results are not measured. The Village's agency fund is the Trust and Agency Fund.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 14 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes the management's discussion and analysis, budgetary comparison schedules for the major funds, and schedules of funding progress and employer contributions for the defined benefit pension plan.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for nonmajor governmental funds. These funds are added together by fund type and are presented in aggregate single columns in the appropriate basic financial statements.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

FINANCIAL ANALYSIS OF THE VILLAGE OF FOWLerville AS A WHOLE

As previously stated, the Village of Fowlerville's combined net position were \$13,298,309 at the end of this fiscal year. The net position of the governmental activities was \$2,623,531 and the business-type activities were \$10,674,778.

This table has been restated from last year to reflect the recording of the pension liability and corresponding deferred inflows and outflows of resources that are required to be recorded as a result of a change in accounting principles. The Village also reports its investment in capital assets (e.g., land, buildings, equipment, etc.). The Village uses these capital assets to provide services to students and residents of the community; consequently, these assets are not available for future spending. Also, a certain amount of net position was restricted for specific purposes such as major streets, perpetual care, ambulance services, and debt service.

Net Position as of June 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 2,240,121	\$ 2,102,171	\$ 5,015,736	\$ 4,511,649	\$ 7,255,857	\$ 6,613,820
Capital Assets	2,860,390	3,125,083	7,880,185	8,126,640	10,740,575	11,251,723
Total Assets	\$ 5,100,511	\$ 5,227,254	\$ 12,895,921	\$ 12,638,289	\$ 17,996,432	\$ 17,865,543
Deferred Outflows of Resources	\$ 68,022	\$ 135,879	\$ -	\$ -	\$ 68,022	\$ 135,879
Current Liabilities	\$ 366,735	\$ 385,843	\$ 271,143	\$ 299,823	\$ 637,878	\$ 685,666
Noncurrent Liabilities	2,081,044	2,829,276	1,950,000	2,200,000	4,031,044	5,029,276
Total Liabilities	\$ 2,447,779	\$ 3,215,119	\$ 2,221,143	\$ 2,499,823	\$ 4,668,922	\$ 5,714,942
Deferred Inflows of Resources	\$ 59,527	\$ -	\$ -	\$ -	\$ 59,527	\$ -
Net Position						
Net investment in capital assets	\$ 865,390	\$ 955,083	\$ 5,680,185	\$ 5,686,640	\$ 6,545,575	\$ 6,641,723
Restricted	873,848	689,266	117,146	116,181	990,994	805,447
Unrestricted	921,989	503,665	4,877,447	4,335,639	5,799,436	4,839,304
Total Net Position	\$ 2,661,227	\$ 2,148,014	\$ 10,674,778	\$ 10,138,460	\$ 13,336,005	\$ 12,286,474

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Village of Fowlerville's net position changed during the fiscal year:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for Services	\$ 758,349	\$ 683,134	\$ 1,807,488	\$ 1,822,215	\$ 2,565,837	\$ 2,505,349
Operating Grants and Contributions	628,236	476,589	-	-	628,236	476,589
Capital Grants and Contributions	303	-	-	2,421	303	2,421
General Revenues						
Property Taxes	875,502	961,605	-	-	875,502	961,605
State Shared Revenue	285,424	276,943	-	-	285,424	276,943
Investment Earnings	6,641	5,515	19,596	14,862	26,237	20,377
Intergovernmental	-	-	-	-	-	-
Miscellaneous	38,522	74,939	4,500	21,988	43,022	96,927
Total Revenues	2,592,977	2,478,725	1,831,584	1,861,486	4,424,561	4,340,211
Expenses						
General Government	630,411	799,651	-	-	630,411	799,651
Public Safety	566,971	695,460	-	-	566,971	695,460
Public Works	701,952	703,203	-	-	701,952	703,203
Community and Economic Development	18,075	15,998	-	-	18,075	15,998
Recreation and Culture	118,734	91,445	-	-	118,734	91,445
Interest on long-term debt	43,621	236,053	-	-	43,621	236,053
Water/Sewer	-	-	1,295,266	1,405,830	1,295,266	1,405,830
Total Expenses	2,079,764	2,541,810	1,295,266	1,405,830	3,375,030	3,947,640
Extraordinary Item	-	-	-	(101,276)	-0-	(101,276)
Increase (decrease) in Net Position	513,213	(63,085)	536,318	354,380	1,049,531	291,295
Net Position Beginning	2,148,014	2,211,099	10,138,460	9,784,080	12,286,474	11,995,179
Net Position Ending	\$ 2,661,227	\$ 2,148,014	\$ 10,674,778	\$ 10,138,460	\$ 13,336,005	\$ 12,286,474

Governmental Activities:

The result of fiscal year 2018 governmental activity was an increase of \$513,213 in net position to \$2,661,227. Of the total governmental activities' net position, \$865,390 is invested in capital assets less related debt and \$873,848 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute or by another authority outside the Village of Fowlerville's government. The balance of \$921,989 is listed as unrestricted, having no legal commitment.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Revenues:

The three largest revenue categories in governmental activities were property taxes at 33.8%; charges for services at 29.3%; and operating grants and contributions at 24.2%. The Village of Fowlerville levies a property tax millage for general government operations at 8.5048 mills, which is not assigned to any specific service or activity. The Village also levies 0.4698 mills of special voted millage for mosquito control, 2.0409 mills for garbage services, including weekly garbage pick-up, composting, chipping, and leaf pick-up. Lastly, the Village levies 3.4017 mills for street maintenance and construction and 0.6802 mills for cemetery maintenance.

Expenses:

Total governmental expenses decreased by 18.3% due to lower debt service costs. Public works is the largest governmental activity, expending \$701,952 of the approximately \$2.1 million total expenses. General government is the next largest activity, expending \$628,107.

Business-type Activities:

Net position in the business-type activities increased by \$536,318 during the fiscal year 2018. Business activities increased because of planned cash flow increases for future capital outlay and cash flow was needed to pay off debt which is a non-budget item, in addition water and sewer main preservation increased.

Of the total \$10,674,778 of net position in the business-type activities, \$4,877,447 is reported as unrestricted, \$117,146 is restricted for debt service, and \$5,680,185 is invested in capital assets (net of related debt).

FINANCIAL ANALYSIS OF THE VILLAGE OF FOWLerville MAJOR AND NONMAJOR FUNDS

As the Village of Fowlerville completed fiscal year 2018, its governmental funds reported *combined* fund balances of \$1,573,716. The net changes are summarized in the following chart:

	General Fund	Major Street Fund	Nonmajor Governmental Funds
Fund Balance June 30, 2018	\$ 906,386	\$ 269,208	\$ 398,122
Fund Balance June 30, 2017	959,182	165,924	322,352
Net Change	(52,796)	103,284	75,770

General Fund:

The General Fund is the chief operating fund of the Village of Fowlerville. Unless otherwise required by statute, contractual agreement, or Council policy all Village of Fowlerville revenue and expenditures are recorded in the General Fund. As of June 30, 2018, the General Fund reported a fund balance of \$906,306. This amount is a decrease of \$52,796 from the fund balance of \$959,182 reported as of June 30, 2017. The final budget planned for a decrease of \$22,972.

General Fund Budgetary Highlights:

The Village of Fowlerville's budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is amended during the course of the fiscal year to reflect changing operational demands.

General Fund revenues and other financing sources totaled \$1,857,099; \$100,229 below the final amended budget. The most significant variation was in miscellaneous revenue, which had a negative variation of \$79,780.

The Village of Fowlerville's expenditures totaled \$1,909,895; \$70,405 below the final amended budget. Many departments underspent their budget so overall expenditures were below the amended budget. Final budgeted expenditures increased by \$69,523 or 3.6% mainly due to an increase in budgeted miscellaneous expenditures.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Water & Sewer Fund:

The Water and Sewer Fund had an increase in its net position of \$536,318. Operating revenues showed a decrease of \$14,727, while total operating expenses decreased by \$61,474 due to increases in wastewater operations and water distribution expense compared to the prior year. In 2018 the Fund had total operating expenses of \$1,245,073 and total operating revenues of \$1,807,488 for an operating income of \$562,415.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2018, the Village of Fowlerville had invested \$2,860,390 and \$7,880,185 (net of accumulated depreciation) for governmental and business-type capital assets (including construction in progress), respectively. Key additions to the governmental activities include a new columbarium, a new vehicle (department of public works) and Grand River bridge repairs. Additions to the business-type capital assets include improvements to the water system including a new Scada system and painting of the Van Riper Water Tower in the Water and Sewer Fund. Accumulated depreciation was \$3,990,788 for the governmental activities and \$7,529,551 for the business-type activities. Depreciation charges for the fiscal year totaled \$391,267 for the governmental activities and \$551,341 for the business-type activities. For more detailed information related to capital assets, refer to pages 23-26 of the financial statements.

	Governmental Activities	Business-Type Activities	Total
Land	\$ 139,607	\$ 447,642	\$ 587,249
Construction in progress	42,629	80,908	123,537
Land Improvement, net	193,171	-	193,171
Buildings, net	242,192	2,675,076	2,917,268
Vehicles, net	113,291	-	113,291
Machinery and Equipment, net	123,776	94,827	218,603
Infrastructure, net	2,005,724	-	2,005,724
Water System, net	-	2,581,228	2,581,228
Sewer System, net	-	2,000,504	2,000,504
Capital assets, net	<u>\$ 2,860,390</u>	<u>\$ 7,880,185</u>	<u>\$ 10,740,575</u>

Outstanding Debt as of June 30, 2018:

As of June 30, 2018, the Village of Fowlerville had \$2,084,457 in bonds, capital leases and accumulated vacation and sick time outstanding for the governmental activities. Of this amount, \$1,995,000 is bonds, and \$89,457 is compensated absences. This level of net obligation is \$159,318 lower than the obligation recorded as of June 30, 2017.

The business-type activities showed total outstanding balance of \$2,200,000 as of June 30, 2018. The debt is comprised of capital improvement bonds. This level of net obligation is \$240,000 lower than the obligation recorded as of June 30, 2017.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Primary Government				
Governmental Activities				
Bonds	\$ 2,170,000	\$ -	\$ (175,000)	\$ 1,995,000
Compensated absences	<u>73,775</u>	<u>77,755</u>	<u>(62,073)</u>	<u>89,457</u>
Total Governmental Activities	2,243,775	77,755	(237,073)	2,084,457
Business Type Activities				
Water and Sewer Bonds	<u>2,440,000</u>	<u>-</u>	<u>(240,000)</u>	<u>2,200,000</u>
Total Primary Government	<u>\$ 4,683,775</u>	<u>\$ 77,755</u>	<u>\$ (477,073)</u>	<u>\$ 4,284,457</u>

Limitations on Debt:

State statute limits the Village of Fowlerville's debt obligations to ten (10) percent of the current state equalized value (SEV). The Village of Fowlerville's SEV, as of June 30, 2018, was \$84,893,990; therefore, the Village of Fowlerville's debt limitation was \$8,489,399. The Village of Fowlerville remains well below its legal debt limit.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS & EFFECTS

Tax valuations and revenue sharing revenues have stabilized, however at lower rates than in the past.

The Village continues to improve roads and water and sewer mains however the state has decreased available grant funds, so we will be limited in what we can do in the future since we are paying for it out of local dollars.

The Village undertook to upgrade DPW equipment and has done so. It has been the Village's policy that we need to make sure that we have good working equipment and we have continued to do so this year with the purchase of some new vehicles. Additionally, the Village has set up a reserve so that we would always have funds to replace police cars when needed. In addition to the General fund the Village has used fund balance in Water/Sewer, Motorpool for needed capital expenses such as water/sewer lines, new generator for the community park, bobcat loader, and a new water truck.

CONTACTING THE VILLAGE OF FOWLerville

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village of Fowlerville's finances and to demonstrate the Village of Fowlerville's accountability for the money it receives. If there are questions about this report or a need for additional information, contact the Village Offices at (517) 223-3771.

BASIC FINANCIAL STATEMENTS

Village of Fowlerville

STATEMENT OF NET POSITION

June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash	\$ 1,933,996	\$ 4,289,225	\$ 6,223,221	\$ 1,183,103
Cash - restricted	-	122,810	122,810	-
Receivables	103,750	496,748	600,498	11,958
Due from other governmental units	148,995	-	148,995	2,767
Internal balances	14,506	(14,506)	-0-	-
Inventory	-	22,539	22,539	-
Prepays	38,874	-	38,874	-
Total current assets	2,240,121	4,916,816	7,156,937	1,197,828
Noncurrent assets				
Receivables	-	98,920	98,920	26,171
Capital assets not being depreciated	182,236	528,550	710,786	2,332,887
Capital assets, net of accumulated depreciation	2,678,154	7,351,635	10,029,789	2,880,911
Total noncurrent assets	2,860,390	7,979,105	10,839,495	5,239,969
TOTAL ASSETS	5,100,511	12,895,921	17,996,432	6,437,797
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	68,022	-	68,022	-
LIABILITIES				
Current liabilities				
Accounts payable	74,887	13,787	88,674	19,852
Accrued liabilities	39,292	1,692	40,984	-
Due to other governmental units	2,767	-	2,767	420
Security deposits payable	-	-	-0-	550
Accrued interest payable	6,350	5,664	12,014	-
Unearned revenue	819	-	819	38,129
Current portion of compensated absences	62,620	-	62,620	-
Current portion of long-term debt	180,000	250,000	430,000	-
Total current liabilities	366,735	271,143	637,878	58,951
Noncurrent liabilities				
Noncurrent portion of compensated absences	26,837	-	26,837	-
Noncurrent portion of long-term debt	1,815,000	1,950,000	3,765,000	-
Net pension liability	239,207	-	239,207	-
Total noncurrent liabilities	2,081,044	1,950,000	4,031,044	-0-
TOTAL LIABILITIES	2,447,779	2,221,143	4,668,922	58,951
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	59,527	-	59,527	-
NET POSITION				
Net investment in capital assets	865,390	5,680,185	6,545,575	5,213,798
Restricted for streets and highways	657,592	-	657,592	-
Restricted for other purposes	216,256	117,146	333,402	-
Unrestricted	921,989	4,877,447	5,799,436	1,165,048
TOTAL NET POSITION	\$ 2,661,227	\$ 10,674,778	\$ 13,336,005	\$ 6,378,846

See accompanying notes to financial statements.

Village of Fowlerville

Governmental Funds

BALANCE SHEET

June 30, 2018

	General	Major Street	Nonmajor Governmental Funds	Total
ASSETS				
Cash	\$ 740,210	\$ 252,888	\$ 408,469	\$ 1,401,567
Accounts receivable	100,983	1,925	575	103,483
Due from other governmental units	95,783	40,828	11,931	148,542
Due from other funds	54,195	2,751	-	56,946
Prepays	38,874	-	-	38,874
TOTAL ASSETS	\$ 1,030,045	\$ 298,392	\$ 420,975	\$ 1,749,412
LIABILITIES				
Account payable	\$ 64,498	\$ 482	\$ 6,942	\$ 71,922
Accrued liabilities	35,853	1,089	2,124	39,066
Due to other governmental units	2,767	-	-	2,767
Due to other funds	19,722	27,613	13,787	61,122
Unearned revenue	819	-	-	819
TOTAL LIABILITIES	123,659	29,184	22,853	175,696
FUND BALANCES				
Nonspendable	38,874	-	-	38,874
Restricted	213,590	269,208	391,380	874,178
Committed	-	-	6,742	6,742
Assigned	19,860	-	-	19,860
Unassigned	634,062	-	-	634,062
TOTAL FUND BALANCES	906,386	269,208	398,122	1,573,716
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,030,045	\$ 298,392	\$ 420,975	\$ 1,749,412

See accompanying notes to financial statements.

Village of Fowlerville

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2018

Total fund balances - governmental funds \$ 1,573,716

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 6,101,354	
Accumulated depreciation is	<u>(3,394,180)</u>	
Capital assets, net		2,707,174

An internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the government-wide statement of net position. 701,856

Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	68,022	
Deferred inflows of resources related to pensions	<u>(59,527)</u>	
		8,495

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

Bonds payable	(1,995,000)	
Accrued interest payable	(6,350)	
Compensated absences	(89,457)	
Net pension liability	<u>(239,207)</u>	
		<u>(2,330,014)</u>

Net position of governmental activities \$ 2,661,227

Village of Fowlerville

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2018

	General	Major Street	Nonmajor Governmental Funds	Total
REVENUES				
Taxes	\$ 693,799	\$ -	\$ 195,793	\$ 889,592
Licenses and permits	7,990	-	-	7,990
Intergovernmental	612,318	264,456	297,467	1,174,241
Charges for services	438,955	-	-	438,955
Fines and forfeitures	27,240	-	184	27,424
Interest and rents	5,598	781	1,680	8,059
Other	40,516	-	6,200	46,716
TOTAL REVENUES	1,826,416	265,237	501,324	2,592,977
EXPENDITURES				
Current				
General government	647,683	-	-	647,683
Public safety	744,186	-	736	744,922
Public works	403,727	114,428	181,197	699,352
Community and economic development	18,524	-	-	18,524
Recreation and culture	95,775	-	-	95,775
Capital outlay	-	23,739	16,999	40,738
Debt service	-	-	219,725	219,725
TOTAL EXPENDITURES	1,909,895	138,167	418,657	2,466,719
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(83,479)	127,070	82,667	126,258
OTHER FINANCING SOURCES (USES)				
Transfers in	30,683	-	-	30,683
Transfers out	-	(23,786)	(6,897)	(30,683)
TOTAL OTHER FINANCING SOURCES (USES)	30,683	(23,786)	(6,897)	-0-
NET CHANGE IN FUND BALANCES	(52,796)	103,284	75,770	126,258
Fund balances, beginning of year	959,182	165,924	322,352	1,447,458
Fund balances, end of year	<u>\$ 906,386</u>	<u>\$ 269,208</u>	<u>\$ 398,122</u>	<u>\$ 1,573,716</u>

See accompanying notes to financial statements.

Village of Fowlerville

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

Year Ended June 30, 2018

Net change in fund balances - total governmental funds \$ 126,258

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 97,014	
Depreciation expense	<u>(338,892)</u>	
Excess of depreciation expense over capital outlay		(241,878)

Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current period, these amounts consist of:

Bond retirement		175,000
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An internal service funds is used by management to charge the costs of certain activities to individual funds. The net position of the internal service fund increased in the current period. 53,504

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	1,104	
(Increase) in accrued compensated absences	(15,682)	
Decrease in net pension liability	542,291	
(Decrease) in deferred outflows of resources related to pensions	(67,857)	
(Increase) in deferred inflows of resources related to pensions	<u>(59,527)</u>	
		<u>400,329</u>

Change in net position of governmental activities \$ 513,213

Village of Fowlerville

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2018

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service (Motor Pool)
ASSETS		
Current assets		
Cash	\$ 4,289,225	\$ 532,429
Cash - restricted	122,810	-
Accounts receivable	487,900	267
Special assessments receivable	8,848	-
Due from other governmental units	-	453
Due from other funds	8,828	20,287
Inventory	22,539	-
Total current assets	4,940,150	553,436
Noncurrent assets		
Special assessments receivable	98,920	-
Capital assets not being depreciated	528,550	-
Capital assets, net of accumulated depreciation	7,351,635	153,216
Total noncurrent assets	7,979,105	153,216
TOTAL ASSETS	12,919,255	706,652
LIABILITIES		
Current liabilities		
Accounts payable	13,787	2,965
Accrued liabilities	1,692	226
Due to other funds	23,334	1,605
Accrued interest payable	5,664	-
Current portion of long-term debt	250,000	-
Total current liabilities	294,477	4,796
Noncurrent liabilities		
Noncurrent portion of long-term debt	1,950,000	-
TOTAL LIABILITIES	2,244,477	4,796
NET POSITION		
Net investment in capital assets	5,680,185	153,216
Restricted for debt service	117,146	-
Unrestricted	4,877,447	548,640
TOTAL NET POSITION	\$ 10,674,778	\$ 701,856

See accompanying notes to financial statements.

Village of Fowlerville

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2018

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Water and Sewer</u>	<u>Internal Service (Motor Pool)</u>
OPERATING REVENUES		
Charges for services	\$ 1,807,488	\$ 217,986
OPERATING EXPENSES		
Administrative	239,093	114,055
Wastewater operations	319,019	-
Water distribution	135,620	-
Depreciation	<u>551,341</u>	<u>52,375</u>
TOTAL OPERATING EXPENSES	<u>1,245,073</u>	<u>166,430</u>
OPERATING INCOME	562,415	51,556
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	19,596	1,948
Gain on sale of asset	4,500	-
Interest expense	<u>(50,193)</u>	<u>-</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(26,097)</u>	<u>1,948</u>
CHANGE IN NET POSITION	536,318	53,504
Net position, beginning of year	<u>10,138,460</u>	<u>648,352</u>
Net position, end of year	<u><u>\$ 10,674,778</u></u>	<u><u>\$ 701,856</u></u>

See accompanying notes to financial statements.

Village of Fowlerville

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service (Motor Pool)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 1,762,886	\$ 217,889
Cash receipts from/(payments to) other funds	(20,716)	7,454
Cash paid to suppliers	(662,015)	(96,952)
Cash paid for employees and benefits	(68,280)	(17,143)
	<u>1,011,875</u>	<u>111,248</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital asset acquisitions	(304,886)	(29,560)
Special assessments	8,673	-
Bond principal payments	(240,000)	-
Proceeds from sale of equipment	4,500	-
Interest and fees paid	(50,668)	-
	<u>(582,381)</u>	<u>(29,560)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	19,596	1,948
	<u>449,090</u>	<u>83,636</u>
NET INCREASE IN CASH		
Cash, beginning of year	3,962,945	448,793
Cash, end of year	<u>\$ 4,412,035</u>	<u>\$ 532,429</u>

See accompanying notes to financial statements.

Village of Fowlerville

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2018

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Water and Sewer</u>	<u>Internal Service (Motor Pool)</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 562,415	\$ 51,556
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	551,341	52,375
(Increase) decrease in:		
Accounts receivable	(44,602)	(267)
Due from other governmental units	-	170
Due from other funds	(8,828)	8,657
Inventory	978	-
Prepays	670	-
Increase (decrease) in:		
Accounts payable	(32,373)	258
Accrued liabilities	(5,838)	(298)
Due to other funds	(11,888)	(1,203)
	<u> </u>	<u> </u>
NET CASH PROVIDED BY BY OPERATING ACTIVITIES	<u>\$ 1,011,875</u>	<u>\$ 111,248</u>

Village of Fowlerville

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2018

	<u>Agency Fund</u>
ASSETS	
Cash	<u>\$ 23,898</u>
LIABILITIES	
Due to others	<u>\$ 23,898</u>

Village of Fowlerville

Component Units

COMBINING STATEMENT OF NET POSITION

June 30, 2018

	Downtown Development Authority	Local Development Finance Authority	Total
ASSETS			
Current assets			
Cash	\$ 277,946	\$ 905,157	\$ 1,183,103
Due from other governmental units	-	2,767	2,767
Contracts receivable	11,958	-	11,958
Total current assets	289,904	907,924	1,197,828
Noncurrent assets			
Contracts receivable	26,171	-	26,171
Capital assets, not being depreciated	1,244,106	1,088,781	2,332,887
Capital assets, net of accumulated depreciation	1,946,743	934,168	2,880,911
Total noncurrent assets	3,217,020	2,022,949	5,239,969
TOTAL ASSETS	3,506,924	2,930,873	6,437,797
LIABILITIES			
Current liabilities			
Accounts payable	5,775	14,077	19,852
Security deposit payable	550	-	550
Due to other governmental units	420	-	420
Unearned revenue	38,129	-	38,129
TOTAL LIABILITIES	44,874	14,077	58,951
NET POSITION			
Investment in capital assets	3,190,849	2,022,949	5,213,798
Unrestricted	271,201	893,847	1,165,048
TOTAL NET POSITION	\$ 3,462,050	\$ 2,916,796	\$ 6,378,846

Village of Fowlerville

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

	Downtown Development Authority	Local Development Finance Authority	Total
Program expenses			
Community and economic development	\$ 378,040	\$ 569,834	\$ 947,874
Program revenues			
Charges for services	32,002	-0-	32,002
NET PROGRAM (EXPENSES)	(346,038)	(569,834)	(915,872)
General revenues			
Property taxes	345,430	352,755	698,185
Local community stabilization	18,437	402,668	421,105
Investment earnings	3,872	3,840	7,712
TOTAL GENERAL REVENUES	367,739	759,263	1,127,002
CHANGE IN NET POSITION	21,701	189,429	211,130
Net position, beginning of the year	3,440,349	2,727,367	6,167,716
Net position, end of the year	<u>\$ 3,462,050</u>	<u>\$ 2,916,796</u>	<u>\$ 6,378,846</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Located in Livingston County, Michigan, Fowlerville is incorporated as a general law village in which citizens elect the council members. The Village is not included in any other governmental "reporting entity", as defined by the Governmental Accounting Standards Board (GASB), since Council members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Village provides the following services, as authorized under the General Law Village Act, to approximately 2,972 residents: public safety (police), public improvements (streets, sidewalks, sewers, and water system), planning and zoning, recreation and general administrative services.

The financial statements of the Village have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to village governments. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the Village of Fowlerville (primary government) and its component units, entities for which the government is considered to be financially accountable. The discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the Village. All component units are included in the Village's audited financial statements and are not audited separately.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Village of Fowlerville contain all the funds controlled by the Village Council.

2. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, the Village of Fowlerville remains financially accountable for these entities or the nature and significance of the relationship between these entities and the Village of Fowlerville is such that exclusion of these entities would render the financial statements misleading. The financial statements contain the following discretely presented component units:

Downtown Development Authority (DDA) - The Authority is responsible for the management of property tax revenues captured in the DDA district within the Village boundaries. Members of the DDA board are appointed by the Village Council and the Council has the ability to exercise oversight responsibility, specifically in the area of designation of management. The Authority is legally separate from the Village and is fiscally independent of the Village. The DDA is included in the Village's audited financial statements and is not audited separately.

Local Development Finance Authority (LDFA) - The Authority is responsible for the management of property tax revenues captured in the LDFA district in the Village boundaries. Members of the LDFA board are appointed by the Village Council and the Council has the ability to exercise oversight responsibility, specifically in the area of designation of management. The Authority is legally separate from the Village and is fiscally independent of the Village. The Authority is included in the Village's audited financial statements and is not audited separately.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Joint Venture

Fowlerville Area Fire Authority - The Fowlerville Area Fire Authority was created on January 1, 2005, by a joint venture agreement between the Townships of Handy, Iosco, and Conway and the Village of Fowlerville. The Authority is considered a Municipal Emergency Service Authority as provided in the Emergency Services to Municipalities Act, 1988 PA57, and MCL 124.601. The remaining formation and operating guidelines, etc. are detailed in the Authority's Articles of Incorporation and Bylaws and are maintained in the Authority's administrative offices. Each Township appoints one (1) member and the Village appoints one (1) member to the Board. The Chief oversees the day-to-day operations of the Authority. The Authority's audited financial statements can be obtained at the Village offices.

The Authority has no stockholders and all monies received are to be used for certain specified purposes in accordance with the joint venture agreement between the constituent municipalities.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component units as a whole. All activities of the primary government are included. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Village's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

- a. The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Street Fund is used to account for restricted Act 51 resources that are used for repairs and maintenance of the Village's major streets.

The Village reports the following major enterprise fund:

- a. The Water and Sewer Fund is used to account for the operations required to providing sewer and water services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The Village also reports an internal service fund to account for the management of mobile equipment provided to other departments of the Village on a cost reimbursement basis.

The Village also reports an agency fund to account for assets held by the Village as an agent for other governments, private organizations, or individuals. Agency funds are, by nature, custodial; therefore, operation results are not measured. The Village's agency fund is the Trust and Agency Fund.

5. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is sixty (60) days. Revenues that are considered measurable but not available are recorded as a receivable and unavailable revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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

If/when both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The Village employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. The Village Manager is required to submit to the Village Council a proposed operating budget for the commencing fiscal year prior to its start each year. The operating budget includes proposed expenditures and the means of financing them. Budgets are prepared on a basis consistent with the accounting basis utilized by the fund.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through passage of a resolution.
- d. The Village Manager is authorized to transfer budget amounts of \$500 or less between departments within any fund with subsequent Council ratification. Any revisions altering the total expenditures of a particular fund must be approved by the Council. Annual appropriations lapse at fiscal yearend.
- e. Budgets for the General and Special Revenue Funds are adopted on an activity basis and are consistent with accounting principles generally accepted in the United States of America.
- f. Budgeted amounts are reported as originally adopted or amended by the Village Council during the year.

8. Cash

Cash consists of various savings and money market checking accounts. A portion of the cash reported in the Water and Sewer Fund is classified as restricted because its use is limited to debt service.

9. Due from Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan or other governments for various payments and grants.

10. Receivables

Receivables consist of amounts due related from individuals and businesses related to charges for services, interest receivable, special assessments receivable, and other amounts owed to the Village at year-end.

11. Property Tax

The Village of Fowlerville bills and collects its own property taxes. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the Village of Fowlerville on July 1 and are payable without penalty through September 15. The July 1 levy is composed of the Village's millage, voted millage and special assessments. All real property taxes not paid to the Village by the due date are turned over to the Livingston County Treasurer for collection. The Livingston County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the Village for subsequent collection. Village property tax revenues are recognized as revenues in the fiscal year levied.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Property Tax - continued

The Village is permitted to levy taxes up to 12.50 mills (\$12.50 per \$1,000 of taxable valuation) for general governmental services. For the year ended June 30, 2018, the Village levied 8.5048 mills per \$1,000 of assessed valuation for general governmental services. In addition, the Village levies 0.6802 for cemetery maintenance, 2.0409 for garbage service, 3.4017 for street lights, and 0.4698 for mosquito control. The total taxable value for the 2017 levy for property within the Village was \$84,893,990.

12. Inventory

Inventory in the Water and Sewer Fund consists of department supplies which are stated at the lower of cost or market on the first in - first out basis.

13. Prepays

Prepaid expenditures, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

14. Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental, proprietary, and component unit funds are netted as part of the reconciliation to the government-wide financial statements.

15. Compensated Absences

Village employees hired before August 1, 2005, are granted sick/personal leave in varying amounts. Village employees hired after August 1, 2005, are granted a single allotment of paid time off in lieu of separate amounts of sick and vacation leave. In the event of termination, an employee is paid for portions of accumulated sick/personal time. Employees are not paid for accumulated vacation. All employees with accumulated unused sick/personal time pay at June 30, 2018, were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

Employees accrue vacation time throughout the year based on prior years' service. Vacation time must be used or lost, with limited exceptions.

16. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities, business-type activities, and component units' columns. Capital assets are those with an initial individual cost of \$500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition cost on the date received.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

16. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	2 - 15 years
Buildings	10 - 50 years
Machinery and equipment	5 - 30 years
Vehicles	2 - 8 years
Sewer system	10 - 40 years
Water system	7 - 50 years
Infrastructure	20 - 30 years

17. Unearned Revenue

Unearned revenues are reported for resources that have been received but not yet earned.

18. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position and balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Village has two (2) items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position.

The Village reports deferred outflows of resources which correspond to the Village's net pension liability and are related to contributions made subsequent to the measurement date. The Village reports deferred inflows of resources which correspond to the Village's net pension liability and are related to differences between projected and actual pension plan investment earnings. All of these amounts are deferred and recognized as either an outflow or inflow of resources in the period to which they apply.

19. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

20. Restricted Net Position

Restrictions of net position shown in the government-wide financial statements indicate restrictions imposed by the funding source or some other outside source, which precludes their use for unrestricted purposes.

21. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE B: DEPOSITS

In accordance with Michigan Compiled Laws, the Village is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of June 30, 2018, the carrying amounts of the Village's deposits were \$7,552,932 and the bank balance was \$7,566,613, all of which was covered by federal depository insurance. The primary government had \$100 of imprest cash on hand.

Due to significantly higher cash flow at certain periods during the year, the amount the Village held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Interest Rate Risk

The Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Village's cash requirements.

Concentration of Credit Risk

The Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE B: DEPOSITS - CONTINUED

Custodial Credit Risk

The Village will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Council and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Village will do business in accordance with Council approved policy.

The following summarizes the categorization of cash as of June 30, 2018:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Fund</u>	<u>Reporting Entity</u>
Cash	\$ 6,223,221	\$ 1,183,103	\$ 23,898	\$ 7,430,222
Cash - restricted	<u>122,810</u>	<u>-</u>	<u>-</u>	<u>122,810</u>
	<u>\$ 6,346,031</u>	<u>\$ 1,183,103</u>	<u>\$ 23,898</u>	<u>\$ 7,553,032</u>

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables at June 30, 2018:

Due to General Fund from:	
Major Street Fund	\$ 24,923
Water and Sewer Fund	19,595
Internal service fund	1,605
Nonmajor governmental funds	<u>8,072</u>
	<u>\$ 54,195</u>
Due to Major Street Fund from:	
Nonmajor governmental funds	<u>\$ 2,751</u>
Due to Water and Sewer Fund from:	
General Fund	<u>\$ 8,828</u>
Due to internal service fund from:	
General Fund	\$ 10,894
Major Street Fund	2,690
Nonmajor governmental funds	2,964
Water and Sewer Fund	<u>3,739</u>
	<u>\$ 20,287</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and component unit funds have been eliminated.

Primary Government

Transfers to General Fund from:	
Major Street Fund	\$ 23,786
Nonmajor governmental funds	<u>6,897</u>
	<u>\$ 30,683</u>

Component Units

Downtown Development Authority	
Transfers to Downtown Development Authority General Fund from:	
Property Rental Fund	<u>\$ 10,000</u>

Transfers from the Property Rental Fund to the Downtown Development Authority General Fund were to finance current year debt service payments. Transfers to the General Fund were to finance public works projects.

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

Primary Government

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental activities				
Capital assets not being depreciated				
Land	\$ 139,607	\$ -	\$ -	\$ 139,607
Construction in progress	<u>8,253</u>	<u>34,376</u>	<u>-</u>	<u>42,629</u>
Subtotal	147,860	34,376	-0-	182,236
Capital assets being depreciated				
Land improvements	460,136	20,945	-	481,081
Buildings	833,658	16,999	-	850,657
Vehicles	757,530	40,445	(29,733)	768,242
Machinery and equipment	710,221	-	-	710,221
Infrastructure	<u>3,844,932</u>	<u>13,809</u>	<u>-</u>	<u>3,858,741</u>
Subtotal	6,606,477	92,198	(29,733)	6,668,942

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - Continued

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental activities - continued				
Less accumulated depreciation for:				
Land improvements	\$ (267,574)	\$ (20,336)	\$ -	\$ (287,910)
Buildings	(579,714)	(28,751)	-	(608,465)
Vehicles	(620,709)	(63,975)	29,733	(654,951)
Machinery and equipment	(564,533)	(21,912)	-	(586,445)
Infrastructure	(1,596,724)	(256,293)	-	(1,853,017)
Subtotal	<u>(3,629,254)</u>	<u>(391,267)</u>	<u>29,733</u>	<u>(3,990,788)</u>
Net capital assets being depreciated	<u>2,977,223</u>	<u>(299,069)</u>	<u>-0-</u>	<u>2,678,154</u>
Total net capital assets	<u>\$ 3,125,083</u>	<u>\$ (264,693)</u>	<u>\$ -0-</u>	<u>\$ 2,860,390</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 106,158
Public safety	17,113
Public works	238,818
Recreation and culture	29,178
Total depreciation expense	<u>\$ 391,267</u>

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Business-type activities				
Capital assets not being depreciated				
Land	\$ 447,642	\$ -	\$ -	\$ 447,642
Construction in progress	-	80,908	-	80,908
Subtotal	447,642	80,908	-0-	528,550
Capital assets being depreciated				
Buildings	3,667,583	-	-	3,667,583
Machinery and equipment	466,913	-	-	466,913
Vehicles	34,986	-	(20,946)	14,040
Sewer system	4,874,146	-	-	4,874,146
Water system	5,634,526	223,978	-	5,858,504
Subtotal	14,678,154	223,978	(20,946)	14,881,186

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - Continued

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Business-type activities - continued				
Less accumulated depreciation for:				
Buildings	\$ (921,312)	\$ (71,195)	\$ -	\$ (992,507)
Machinery and equipment	(359,166)	(12,920)	-	(372,086)
Vehicles	(34,986)	-	20,946	(14,040)
Sewer system	(2,677,290)	(196,352)	-	(2,873,642)
Water system	(3,006,402)	(270,874)	-	(3,277,276)
Subtotal	<u>(6,999,156)</u>	<u>(551,341)</u>	<u>20,946</u>	<u>(7,529,551)</u>
Net capital assets being depreciated	<u>7,678,998</u>	<u>(327,363)</u>	<u>-0-</u>	<u>7,351,635</u>
Total net capital assets	<u>\$ 8,126,640</u>	<u>\$ (246,455)</u>	<u>\$ -0-</u>	<u>\$ 7,880,185</u>

Component Units

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Downtown Development Authority				
Capital assets not being depreciated				
Land	\$ 1,244,106	\$ -	\$ -	\$ 1,244,106
Capital assets being depreciated				
Land improvements	2,755,264	-	-	2,755,264
Buildings and improvements	128,000	-	-	128,000
Subtotal	<u>2,883,264</u>	<u>-0-</u>	<u>-0-</u>	<u>2,883,264</u>
Less accumulated depreciation for:				
Land improvements	(817,722)	(70,159)	-	(887,881)
Buildings and improvements	(43,520)	(5,120)	-	(48,640)
Subtotal	<u>(861,242)</u>	<u>(75,279)</u>	<u>-0-</u>	<u>(936,521)</u>
Net capital assets being depreciated	<u>2,022,022</u>	<u>(75,279)</u>	<u>-0-</u>	<u>1,946,743</u>
Total net capital assets	<u>\$ 3,266,128</u>	<u>\$ (75,279)</u>	<u>\$ -0-</u>	<u>\$ 3,190,849</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE E: CAPITAL ASSETS - CONTINUED

Component Units - Continued

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Local Development Finance Authority				
Capital assets not being depreciated				
Construction in progress	\$ 67,918	\$ 1,020,863	\$ -	\$ 1,088,781
Capital assets being depreciated				
Infrastructure	3,427,153	14,523	-	3,441,676
Less accumulated depreciation for:				
Infrastructure	(2,281,109)	(226,399)	-	(2,507,508)
Net capital assets being depreciated	1,146,044	(211,876)	-0-	934,168
Total net capital assets	<u>\$ 1,213,962</u>	<u>\$ 808,987</u>	<u>\$ -0-</u>	<u>\$ 2,022,949</u>

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Village for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amount Due Within One Year
Primary Government					
Governmental Activities					
2008 General Obligation Bonds	\$ 150,000	\$ -	\$ (150,000)	\$ -0-	\$ -
2016 Refunding Bonds	2,020,000	-	(25,000)	1,995,000	180,000
Compensated absences	73,775	77,755	(62,073)	89,457	62,620
Total Governmental Activities	2,243,775	77,755	(237,073)	2,084,457	242,620
Business-type Activities					
2016 Refunding Bonds	635,000	-	(60,000)	575,000	60,000
2015 Sewer Improvement Refunding Bonds	1,805,000	-	(180,000)	1,625,000	190,000
Total Business-Type Activities	2,440,000	-0-	(240,000)	2,200,000	250,000
TOTAL PRIMARY GOVERNMENT	<u>\$ 4,683,775</u>	<u>\$ 77,755</u>	<u>\$ (477,073)</u>	<u>\$ 4,284,457</u>	<u>\$ 492,620</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

Primary Government

General Obligation Bonds

\$2,720,000 2016 Refunding Bonds, due in annual installments ranging from \$240,000 to \$280,000 through May 1, 2028, plus interest ranging from 1.00 to 2.00 percent.	\$ 2,570,000
\$2,160,000 2015 Sewer Improvement Refunding Bonds, due in annual installments ranging from \$190,000 to \$220,000 through June 1, 2026, plus interest of 2.17 percent.	<u>1,625,000</u>
	<u>\$ 4,195,000</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F: LONG-TERM DEBT - CONTINUED

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick leave. The dollar amounts of these vested rights, including related payroll taxes, which have been recorded in the government-wide financial statements, amounted to \$89,457 at June 30, 2018. Compensated absences are normally liquidated by the General Fund.

Annual Requirements for Bonded Debt

The annual requirements to pay the debt principal and interest outstanding for bonds are as follows:

Primary Government

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 180,000	\$ 38,100	\$ 250,000	\$ 44,101
2020	190,000	36,300	250,000	39,378
2021	190,000	32,500	255,000	34,001
2022	195,000	28,700	265,000	28,515
2023	200,000	24,800	265,000	22,821
2024-2028	1,040,000	62,900	915,000	34,812
	<u>\$ 1,995,000</u>	<u>\$ 223,300</u>	<u>\$ 2,200,000</u>	<u>\$ 203,628</u>

Advance Refunding - Prior

On September 20, 2016, the Village defeased the portion of the 2007 Capital Improvement Bonds, which are due and payable April 1, 2018 through April 1, 2027. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The Village issued General Obligation 2016 Refunding Bonds in the amount of \$650,000 to provide resources to fund the escrow amounts and pay the costs of insurance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Village's financial statements. At June 30, 2018, bonds due and payable April 1, 2019 through April 1, 2027, for the 2007 Capital Improvement Bonds in the amount of \$560,000 are considered defeased.

In addition, also on September 20, 2016, the Village defeased the portion of the 2008 General Obligation Bonds, which are due and payable May 1, 2019 through May 1, 2028. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The Village issued General Obligation 2016 Refunding Bonds in the amount of \$2,070,000 to provide resources to fund the escrow amounts and pay the costs of insurance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Village's financial statements. At June 30, 2018, bonds due and payable May 1, 2019 through May 1, 2028, for the 2008 General Obligation Bonds in the amount of \$1,900,000 are considered defeased.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F: LONG-TERM DEBT - CONTINUED

Advance Refunding - Prior - continued

On December 15, 2015, the Village defeased the portion of the 2005 Sewer Improvement Bonds, which were due and payable June 1, 2017 through June 1, 2026. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The Village issued General Obligation 2015 Refunding Bonds in the amount of \$2,160,000 to provide resources to fund the escrow amounts and pay the costs of insurance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Village's financial statements. At June 30, 2018, bonds due and payable June 1, 2019 through June 1, 2026, for the 2005 Sewer Improvement Bonds in the amount of \$1,630,000 are considered defeased.

NOTE G: DEFINED BENEFIT RETIREMENT 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's Legislature under Public Act 135 of 1945 and administered by a nine (9) member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at www.mersofmich.com.

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. Public Act 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The MERS plan covers full-time employees at the Village electing the defined benefit retirement plan.

Retirement benefits for employees are calculated as 2.50 percent of the employee's three-year final average compensation times the employee's years of service with a maximum of 80 percent of final average compensation. Normal retirement age is 60 with 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. Employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately and if duty-related without an actuarial reduction for retirement before age 60 is not applied. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Village Council.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G: DEFINED BENEFIT RETIREMENT PLAN - CONTINUED

Benefits Provided - continued

At the December 31, 2017, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>2</u>
	<u>18</u>

Contributions

The Village is required to contribute amounts at least equal to the 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. The Village may establish contribution rates to be paid by its covered employees.

Employer contributions were \$4,472 to \$4,710 per month for open divisions. Active covered employees contributed 5.00% of annual payroll for the year ended June 30, 2018.

Net Pension Liability

The Village's net pension liability reported at June 30, 2018, was determined using a measure of the total pension liability and the pension net position as of December 31, 2017. The December 31, 2017 total pension liability was determined by an actuarial valuation performed as of that date.

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances at December 31, 2016	\$ 3,758,130	\$ 2,976,632	\$ 781,498
Service cost	17,033	-	17,033
Interest on total pension liability	292,101	-	292,101
Difference between expected and actual experience	(418,394)	-	(418,394)
Employer contributions	-	47,728	(47,728)
Employee contributions	-	5,108	(5,108)
Net investment income	-	386,325	(386,325)
Benefit payments, including employee refunds	(230,750)	(230,750)	-0-
Administrative expense	-	(6,129)	6,129
Other changes	1	-	1
Net changes	<u>(340,009)</u>	<u>202,282</u>	<u>(542,291)</u>
Balances at December 31, 2017	<u>\$ 3,418,121</u>	<u>\$ 3,178,914</u>	<u>\$ 239,207</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G: DEFINED BENEFIT RETIREMENT PLAN - CONTINUED

Pension Expenses and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2018, the Village recognized pension expense of (\$323,572). The Village reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 59,527
Contributions subsequent to the measurement date*	<u>68,022</u>	<u>-</u>
Total	<u>\$ 68,022</u>	<u>\$ 59,527</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 for the year ending June 30, 2019.

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

<u>Year Ended June 30,</u>	<u>Pension Expense</u>
2019	\$ 15,434
2020	6,140
2021	(49,989)
2022	(31,112)

Actuarial Assumptions

The total pension liability in the December 31, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.75%.

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

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 2.50%.

The mortality table used to project the mortality experience of non-disabled plan members is a 50% Male - 50% Female blend of the following tables: 1. the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, 2. the RP-2014 Employee Mortality Tables, and 3. the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members is a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in valuation were based on the results of the 2009-2013 Five-year Experience Study.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G: DEFINED BENEFIT RETIREMENT PLAN - CONTINUED

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers.

Projected Cash Flows

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.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	55.50%	8.65%
Global Fixed Income	18.50%	3.76%
Real Assets	13.50%	9.72%
Diversifying Strategies	12.50%	7.50%

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability (asset)	\$ 616,881	\$ 239,207	\$ (78,723)

NOTE H: DEFINED CONTRIBUTION RETIREMENT PLAN

Beginning August 1, 2005, the Village offers a Defined Contribution Plan created in accordance with Internal Revenue Code Section 401 to its employees. The plan is managed by Michigan Municipal Employees Retirement System. The Village Council established, and may amend, the provisions of the plan, including the amounts required to be contributed by the Village. For this plan, the Village contributes 5% of an employee's compensation for all eligible enrolled employees. In addition, the Village matches dollar for dollar the contributions of the individual employees up to 5%, if they choose to contribute.

For the year ended June 30, 2018, the Village contributed \$64,269 to the defined contribution plan for its employees. The Village employees contributed \$26,202 to the defined contribution plan for the year ended June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE I: RISK MANAGEMENT

The Village participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property, liability, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Village has no individual self-insured retention amounts and a \$250 deductible for vehicle physical damage per occurrence, \$1,000 deductible for property and crime coverage, and a \$10,000 deductible per occurrence for sewage system overflow. State pool members' limits of coverage (per occurrence) are \$10,000,000 for liability and approximately \$8,440,492 for property. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Village has not been informed of any special assessments being required.

The Village also participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Village has not been informed of any special assessments being required.

NOTE J: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in

Fund Balance Classification Policies and Procedures

For committed fund balance, the Village of Fowlerville's highest level of decision-making authority is the Village Council. Formal action that is required to be taken to establish a fund balance commitment is a resolution of the Village Council. If a fund balance commitment is made, the commitment remains in effect until a resolution is made to remove it.

For assigned fund balance, the Village policy is that either the Council or the Village Manager may assign fund balance pursuant to the Fund Balance Policy adopted by the Village Council.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE J: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

The Village of Fowlerville has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, resources with the highest level of restriction will be used first.

The following are the various fund balance classifications as of June 30, 2018:

	<u>General</u>	<u>Major Street</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES				
Nonspendable				
Prepays	\$ 38,874	\$ -	\$ -	\$ 38,874
Restricted				
Mosquito control	31,692	-	-	31,692
Refuse collection	128,791	-	-	128,791
Composting	53,107	-	-	53,107
Streets and highways	-	269,208	388,384	657,592
Law enforcement	-	-	2,666	2,666
Debt service	-	-	330	330
Committed				
Perpetual care	-	-	6,742	6,742
Assigned				
Subsequent year's expenditures	19,860	-	-	19,860
Unassigned	634,062	-	-	634,062
	<u>\$ 906,386</u>	<u>\$ 269,208</u>	<u>\$ 398,122</u>	<u>\$ 1,573,716</u>

NOTE K: RESTRICTED NET POSITION

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

The following are the various net position restrictions as of June 30, 2018:

Governmental activities	
Restricted for streets and highways	\$ 657,592
Restricted for other purposes	
Mosquito control	31,692
Refuse collection	128,791
Composting	53,107
Law enforcement	2,666
	<u>\$ 873,848</u>
Business-type activities	
Debt service	<u>\$ 117,146</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE L: CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*, was implemented during the year. The statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

NOTE M: TAX ABATEMENTS

The Village entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) (IFT) PA 198 of 1974, as amended. An Industrial Facilities Exemption (IFE) certificate entitles the facility an exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. The IFT on a new plant and non-industrial property, such as some high-tech personal property, is computed at 50% of the property tax bill for new property. For rehabilitation properties, the taxable values can be frozen. The amount of taxes abated within the Village's Local Development Finance Authority Component Unit during the year ended June 30, 2018 was \$88,084.

NOTE N: UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities for all state and local governments, focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries for whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Village is current evaluating the impact this standard will have on the financial statements when adopting during the 2019-2020 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. The statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases the previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Payments*. This statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the 2018-2019 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Fowlerville

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 773,700	\$ 693,737	\$ 693,799	\$ 62
Licenses and permits	12,000	6,000	7,990	1,990
Intergovernmental				
Federal/State	281,100	289,475	291,232	1,757
Local	321,200	319,100	321,086	1,986
Total intergovernmental	602,300	608,575	612,318	3,743
Charges for services	403,180	450,820	438,955	(11,865)
Fines and forfeitures	16,500	24,500	27,240	2,740
Interest and rents	4,600	5,400	5,598	198
Other	13,200	120,296	40,516	(79,780)
Transfers in	28,300	48,000	30,683	(17,317)
TOTAL REVENUES	<u>\$ 1,853,780</u>	<u>\$ 1,957,328</u>	<u>\$ 1,857,099</u>	<u>\$ (100,229)</u>

Village of Fowlerville

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES

Year Ended June 30, 2018

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Current				
General government				
Legislative	\$ 27,103	\$ 27,564	\$ 26,544	\$ 1,020
Executive	67,893	63,464	61,406	2,058
Clerk	123,913	122,483	121,536	947
Treasurer	117,822	124,519	123,651	868
Village hall and grounds	107,594	106,601	97,141	9,460
Other				
Miscellaneous	30,300	72,870	67,452	5,418
Insurance	73,000	74,810	74,810	-0-
Contracted services	72,100	86,400	75,143	11,257
Total general government	619,725	678,711	647,683	31,028
Public safety				
Police department	747,180	759,244	744,186	15,058
Public works				
Department of public works	107,562	125,425	121,199	4,226
Refuse collection	120,030	117,114	114,103	3,011
Sanitary landfill	55,076	49,471	45,517	3,954
Cemetery operations	118,610	99,133	94,223	4,910
Mosquito control	33,000	32,000	28,685	3,315
Total public works	434,278	423,143	403,727	19,416
Community and economic development				
Planning commission	15,323	23,202	18,524	4,678
Recreation and culture				
Recreation	94,271	96,000	95,775	225
TOTAL EXPENDITURES	<u>\$ 1,910,777</u>	<u>\$ 1,980,300</u>	<u>\$ 1,909,895</u>	<u>\$ 70,405</u>

Village of Fowlerville

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 210,000	\$ 242,356	\$ 264,456	\$ 22,100
Interest	400	750	781	31
TOTAL REVENUES	210,400	243,106	265,237	22,131
EXPENDITURES				
Public works				
Administration	-	2,500	79	2,421
Operations	138,506	152,996	114,349	38,647
Capital outlay	-	9,930	23,739	(13,809)
TOTAL EXPENDITURES	138,506	165,426	138,167	27,259
EXCESS OF REVENUES OVER EXPENDITURES	71,894	77,680	127,070	49,390
OTHER FINANCING (USES)				
Transfers out	(21,800)	(21,700)	(23,786)	(2,086)
NET CHANGE IN FUND BALANCE	50,094	55,980	103,284	47,304
Fund balance, beginning of year	165,924	165,924	165,924	-0-
Fund balance, end of year	<u>\$ 216,018</u>	<u>\$ 221,904</u>	<u>\$ 269,208</u>	<u>\$ 47,304</u>

Village of Fowlerville

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

Last Four Measurement Dates (Amounts determined as of 12/31 of each fiscal year)

(Ultimately ten measurement dates will be displayed)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability				
Service cost	\$ 17,033	\$ 16,540	\$ 16,580	\$ 16,564
Interest	292,101	287,487	273,945	267,530
Difference between expected and actual experience	(418,394)	(14,713)	(72,815)	-
Changes of assumptions	-	-	173,211	-
Benefit payments, including employee refunds	(230,750)	(232,980)	(227,427)	(197,109)
Other	1	(1)	8,561	8,360
Net Change in Total Pension Liability	(340,009)	56,333	172,055	95,345
Total Pension Liability, beginning	<u>3,758,130</u>	<u>3,701,797</u>	<u>3,529,742</u>	<u>3,434,397</u>
Total Pension Liability, ending	<u>\$ 3,418,121</u>	<u>\$ 3,758,130</u>	<u>\$ 3,701,797</u>	<u>\$ 3,529,742</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 47,728	\$ 68,549	\$ 44,679	\$ 20,140
Contributions - employee	5,108	5,381	5,437	8,563
Net investment income (loss)	386,325	314,014	(43,587)	189,791
Benefit payments, including employee refunds	(230,750)	(232,980)	(227,427)	(197,109)
Administrative expense	(6,129)	(6,210)	(6,529)	(6,938)
Net Change in Plan Fiduciary Net Position	202,282	148,754	(227,427)	14,447
Plan Fiduciary Net Position, beginning	<u>2,976,632</u>	<u>2,827,878</u>	<u>3,055,305</u>	<u>3,040,858</u>
Plan Fiduciary Net Position, ending	<u>\$ 3,178,914</u>	<u>\$ 2,976,632</u>	<u>\$ 2,827,878</u>	<u>\$ 3,055,305</u>
Village's Net Pension Liability	<u>\$ 239,207</u>	<u>\$ 781,498</u>	<u>\$ 873,919</u>	<u>\$ 474,437</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	93%	79%	76%	87%
Covered employee payroll	\$ 110,822	\$ 107,612	\$ 108,795	\$ 108,685
Village's Net Pension Liability as a percentage of Covered Employee Payroll	215.8%	726.2%	803.3%	436.5%

Village of Fowlerville

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Four Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

(Ultimately ten fiscal years will be displayed)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial determined contributions	\$ 54,854	\$ 42,121	\$ 16,580	\$ 16,459
Contributions in relation to the actuarially determined contribution	<u>94,854</u>	<u>77,121</u>	<u>46,580</u>	<u>16,459</u>
Contribution deficiency (excess)	<u>\$ (40,000)</u>	<u>\$ (35,000)</u>	<u>\$ (30,000)</u>	<u>\$ -0-</u>
Covered employee payroll	\$ 113,480	\$ 109,615	\$ 107,940	\$ 129,712
Contributions as a percentage of covered employee payroll	83.59%	70.36%	43.15%	12.69%

Village of Fowlerville

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2018

NOTE A: EMPLOYEE RETIREMENT PLAN

Changes of benefits terms: There were no changes of benefit terms during plan year 2017.

Changes in assumptions: There were no changes in assumptions during plan year 2017.

OTHER SUPPLEMENTARY INFORMATION

Village of Fowlerville
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 June 30, 2018

	Special			
	Local Street	Municipal Street	Drug Law Enforcement	K9 Program
ASSETS				
Cash	\$ 94,736	\$ 303,995	\$ 2,154	\$ 512
Accounts receivable	575	-	-	-
Due from other governmental units	11,931	-	-	-
TOTAL ASSETS	<u>\$ 107,242</u>	<u>\$ 303,995</u>	<u>\$ 2,154</u>	<u>\$ 512</u>
LIABILITIES				
Accounts payable	\$ 1,009	\$ 5,933	\$ -	\$ -
Accrued liabilities	1,639	485	-	-
Due to other funds	12,523	1,264	-	-
TOTAL LIABILITIES	15,171	7,682	-0-	-0-
FUND BALANCES				
Restricted	92,071	296,313	2,154	512
Committed	-	-	-	-
TOTAL FUND BALANCES	<u>92,071</u>	<u>296,313</u>	<u>2,154</u>	<u>512</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 107,242</u>	<u>\$ 303,995</u>	<u>\$ 2,154</u>	<u>\$ 512</u>

Revenue Greenwood Cemetery	Debt Service 2008 G.O. Bond	Total
\$ 6,742	\$ 330	\$ 408,469
-	-	575
-	-	11,931
<u>\$ 6,742</u>	<u>\$ 330</u>	<u>\$ 420,975</u>
\$ -	\$ -	\$ 6,942
-	-	2,124
-	-	13,787
-0-	-0-	22,853
-	330	391,380
<u>6,742</u>	<u>-</u>	<u>6,742</u>
<u>6,742</u>	<u>330</u>	<u>398,122</u>
<u>\$ 6,742</u>	<u>\$ 330</u>	<u>\$ 420,975</u>

Village of Fowlerville

Nonmajor Governmental Funds

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

Year Ended June 30, 2018

	Special			
	Local Street	Municipal Street	Drug Law Enforcement	K9 Program
REVENUES				
Taxes	\$ -	\$ 195,793	\$ -	\$ -
Intergovernmental	77,467	-	-	-
Fines and forfeitures	-	-	184	-
Interest and rents	421	1,180	8	3
Other	-	-	-	-
TOTAL REVENUES	77,888	196,973	192	3
EXPENDITURES				
Current				
Public safety	-	-	138	598
Public works	89,713	91,484	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
TOTAL EXPENDITURES	89,713	91,484	138	598
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(11,825)	105,489	54	(595)
OTHER FINANCING (USES)				
Transfer out	(6,897)	-	-	-
NET CHANGE IN FUND BALANCES	(18,722)	105,489	54	(595)
Fund balances, beginning of year	110,793	190,824	2,100	1,107
Fund balances, end of year	<u>\$ 92,071</u>	<u>\$ 296,313</u>	<u>\$ 2,154</u>	<u>\$ 512</u>

<u>Revenue</u>	<u>Debt Service</u>	
Greenwood Cemetery	2008 G.O. Bond	<u>Total</u>
\$ -	\$ -	\$ 195,793
-	220,000	297,467
-	-	184
47	21	1,680
<u>6,200</u>	<u>-</u>	<u>6,200</u>
6,247	220,021	501,324
-	-	736
-	-	181,197
16,999	-	16,999
<u>-</u>	<u>219,725</u>	<u>219,725</u>
<u>16,999</u>	<u>219,725</u>	<u>418,657</u>
(10,752)	296	82,667
<u>-</u>	<u>-</u>	<u>(6,897)</u>
(10,752)	296	75,770
<u>17,494</u>	<u>34</u>	<u>322,352</u>
<u>\$ 6,742</u>	<u>\$ 330</u>	<u>\$ 398,122</u>

Village of Fowlerville

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2018

	<u>General</u>	<u>Property Rental</u>	<u>Total</u>
ASSETS			
Cash	\$ 268,475	\$ 9,471	\$ 277,946
Contracts receivable	38,129	-	38,129
	<u>306,604</u>	<u>9,471</u>	<u>316,075</u>
TOTAL ASSETS	<u>\$ 306,604</u>	<u>\$ 9,471</u>	<u>\$ 316,075</u>
LIABILITIES			
Accounts payable	\$ 5,775	\$ -	\$ 5,775
Due to other governmental units	420	-	420
Unearned revenue	38,129	-	38,129
Security deposits	-	550	550
	<u>44,324</u>	<u>550</u>	<u>44,874</u>
TOTAL LIABILITIES	44,324	550	44,874
FUND BALANCES			
Assigned			
Property rental	-	8,921	8,921
Unassigned	262,280	-	262,280
	<u>262,280</u>	<u>8,921</u>	<u>271,201</u>
TOTAL FUND BALANCES	<u>262,280</u>	<u>8,921</u>	<u>271,201</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 306,604</u>	<u>\$ 9,471</u>	<u>\$ 316,075</u>

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2018

Total fund balances - governmental funds \$ 271,201

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 4,127,370	
Accumulated depreciation is	<u>(936,521)</u>	
Capital assets, net		<u>3,190,849</u>
Net position of governmental activities		<u><u>\$ 3,462,050</u></u>

Village of Fowlerville

Component Unit Funds

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

Year Ended June 30, 2018

	General	Property Rental	Total
REVENUES			
Taxes	\$ 345,430	\$ -	\$ 345,430
Intergovernmental	18,437	-	18,437
Charges for services	14,602	-	14,602
Interest and rents	3,872	17,400	21,272
	<u>382,341</u>	<u>17,400</u>	<u>399,741</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Community and economic development			
Contracted services	40,737	-	40,737
Supplies	14,442	-	14,442
Repairs and maintenance	9,735	-	9,735
Equipment rental	1,260	-	1,260
Utilities	-	2,572	2,572
Management fees	-	798	798
Payments to primary government	13,217	-	13,217
Debt service	220,000	-	220,000
	<u>299,391</u>	<u>3,370</u>	<u>302,761</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER EXPENDITURES			
	82,950	14,030	96,980
OTHER FINANCING SOURCES (USES)			
Transfers in	10,000	-	10,000
Transfers out	-	(10,000)	(10,000)
	<u>10,000</u>	<u>(10,000)</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES			
	92,950	4,030	96,980
Fund balances, beginning of year	<u>169,330</u>	<u>4,891</u>	<u>174,221</u>
Fund balances, end of year	<u>\$ 262,280</u>	<u>\$ 8,921</u>	<u>\$ 271,201</u>

Village of Fowlerville

Component Unit Funds

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

Year Ended June 30, 2018

Net change in fund balances - total governmental funds \$ 96,980

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense (75,279)

Change in net position of governmental activities \$ 21,701

Village of Fowlerville

Component Unit Funds

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2018

ASSETS	
Cash	\$ 905,157
Due from other governmental units	<u>2,767</u>
TOTAL ASSETS	<u>\$ 907,924</u>
LIABILITIES	
Accounts payable	\$ 14,077
FUND BALANCE	
Unassigned	<u>893,847</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 907,924</u>

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2018

Total fund balances - governmental funds \$ 893,847

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 4,530,457	
Accumulated depreciation is	<u>(2,507,508)</u>	
Capital assets, net		<u>2,022,949</u>
Net position of governmental activities		<u><u>\$ 2,916,796</u></u>

Village of Fowlerville

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2018

REVENUES	
Taxes	\$ 352,755
Intergovernmental	402,668
Interest	<u>3,840</u>
TOTAL REVENUES	759,263
EXPENDITURES	
Current	
Community and economic development	
Contracted services	6,434
Payments to primary government	321,734
Other	15,267
Capital outlay	<u>1,035,386</u>
TOTAL EXPENDITURES	<u>1,378,821</u>
NET CHANGE IN FUND BALANCE	(619,558)
Fund balance, beginning of year	<u>1,513,405</u>
Fund balance, end of year	<u><u>\$ 893,847</u></u>

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES -
LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2018

Net change in fund balances - total governmental funds \$ (619,558)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,035,386	
Depreciation expense	<u>(226,399)</u>	
Excess of capital outlay over depreciation expense		<u>808,987</u>
Change in net position of governmental activities		<u><u>\$ 189,429</u></u>