

**Village of Fowlerville  
Livingston County, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2015**

Village of Fowlerville  
Livingston County, Michigan

June 30, 2015

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, 2015, 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, 2015, 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.

## **Changes in Accounting Principles**

As discussed in Note M to the financial statements, the Village implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year. As a result, the financial statements now recognize the Village's unfunded defined pension benefit obligation as a liability for the first time and more comprehensively and comparably measures the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinions are not modified with respect to this matter.

Also as discussed in Note M to the financial statements, the Village implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, during the year. As a result, the Village recognized a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. 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 prepared 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.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

November 5, 2015

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

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, 2015. 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 \$11,709,176 at the close of 2015 (excluding component units).
- Governmental activities net position was \$2,250,237.
- Business-type activities net position was \$9,458,939.
- Component unit net position was \$5,164,391.

**Fund Level:**

- At the close of the fiscal year, the Village of Fowlerville's governmental funds reported a combined ending fund balance of \$1,264,387 with \$572,904 being nonspendable, restricted, committed, or assigned.
- The General Fund's fund balance decreased by \$20,907. This decrease in fund balance is due to the decreases in revenues, as revenues were \$82,034 under budget.

**Capital and Long-term Debt Activities:**

- The total long-term debt for the governmental activities of the primary government was \$2,306,896.
- The total long-term debt for the business-type activities of the primary government was \$2,805,000.

**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 2015. 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, 2015

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, 2015

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, 2015

**FINANCIAL ANALYSIS OF THE VILLAGE OF FOWLerville AS A WHOLE**

As previously stated, the Village of Fowlerville's combined net position were \$11,709,176 at the end of this fiscal year. The net position of the governmental activities was \$2,250,237 and the business-type activities were \$9,458,939.

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, 2015 and 2014

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 1,811,810	\$ 2,129,441	\$ 3,400,558	\$ 3,205,348	\$ 5,212,368	\$ 5,334,789
Capital Assets	3,351,740	3,193,315	8,900,686	8,967,500	12,252,426	12,160,815
<b>Total Assets</b>	<b>\$ 5,163,550</b>	<b>\$ 5,322,756</b>	<b>\$ 12,301,244</b>	<b>\$ 12,172,848</b>	<b>\$ 17,464,794</b>	<b>\$ 17,495,604</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 44,314</b>	<b>\$ 11,215</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 44,314</b>	<b>\$ 11,215</b>
Current Liabilities	\$ 239,511	\$ 425,685	\$ 232,305	\$ 254,520	\$ 471,816	\$ 680,205
Noncurrent Liabilities	2,718,116	2,205,538	2,610,000	2,805,000	5,328,116	5,010,538
<b>Total Liabilities</b>	<b>\$ 2,957,627</b>	<b>\$ 2,631,223</b>	<b>\$ 2,842,305</b>	<b>\$ 3,059,520</b>	<b>\$ 5,799,932</b>	<b>\$ 5,690,743</b>
Net Position						
Net investment in capital assets	\$ 1,134,678	\$ 983,315	\$ 6,095,686	\$ 5,972,500	\$ 7,230,364	\$ 6,955,815
Restricted	471,593	676,080	132,985	131,928	604,578	808,008
Unrestricted	643,966	1,032,138	3,230,268	3,008,900	3,874,234	4,041,038
<b>Total Net Position</b>	<b>\$ 2,250,237</b>	<b>\$ 2,691,533</b>	<b>\$ 9,458,939</b>	<b>\$ 9,113,328</b>	<b>\$ 11,709,176</b>	<b>\$ 11,804,861</b>

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

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	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 744,817	\$ 726,092	\$ 1,618,797	\$ 1,609,868	\$ 2,363,614	\$ 2,335,960
Operating Grants and Contributions	416,068	407,729	-	-	416,068	407,729
Capital Grants and Contributions	18,520	260,515	149,197	196,159	167,717	456,674
General Revenues						
Property Taxes	828,099	866,959	-	-	828,099	866,959
State Shared Revenue	264,493	259,771	-	-	264,493	259,771
Investment Earnings	500	1,886	834	2,652	1,334	4,538
Intergovernmental	-	-	-	-	-	-
Miscellaneous	25,400	13,792	-	750	25,400	14,542
<b>Total Revenues</b>	<b>2,297,897</b>	<b>2,536,744</b>	<b>1,768,828</b>	<b>1,809,429</b>	<b>4,066,725</b>	<b>4,346,173</b>
<b>Expenses</b>						
General Government	793,259	751,715	-	-	793,259	751,715
Public Safety	635,356	574,693	-	-	635,356	574,693
Public Works	694,069	781,094	-	-	694,069	781,094
Community and Economic Development	41,347	21,429	-	-	41,347	21,429
Recreation and Culture	97,517	63,355	-	-	97,517	63,355
Interest on long-term debt	95,321	97,446	-	-	95,321	97,446
Water/Sewer	-	-	1,423,217	1,395,077	1,423,217	1,395,077
<b>Total Expenses</b>	<b>2,356,869</b>	<b>2,289,732</b>	<b>1,423,217</b>	<b>1,395,077</b>	<b>3,780,086</b>	<b>3,684,809</b>
<b>Increase (decrease) in Net Position</b>	<b>(58,972)</b>	<b>247,012</b>	<b>345,611</b>	<b>414,352</b>	<b>286,639</b>	<b>661,364</b>
<b>Restated Net Position Beginning</b>	<b>2,309,209</b>	<b>2,444,521</b>	<b>9,113,328</b>	<b>8,698,976</b>	<b>11,422,537</b>	<b>11,143,497</b>
<b>Net Position Ending</b>	<b>\$ 2,250,237</b>	<b>\$ 2,691,533</b>	<b>\$ 9,458,939</b>	<b>\$ 9,113,328</b>	<b>\$11,709,176</b>	<b>\$11,804,861</b>

**Governmental Activities:**

The result of fiscal year 2015 governmental activity was a decrease of \$58,972 in net position to \$2,250,237. Of the total governmental activities' net position, \$1,134,678 is invested in capital assets less related debt and \$471,593 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 \$643,966 is listed as unrestricted, having no legal commitment.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

**Revenues:**

The three largest revenue categories in governmental activities were property taxes at 36.0%; charges for services at 32.4%; and operating grants and contributions at 18.1%. 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. Capital grants for governmental activities decreased by approximately \$6,276 compared to the prior year due to significantly less construction activity which is funded by grants.

**Expenses:**

Total governmental expenses decreased by 8% due to lower road preservation costs. General government is the largest governmental activity, expending \$793,259 of the approximately \$2.4 million total expenses. Public works is the next largest activity, expending \$694,069.

**Business-type Activities:**

Net position in the business-type activities increased by \$345,611 during the fiscal year 2015. 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 \$9,458,939 of net position in the business-type activities, \$3,230,268 is reported as unrestricted, \$132,985 is restricted for debt service, and \$6,095,686 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 2015, its governmental funds reported *combined* fund balances of \$1,264,387. The net changes are summarized in the following chart:

	General Fund	Local Street Fund	Nonmajor Governmental Funds
Fund Balance June 30, 2015	\$ 971,538	\$ 80,800	\$ 212,049
Fund Balance June 30, 2014	992,445	129,672	370,758
Net Change	(20,907)	(48,872)	(158,709)

**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, 2015, the General Fund reported a fund balance of \$971,538. This amount is a decrease of \$20,097 from the fund balance of \$992,445 reported as of June 30, 2014, which is less of a decrease than the \$58,507 planned for in the final budget.

**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 totaled \$1,718,710; \$82,034 below the final amended budget. The most significant variation was in other revenue, which had a negative variation of \$47,819.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

The Village of Fowlerville's expenditures totaled \$1,739,617; \$119,634 below the final amended budget. The most significant variation was in the area of public safety, which had a positive variation of \$70,799, mainly due to lower capital outlay and transfer costs. Final budgeted expenditures increased by \$99,029 or 5.63% mainly due to amendment for public safety and the Village hall and grounds.

**Local Street Fund**

The Local Street Fund had a decrease in its fund balance of \$48,872. Total revenues exceeded the final budgeted revenues by \$20,815, while total expenditures were less than budgeted by \$68,571. The decrease in fund balance is due to more road projects being completed during fiscal year 2015.

**Water & Sewer Fund:**

The Water and Sewer Fund had an increase in its net position of \$345,611. Operating revenues showed a decrease of \$2,754, while total operating expenses increased by \$110,015 due to increases in operating expenses and depreciation expense compared to the prior year. In 2015 the Fund had total operating expenses of \$1,289,913 and total operating revenues of \$1,762,994 for an operating income of \$473,081.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - At the end of Fiscal Year 2015, the Village of Fowlerville had invested \$3,351,740 and \$8,900,688 (net of accumulated depreciation) for governmental and business-type capital assets (including construction in progress), respectively. Key additions to the governmental activities include additions to infrastructure related to the North and South Grand Avenue projects in the amount of \$666,950. Significant additions to the business-type capital assets include improvements to the sewer system and water system in the Water and Sewer Fund. Accumulated depreciation was \$2,931,911 for the governmental activities and \$5,954,015 for the business-type activities. Depreciation charges for the fiscal year totaled \$346,693 for the governmental activities and \$533,416 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
Land Improvement, net	194,685	-	194,685
Construction in progress	17,039	152,897	169,936
Buildings, net	250,600	2,888,938	3,139,538
Vehicles, net	120,474	-	120,474
Machinery and Equipment, net	111,569	12,073	123,642
Infrastructure, net	2,517,766	-	2,517,766
Water System, net	-	2,940,650	2,940,650
Sewer System, net	-	2,458,486	2,458,486
Capital assets, net	<u>\$ 3,351,740</u>	<u>\$ 8,900,686</u>	<u>\$ 12,252,426</u>

**Outstanding Debt as of June 30, 2015:**

As of June 30, 2015, the Village of Fowlerville had \$2,306,896 in bonds, capital leases and accumulated vacation and sick time outstanding for the governmental activities. Of this amount, \$2,160,000 is bonds, \$57,062 is a capital lease, and \$89,834 is compensated absences. This level of net obligation is \$13,654 higher than the obligation recorded as of June 30, 2014.

Village of Fowlerville

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

The business-type activities showed total outstanding balance of \$2,805,000 as of June 30, 2015. The debt is comprised of capital improvement bonds. This level of net obligation is \$190,000 lower than the obligation recorded as of June 30, 2015.

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
<b>Primary Government</b>				
<b>Governmental Activities</b>				
Bonds	\$ 2,210,000	\$ -	\$ (50,000)	\$ 2,160,000
Capital lease	-	71,327	(14,265)	57,062
Compensated absences	83,242	14,206	(7,614)	89,834
<b>Total Governmental Activities</b>	2,293,242	85,533	(71,879)	2,306,896
<b>Business Type Activities</b>				
Water and Sewer Bonds	2,995,000	-	(190,000)	2,805,000
<b>Total Primary Government</b>	<b><u>\$ 5,288,242</u></b>	<b><u>\$ 85,533</u></b>	<b><u>\$ (261,879)</u></b>	<b><u>\$ 5,111,896</u></b>

**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, 2015, was \$91,992,862; therefore, the Village of Fowlerville's debt limitation was \$9,199,286. The Village of Fowlerville remains well below its legal debt limit.

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS & EFFECTS**

While tax values and revenue sharing have stabilized and the overall economy has improved, the positive vote on proposal one will in fact reduce taxes (personal property) and the reimbursement for those losses is unsure at this point.

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. Additionally, the Village has put in a new well, with significant financial backing from LDFA, which will serve the Village for years to come.

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.

**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, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,609,047	\$ 2,686,183	\$ 4,295,230	\$ 648,175
Cash - restricted	-	148,977	148,977	-
Receivables	51,172	443,317	494,489	-
Due from other governmental units	120,353	-	120,353	26,159
Internal balances	17,328	(17,328)	-0-	-
Inventory	-	14,467	14,467	-
Prepays	13,910	-	13,910	-
<b>Total current assets</b>	<b>1,811,810</b>	<b>3,275,616</b>	<b>5,087,426</b>	<b>674,334</b>
Noncurrent assets				
Receivables	-	124,942	124,942	-
Capital assets not being depreciated	156,646	600,539	757,185	1,944,389
Capital assets, net of accumulated depreciation	3,195,094	8,300,147	11,495,241	3,384,802
<b>Total noncurrent assets</b>	<b>3,351,740</b>	<b>9,025,628</b>	<b>12,377,368</b>	<b>5,329,191</b>
<b>TOTAL ASSETS</b>	<b>5,163,550</b>	<b>12,301,244</b>	<b>17,464,794</b>	<b>6,003,525</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to pensions	44,314	-	44,314	-
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	69,148	18,851	87,999	31,749
Accrued liabilities	65,145	2,462	67,607	-
Due to other governmental units	26,159	-	26,159	-
Security deposits payable	-	-	-0-	550
Accrued interest payable	15,517	15,992	31,509	4,144
Unearned revenue	325	-	325	-
Current portion of compensated absences	8,217	-	8,217	-
Current portion of long-term debt	55,000	195,000	250,000	418,273
<b>Total current liabilities</b>	<b>239,511</b>	<b>232,305</b>	<b>471,816</b>	<b>454,716</b>
Noncurrent liabilities				
Noncurrent portion of compensated absences	81,617	-	81,617	-
Noncurrent portion of long-term debt	2,162,062	2,610,000	4,772,062	384,418
Net pension liability	474,437	-	474,437	-
<b>Total noncurrent liabilities</b>	<b>2,718,116</b>	<b>2,610,000</b>	<b>5,328,116</b>	<b>384,418</b>
<b>TOTAL LIABILITIES</b>	<b>2,957,627</b>	<b>2,842,305</b>	<b>5,799,932</b>	<b>839,134</b>
<b>NET POSITION</b>				
Net investment in capital assets	1,134,678	6,095,686	7,230,364	4,526,500
Restricted for streets and highways	257,292	-	257,292	-
Restricted for other purposes	214,301	132,985	347,286	86,997
Unrestricted	643,966	3,230,268	3,874,234	550,894
<b>TOTAL NET POSITION</b>	<b>\$ 2,250,237</b>	<b>\$ 9,458,939</b>	<b>\$ 11,709,176</b>	<b>\$ 5,164,391</b>

See accompanying notes to financial statements.



Village of Fowlerville  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities								
General government	\$ 793,259	\$ 420,074	\$ 150,407	\$ -	\$ (222,778)	\$ -	\$ (222,778)	\$ -
Public safety	635,356	22,257	54,411	-	(558,688)	-	(558,688)	-
Public works	694,069	302,486	211,250	18,520	(161,813)	-	(161,813)	-
Recreation and culture	97,517	-	-	-	(97,517)	-	(97,517)	-
Community and economic development	41,347	-	-	-	(41,347)	-	(41,347)	-
Interest on long-term debt	95,321	-	-	-	(95,321)	-	(95,321)	-
Total governmental activities	2,356,869	744,817	416,068	18,520	(1,177,464)	-0-	(1,177,464)	-0-
Business-type activities								
Water and sewer	1,423,217	1,618,797	-	149,197	-	344,777	344,777	-
Total primary government	<u>\$ 3,780,086</u>	<u>\$ 2,363,614</u>	<u>\$ 416,068</u>	<u>\$ 167,717</u>	(1,177,464)	344,777	(832,687)	-0-
Component units:								
Downtown Development Authority	\$ 304,030	\$ 28,096	\$ -	\$ -	-	-	-0-	(275,934)
Local Development Finance Authority	631,072	-	-	-	-	-	-0-	(631,072)
Total component units	<u>\$ 935,102</u>	<u>\$ 28,096</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	-0-	-0-	(907,006)
General revenues:								
Property taxes					828,099	-	828,099	1,010,915
State shared revenue					264,493	-	264,493	-
Investment earnings					500	834	1,334	2,351
Miscellaneous					25,400	-	25,400	250
Total general revenues					1,118,492	834	1,119,326	1,013,516
Change in net position					(58,972)	345,611	286,639	106,510
Restated net position, beginning of the year					2,309,209	9,113,328	11,422,537	5,057,881
Net position, end of the year					<u>\$ 2,250,237</u>	<u>\$ 9,458,939</u>	<u>\$ 11,709,176</u>	<u>\$ 5,164,391</u>

See accompanying notes to financial statements.

Village of Fowlerville

Governmental Funds

BALANCE SHEET

June 30, 2015

	General	Local Street	Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 945,403	\$ 81,625	\$ 201,630	\$ 1,228,658
Accounts receivable	46,221	1,019	3,611	50,851
Due from other governmental units	85,904	7,501	26,360	119,765
Due from other funds	41,192	-	5,565	46,757
Prepays	13,910	-	-	13,910
<b>TOTAL ASSETS</b>	<b>\$ 1,132,630</b>	<b>\$ 90,145</b>	<b>\$ 237,166</b>	<b>\$ 1,459,941</b>
<b>LIABILITIES</b>				
Account payable	\$ 42,885	\$ 2,790	\$ 3,831	\$ 49,506
Accrued liabilities	64,633	174	288	65,095
Due to other governmental units	26,159	-	-	26,159
Due to other funds	27,090	6,381	20,998	54,469
Unearned revenue	325	-	-	325
<b>TOTAL LIABILITIES</b>	<b>161,092</b>	<b>9,345</b>	<b>25,117</b>	<b>195,554</b>
<b>FUND BALANCES</b>				
Nonspendable	13,910	-	-	13,910
Restricted	210,278	80,800	181,130	472,208
Committed	48,123	-	30,919	79,042
Assigned	7,744	-	-	7,744
Unassigned	691,483	-	-	691,483
<b>TOTAL FUND BALANCES</b>	<b>971,538</b>	<b>80,800</b>	<b>212,049</b>	<b>1,264,387</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,132,630</b>	<b>\$ 90,145</b>	<b>\$ 237,166</b>	<b>\$ 1,459,941</b>

See accompanying notes to financial statements.

Village of Fowlerville

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

June 30, 2015

**Total fund balances - governmental funds** \$ 1,264,387

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	\$ 5,612,884	
Accumulated depreciation is	<u>(2,436,054)</u>	
Capital assets, net		3,176,830

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 is included in the governmental activities in the government-wide statement of net position. 504,494

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	44,314
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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	(2,160,000)	
Accrued interest payable	(15,517)	
Compensated absences	(89,834)	
Net pension liability	<u>(474,437)</u>	
		<u>(2,739,788)</u>

**Net position of governmental activities** \$ 2,250,237

Village of Fowlerville

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	General	Local Street	Nonmajor Governmental Funds	Total
<b>REVENUES</b>				
Taxes	\$ 659,893	\$ -	\$ 183,239	\$ 843,132
Licenses and permits	6,644	-	-	6,644
Intergovernmental	601,131	46,794	310,555	958,480
Charges for services	401,330	-	-	401,330
Fines and forfeitures	22,665	-	410	23,075
Interest and rents	1,454	26	78	1,558
Other	25,593	20,945	17,140	63,678
<b>TOTAL REVENUES</b>	<b>1,718,710</b>	<b>67,765</b>	<b>511,422</b>	<b>2,297,897</b>
<b>EXPENDITURES</b>				
Current				
General government	699,693	-	23,985	723,678
Public safety	590,176	-	653	590,829
Public works	286,786	436,637	171,329	894,752
Community and economic development	42,553	-	-	42,553
Recreation and culture	76,742	-	-	76,742
Capital outlay	43,667	-	8,489	52,156
Debt service	-	-	145,675	145,675
<b>TOTAL EXPENDITURES</b>	<b>1,739,617</b>	<b>436,637</b>	<b>350,131</b>	<b>2,526,385</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(20,907)</b>	<b>(368,872)</b>	<b>161,291</b>	<b>(228,488)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	320,000	-	320,000
Transfers out	-	-	(320,000)	(320,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>320,000</b>	<b>(320,000)</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(20,907)</b>	<b>(48,872)</b>	<b>(158,709)</b>	<b>(228,488)</b>
Fund balances, beginning of year	992,445	129,672	370,758	1,492,875
Fund balances, end of year	\$ 971,538	\$ 80,800	\$ 212,049	\$ 1,264,387

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, 2015

**Net change in fund balances - total governmental funds** \$ (228,488)

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	\$ 415,291	
Depreciation expense	<u>(307,621)</u>	
Excess of capital outlay over depreciation expense		107,670

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 principal retirement		50,000
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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. 65,883

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	354	
(Increase) in accrued compensated absences	(6,592)	
(Increase) in net pension liability	(80,898)	
Increase in deferred outflows of resources related to pensions	<u>33,099</u>	
		<u>(54,037)</u>

**Change in net position of governmental activities** \$ (58,972)

Village of Fowlerville  
Proprietary Funds  
STATEMENT OF NET POSITION  
June 30, 2015

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service (Motor Pool)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 2,686,183	\$ 380,389
Cash - restricted	148,977	-
Accounts receivable	434,984	321
Special assessments receivable	8,333	-
Due from other governmental units	-	588
Due from other funds	10,922	25,040
Inventory	14,467	-
Total current assets	3,303,866	406,338
Noncurrent assets		
Special assessments receivable	124,942	-
Capital assets not being depreciated	600,539	-
Capital assets, net of accumulated depreciation	8,300,147	174,910
Total noncurrent assets	9,025,628	174,910
TOTAL ASSETS	12,329,494	581,248
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	18,851	19,642
Accrued liabilities	2,462	50
Due to other funds	28,250	-
Accrued interest payable	15,992	-
Current portion of long-term debt	195,000	-
Total current liabilities	260,555	19,692
Noncurrent liabilities		
Noncurrent portion of long-term debt	2,610,000	57,062
TOTAL LIABILITIES	2,870,555	76,754
<b>NET POSITION</b>		
Net investment in capital assets	6,095,686	117,848
Restricted for debt service	132,985	-
Unrestricted	3,230,268	386,646
TOTAL NET POSITION	\$ 9,458,939	\$ 504,494

See accompanying notes to financial statements.

Village of Fowlerville

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2015

	<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	\$ 1,618,797	\$ 234,500
OPERATING EXPENSES		
Administrative	3,522	148,151
Wastewater operations	424,782	-
Water distribution	328,192	-
Depreciation	<u>533,417</u>	<u>39,072</u>
TOTAL OPERATING EXPENSES	<u>1,289,913</u>	<u>187,223</u>
OPERATING INCOME	328,884	47,277
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	834	106
Special assessments	144,197	-
Gain on sale of equipment	-	18,500
Interest expense and fiscal agent fees	<u>(133,304)</u>	<u>-</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>11,727</u>	<u>18,606</u>
NET INCOME BEFORE CAPITAL GRANTS	340,611	65,883
CAPITAL GRANTS	<u>5,000</u>	<u>-</u>
CHANGE IN NET POSITION	345,611	65,883
Net position, beginning of year	<u>9,113,328</u>	<u>438,611</u>
Net position, end of year	<u><u>\$ 9,458,939</u></u>	<u><u>\$ 504,494</u></u>

See accompanying notes to financial statements.

Village of Fowlerville  
Proprietary Funds  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2015

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service (Motor Pool)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 1,603,915	\$ 234,678
Cash paid to other funds	(21,054)	(2,122)
Cash paid to suppliers	(702,499)	(109,715)
Cash paid for employees and benefits	(74,547)	(22,577)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	805,815	100,264
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital asset acquisitions	(466,603)	-
Capital grants	5,000	-
Special assessments	10,922	-
Principal payments	(190,000)	(14,265)
Interest and fees paid	(134,316)	-
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(774,997)	(14,265)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	834	106
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	31,652	86,105
Cash and cash equivalents, beginning of year	2,803,508	294,284
Cash and cash equivalents, end of year	\$ 2,835,160	\$ 380,389
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cost of equipment financed by capital lease	\$ -0-	\$ 89,827

See accompanying notes to financial statements.



Village of Fowlerville

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2015

	<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	\$ 328,884	\$ 47,277
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	533,417	39,072
(Increase) decrease in:		
Accounts receivable	(26,639)	(47)
Due from other governmental units	11,757	225
Due from other funds	(10,922)	(2,122)
Inventory	5,653	-
Increase (decrease) in:		
Accounts payable	(26,933)	16,146
Accrued liabilities	730	(287)
Due to other funds	(10,132)	-
	<u>805,815</u>	<u>100,264</u>
<b>NET CASH PROVIDED BY BY OPERATING ACTIVITIES</b>	<b><u>\$ 805,815</u></b>	<b><u>\$ 100,264</u></b>

Village of Fowlerville

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2015

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$    20,418</u>
LIABILITIES	
Due to others	<u>\$    20,418</u>

Village of Fowlerville

Component Units

COMBINING STATEMENT OF NET POSITION

June 30, 2015

	Downtown Development Authority	Local Development Finance Authority	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 60,582	\$ 587,593	\$ 648,175
Due from other governmental units	-	26,159	26,159
Total current assets	60,582	613,752	674,334
Noncurrent assets			
Capital assets, not being depreciated	1,244,106	700,283	1,944,389
Capital assets, net of accumulated depreciation	1,977,657	1,407,145	3,384,802
Total noncurrent assets	3,221,763	2,107,428	5,329,191
<b>TOTAL ASSETS</b>	<b>3,282,345</b>	<b>2,721,180</b>	<b>6,003,525</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	3,796	27,953	31,749
Security deposit payable	550	-	550
Accrued interest payable	2,063	2,081	4,144
Current portion of long-term debt	165,000	253,273	418,273
Total current liabilities	171,409	283,307	454,716
Noncurrent liabilities			
Noncurrent portion of long-term debt	90,000	294,418	384,418
<b>TOTAL LIABILITIES</b>	<b>261,409</b>	<b>577,725</b>	<b>839,134</b>
<b>NET POSITION</b>			
Net investment in capital assets	2,966,763	1,559,737	4,526,500
Restricted for capital improvements	-	86,997	86,997
Unrestricted	54,173	496,721	550,894
<b>TOTAL NET POSITION</b>	<b>\$ 3,020,936</b>	<b>\$ 2,143,455</b>	<b>\$ 5,164,391</b>

Village of Fowlerville

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

	Downtown Development Authority	Local Development Finance Authority	Total
Program expenses			
Community and economic development	\$ 304,030	\$ 631,072	\$ 935,102
Program revenues			
Charges for services	28,096	-	28,096
NET PROGRAM (EXPENSES)	(275,934)	(631,072)	(907,006)
General revenues			
Property taxes	353,661	657,254	1,010,915
Investment earnings	2,044	307	2,351
Other	250	-	250
TOTAL GENERAL REVENUES	355,955	657,561	1,013,516
CHANGE IN NET POSITION	80,021	26,489	106,510
Net position, beginning of the year	2,940,915	2,116,966	5,057,881
Net position, end of the year	<u>\$ 3,020,936</u>	<u>\$ 2,143,455</u>	<u>\$ 5,164,391</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**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, 2015

**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 Local Street Fund is a Special Revenue Fund used to account for restricted financial resources (primarily Act 51 revenues) that are used for repairs and maintenance of the Village's local 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, 2015

**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, 2015

**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 year end.
- 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 and Cash Equivalents

Cash consists of various savings and money market checking accounts. Cash equivalents consist of temporary investments in money market funds. The cash equivalents are recorded at cost, which approximates fair value.

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.



Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

11. Property Tax - continued

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.

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, 2015, 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 2014 levy for property within the Village was \$91,992,862.

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, 2015, 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

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 fair market value on the date received.

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 differences between projected and actual pension plan investment earnings and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow 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.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

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.

**NOTE B: CASH AND CASH EQUIVALENTS**

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, 2015, the carrying amounts of the Village's deposits were \$5,112,700 and the bank balance was \$5,193,360, of which \$380,118 was covered by federal depository insurance. The balance of \$4,813,242 was uninsured but collateralized. 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.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED**

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.

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 and cash equivalents as of June 30, 2015:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Fund</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 4,295,230	\$ 648,175	\$ 20,418	\$ 4,963,823
Cash - restricted	<u>148,977</u>	<u>-</u>	<u>-</u>	<u>148,977</u>
	<u>\$ 4,444,207</u>	<u>\$ 648,175</u>	<u>\$ 20,418</u>	<u>\$ 5,112,800</u>

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The following schedule details interfund receivables and payables at June 30, 2015:

Due to General Fund from:	
Local Street Fund	\$ 4,955
Water and Sewer Fund	19,422
Nonmajor governmental funds	<u>16,815</u>
	<u>\$ 41,192</u>
Due to Water and Sewer Fund from:	
General Fund	<u>\$ 10,922</u>
Due to nonmajor governmental funds from:	
General Fund	<u>\$ 5,565</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED**

Due to internal service fund from:	
General Fund	\$ 10,603
Local Street Fund	1,426
Nonmajor governmental funds	4,183
Water and Sewer Fund	<u>8,828</u>
	<u>\$ 25,040</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.

**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 Local Street Fund from:	
Nonmajor governmental fund	<u>\$ 320,000</u>

**Component Units**

Downtown Development Authority

Transfers to Downtown Development Authority	
General Fund from:	
Property Rental Fund	<u>\$ 8,000</u>

Transfers to 2007 Debt Service Fund from:	
Downtown Development Authority	
General Fund	<u>\$ 82,000</u>

Local Finance Development Authority

Transfers to 2005 Debt Service Fund from:	
Local Development Finance Authority	
General Fund	<u>\$ 202,000</u>

Transfers from the Downtown Development Authority General Fund to the 2007 Debt Service Fund, from the Property Rental Fund to the Downtown Development Authority General Fund and from the Local Development Finance Authority General Fund to the 2005 Debt Service Fund were to finance current year debt service payments. Transfers from the nonmajor governmental fund to the Local Street Fund were to finance public works projects.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE E: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015, was as follows:

**Primary Government**

	Balance July 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2015
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 139,607	\$ -	\$ -	\$ 139,607
Construction in progress	34,023	379,391	(396,375)	17,039
Subtotal	173,630	379,391	(396,375)	156,646
Capital assets being depreciated				
Land improvements	421,703	-	-	421,703
Buildings	771,573	-	-	771,573
Vehicles	625,691	35,900	-	661,591
Machinery and equipment	613,061	89,827	(53,950)	648,938
Infrastructure	3,226,825	396,375	-	3,623,200
Subtotal	5,658,853	522,102	(53,950)	6,127,005
Less accumulated depreciation for:				
Land improvements	(208,264)	(18,754)	-	(227,018)
Buildings	(495,752)	(25,221)	-	(520,973)
Vehicles	(498,932)	(42,185)	-	(541,117)
Machinery and equipment	(572,657)	(18,662)	53,950	(537,369)
Infrastructure	(863,563)	(241,871)	-	(1,105,434)
Subtotal	(2,639,168)	(346,693)	53,950	(2,931,911)
Net capital assets being depreciated	3,019,685	175,409	-0-	3,195,094
Total net capital assets	\$ 3,193,315	\$ 554,800	\$ (396,375)	\$ 3,351,740

Depreciation expense was charged to the following governmental activities:

General government	\$ 94,064
Public safety	15,164
Public works	211,611
Recreation and culture	25,854
Total depreciation expense	\$ 346,693

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Primary Government - Continued**

	Balance July 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2015
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 447,642	\$ -	\$ -	\$ 447,642
Construction in progress	115,858	47,954	(10,915)	152,897
Subtotal	563,500	47,954	(10,915)	600,539
Capital assets being depreciated				
Buildings	3,667,583	-	-	3,667,583
Machinery and equipment	345,478	10,915	-	356,393
Vehicles	51,986	-	-	51,986
Sewer system	4,529,281	208,139	-	4,737,420
Water system	5,230,270	210,510	-	5,440,780
Subtotal	13,824,598	429,564	-0-	14,254,162
Less accumulated depreciation for:				
Buildings	(706,066)	(72,579)	-	(778,645)
Machinery and equipment	(341,216)	(3,104)	-	(344,320)
Vehicles	(51,986)	-	-	(51,986)
Sewer system	(2,068,209)	(210,725)	-	(2,278,934)
Water system	(2,253,121)	(247,009)	-	(2,500,130)
Subtotal	(5,420,598)	(533,417)	-0-	(5,954,015)
Net capital assets being depreciated	8,404,000	(103,853)	-0-	8,300,147
Total net capital assets	<u>\$ 8,967,500</u>	<u>\$ (55,899)</u>	<u>\$ (10,915)</u>	<u>\$ 8,900,686</u>

**Component Units**

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b>Downtown Development Authority</b>				
Capital assets not being depreciated				
Land	\$ 1,244,106	\$ -	\$ -	\$ 1,244,106
Capital assets being depreciated				
Land improvements	2,198,343	-	-	2,198,343
Buildings and improvements	128,000	-	-	128,000
Subtotal	<u>2,326,343</u>	<u>-0-</u>	<u>-0-</u>	<u>2,326,343</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Component Units - Continued**

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b>Downtown Development Authority - continued</b>				
Less accumulated depreciation for:				
Land improvements	\$ (273,093)	\$ (42,313)	\$ -	\$ (315,406)
Buildings and improvements	(28,160)	(5,120)	-	(33,280)
Subtotal	(301,253)	(47,433)	-0-	(348,686)
Net capital assets being depreciated	2,025,090	(47,433)	-0-	1,977,657
Total net capital assets	<u>\$ 3,269,196</u>	<u>\$ (47,433)</u>	<u>\$ -0-</u>	<u>\$ 3,221,763</u>
<b>Local Development Finance Authority</b>				
Capital assets not being depreciated				
Land	\$ -	\$ 685,000	\$ -	\$ 685,000
Construction in progress	-	15,283	-	15,283
Subtotal	-0-	700,283	-0-	700,283
Capital assets being depreciated				
Infrastructure	3,233,810	-	-	3,233,810
Less accumulated depreciation for:				
Infrastructure	(1,612,332)	(214,333)	-	(1,826,665)
Net capital assets being depreciated	1,621,478	(214,333)	-0-	1,407,145
Total net capital assets	<u>\$ 1,621,478</u>	<u>\$ 485,950</u>	<u>\$ -0-</u>	<u>\$ 2,107,428</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, 2015:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amount Due Within One Year
<b>Primary Government</b>					
Governmental Activities					
2008 General Obligation Bonds	\$ 2,210,000	\$ -	\$ (50,000)	\$ 2,160,000	\$ 55,000
Capital lease	-	71,327	(14,265)	57,062	-
Compensated absences	83,242	14,206	(7,614)	89,834	8,217
	2,293,242	85,533	(71,879)	2,306,896	63,217



Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE F: LONG-TERM DEBT - CONTINUED**

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amount Due Within One Year
<b>Primary Government - continued</b>					
Business-type Activities					
2005 Sewer Improvement Bonds	\$ 2,250,000	\$ -	\$ (145,000)	\$ 2,105,000	\$ 150,000
2007 General Obligation Capital Improvement Bonds	745,000	-	(45,000)	700,000	45,000
	<u>2,995,000</u>	<u>-0-</u>	<u>(190,000)</u>	<u>2,805,000</u>	<u>195,000</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>5,288,242</b>	<b>85,533</b>	<b>(261,879)</b>	<b>5,111,896</b>	<b>258,217</b>
<b>Component Units</b>					
Downtown Development Authority					
2007 General Obligation Bonds	\$ 150,000	\$ -	\$ (75,000)	\$ 75,000	\$ 75,000
2002 General Obligation Bonds	265,000	-	(85,000)	180,000	90,000
	<u>415,000</u>	<u>-0-</u>	<u>(160,000)</u>	<u>255,000</u>	<u>165,000</u>
Local Development Finance Authority					
Local Development Bonds - 2005	370,000	-	(185,000)	185,000	185,000
Land contract	-	385,000	(22,309)	362,691	68,273
	<u>370,000</u>	<u>385,000</u>	<u>(207,309)</u>	<u>547,691</u>	<u>253,273</u>
<b>TOTAL COMPONENT UNITS</b>	<b>785,000</b>	<b>385,000</b>	<b>(367,309)</b>	<b>802,691</b>	<b>418,273</b>
<b>TOTAL REPORTING ENTITY</b>	<b><u>\$ 6,073,242</u></b>	<b><u>\$ 470,533</u></b>	<b><u>\$ (629,188)</u></b>	<b><u>\$ 5,914,587</u></b>	<b><u>\$ 676,490</u></b>

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

**Primary Government**

General Obligation Bonds

\$2,400,000 2008 Downtown Development General Obligation Bonds, due in annual installments ranging from \$55,000 to \$225,000 through May 1, 2028, plus interest ranging from 4.250 to 4.375 percent. \$ 2,160,000

\$3,200,000 2005 Sewer Improvement Bonds, due in annual installments ranging from \$150,000 to \$235,000 through June 1, 2026, plus interest ranging from 4.05 to 5.00 percent. 2,105,000

\$995,000 2007 General Obligation Capital Improvement Bonds, due in annual installments ranging from \$45,000 to \$75,000 through April 1, 2027, plus interest at 4.70 percent. 700,000

\$ 4,965,000

Capital Lease

\$72,508 Capital lease for equipment (backhoe), due in annual installments ranging from \$13,421 to \$14,838 through July 1, 2019, plus interest of 1.99 percent. The capital lease liability is liquidated by the Motor Pool Fund. \$ 57,062

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE F: LONG-TERM DEBT - CONTINUED**

**Primary Government - 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 \$89,834 at June 30, 2015. Compensated absences are normally liquidated by the General Fund.

**Component Units**

General Obligation Bonds

\$500,000 2007 Downtown Development Authority Bonds, due in an annual installment of \$75,000 on May 1, 2016, with interest at 4.50 percent.	\$ 75,000
\$990,000 2002 Development Bonds, due in annual installments of \$90,000 through November 1, 2016, with interest ranging of 5.00 percent.	180,000
\$1,430,000 2005 Local Development Bonds, due in an annual installment of \$185,000 on April 1, 2016, with interest of 4.50 percent.	<u>185,000</u>
	<u>\$ 440,000</u>

Land Contract

\$385,000 LDFA Land contract, due in quarterly installments of \$26,159 through April 3, 2019, including interest of 4.00 percent.	<u>\$ 362,691</u>
--	-------------------

Annual Requirements for Bonded Debt, Capital Lease, and Land Contract

The annual requirements to pay the debt principal and interest outstanding for bonds, land contract and capital lease are as follows:

**Primary Government**

Year Ending June 30,	General Obligation Bonds			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 55,000	\$ 93,100	\$ 195,000	\$ 126,103
2017	55,000	90,763	205,000	117,913
2018	150,000	88,425	215,000	109,158
2019	155,000	82,050	225,000	99,795
2020	165,000	75,463	235,000	89,920
2021-2025	935,000	265,719	1,350,000	282,015
2026-2028	<u>645,000</u>	<u>57,313</u>	<u>380,000</u>	<u>22,090</u>
	<u>\$ 2,160,000</u>	<u>\$ 752,833</u>	<u>\$ 2,805,000</u>	<u>\$ 846,994</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE F: LONG-TERM DEBT - CONTINUED**

**Primary Government - Continued**

Year Ending June 30,	Capital Lease	
	Principal	Interest
2016	\$ -	\$ -
2017	13,421	1,707
2018	14,260	868
2019	14,543	585
2020	14,838	291
	<u>\$ 57,062</u>	<u>\$ 3,451</u>

**Component Units**

Year Ending June 30,	General Obligation Bonds		Land Contract	
	Principal	Interest	Principal	Interest
2016	\$ 350,000	\$ 18,450	\$ 68,273	\$ 10,203
2017	90,000	2,250	94,261	10,375
2018	-	-	98,087	6,547
2019	-	-	102,070	2,564
	<u>\$ 440,000</u>	<u>\$ 20,700</u>	<u>\$ 362,691</u>	<u>\$ 29,689</u>

**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](http://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 purposes, 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.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE G: DEFINED BENEFIT RETIREMENT PLAN - CONTINUED**

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.

At the December 31, 2014, 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	4
Active employees	<u>2</u>
	<u>19</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 range from 12.33% to 13.59% based on annual payroll for open divisions. Active covered employees contributed 5.00% of annual payroll for the year ended June 30, 2015.

Net Pension Liability

The Village's net pension liability reported at June 30, 2015, was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE G: DEFINED BENEFIT RETIREMENT PLAN - CONTINUED**

Net Pension Liability - continued

<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, 2013	\$ 3,434,397	\$ 3,040,858	\$ 393,539
Service cost	16,564	-	16,564
Interest on total pension liability	267,530	-	267,530
Employer contributions	-	20,140	(20,140)
Employee contributions	-	8,563	(8,563)
Net investment income	-	189,791	(189,791)
Benefit payments, including employee refunds	(197,109)	(197,109)	-
Administrative expense	-	(6,938)	6,938
Other changes	8,360	-	8,360
Net changes	<u>95,345</u>	<u>14,447</u>	<u>80,898</u>
Balances at December 31, 2014	<u>\$ 3,529,742</u>	<u>\$ 3,055,305</u>	<u>\$ 474,437</u>

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the Village recognized pension expense of \$80,993. The Village reported deferred outflows and inflows 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	\$ 37,171	\$ -
Contributions subsequent to the measurement date*	<u>7,143</u>	<u>-</u>
Total	<u>\$ 44,314</u>	<u>\$ -0-</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, 2016.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE G: DEFINED BENEFIT RETIREMENT PLAN - CONTINUED**

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued

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

<u>Year Ended June 30,</u>	<u>Pension Expense</u>
2016	\$ 9,293
2017	9,293
2018	9,293
2019	9,292

Actuarial Assumptions

The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary increases: 4.5% in the long-term (2% and 3% for calendar years 2015 and 2016, respectively).

Investment rate of return: 8.0%, net of investment expenses, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008.

Discount Rate

The discount rate used to measure the total pension liability is 8.25%. 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.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE G: DEFINED BENEFIT RETIREMENT PLAN - CONTINUED**

Projected Cash Flows - continued

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	57.50%	5.02%
Global Fixed Income	20.00%	2.18%
Real Assets	12.50%	4.23%
Diversifying Strategies	10.00%	6.56%

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

The following presents the net pension liability of the Village, calculated using the discount rates of 8.25%, as well as what the Village's net pension liability would be using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	\$ 859,848	\$ 474,437	\$ 149,581

**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, 2015, the Village contributed \$49,155 to the defined contribution plan for its employees. The Village employees contributed \$22,528 to the defined contribution plan for the year ended June 30, 2015.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**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 about \$8,878,731 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, 2015

**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.

	<u>General</u>	<u>Local Street</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>FUND BALANCES</b>				
Nonspendable				
Prepays	\$ 13,910	\$ -	\$ -	\$ 13,910
Restricted				
Mosquito control	28,027	-	-	28,027
Refuse collection	115,234	-	-	115,234
Composting	67,017	-	-	67,017
Streets and highways	-	80,800	176,492	257,292
Law enforcement	-	-	4,023	4,023
Debt service	-	-	615	615
Committed				
Law enforcement	48,123	-	-	48,123
Perpetual care	-	-	30,919	30,919
Assigned				
Subsequent year's expenditures	7,744	-	-	7,744
Unassigned	691,483	-	-	691,483
	<u>\$ 971,538</u>	<u>\$ 80,800</u>	<u>\$ 212,049</u>	<u>\$ 1,264,387</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, 2015:

Governmental activities	
Restricted for streets and highways	\$ 257,292
Restricted for other purposes	
Mosquito control	28,027
Refuse collection	115,234
Composting	67,017
Law enforcement	4,023
	<u>\$ 471,593</u>
Business-type activities	
Debt service	<u>\$ 132,985</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE L: RESTATEMENT OF BEGINNING NET POSITION**

Beginning net position has been restated for governmental activities due to a change in accounting principles.

	<u>Governmental Activities</u>
Beginning net position	\$ 2,691,533
Deferred outflows of contributions	11,215
Net pension liability	<u>(393,539)</u>
Restated beginning net position	<u><u>\$ 2,309,209</u></u>

**NOTE M: CHANGES IN ACCOUNTING PRINCIPLES**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented during the year. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, was implemented during the year as it is required to be applied simultaneously with the provisions of GASB Statement No. 68. The statement addresses an issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

**NOTE N: UPCOMING ACCOUNTING PRONOUNCEMENTS**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Village is currently evaluating the impact this standard will have on the financial statements when adopted for the 2015-2016 fiscal year.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the 2015-2016 fiscal year.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE N: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONTINUED**

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

Village of Fowlerville

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 667,400	\$ 670,684	\$ 659,893	\$ (10,791)
Licenses and permits	4,000	6,200	6,644	444
Intergovernmental				
Federal/State	317,400	321,076	319,914	(1,162)
Local	260,200	280,972	281,217	245
Total intergovernmental	577,600	602,048	601,131	(917)
Charges for services	446,830	425,396	401,330	(24,066)
Fines and forfeitures	13,000	21,504	22,665	1,161
Interest and rents	2,500	1,500	1,454	(46)
Other	56,400	73,412	25,593	(47,819)
TOTAL REVENUES	<u>\$ 1,767,730</u>	<u>\$ 1,800,744</u>	<u>\$ 1,718,710</u>	<u>\$ (82,034)</u>

Village of Fowlerville

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES

Year Ended June 30, 2015

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Current				
General government				
Legislative	\$ 26,147	\$ 27,680	\$ 26,349	\$ 1,331
Executive	49,736	44,474	41,890	2,584
Clerk	111,760	108,498	106,708	1,790
Treasurer	136,487	142,969	138,348	4,621
Cemetery operations	99,763	114,578	102,097	12,481
Village hall and grounds	118,305	129,322	128,781	541
Other				
Miscellaneous	52,900	30,140	27,603	2,537
Insurance	62,000	61,400	61,347	53
Contracted services	70,000	66,200	66,570	(370)
Total general government	727,098	725,261	699,693	25,568
Public safety				
Police department	637,674	660,975	590,176	70,799
Public works				
Department of public works	93,563	95,033	88,074	6,959
Refuse collection	102,430	110,280	107,336	2,944
Sanitary landfill	52,990	63,713	60,376	3,337
Mosquito control	32,000	31,000	31,000	-0-
Total public works	280,983	300,026	286,786	13,240
Community and economic development				
Planning commission	24,852	42,553	42,553	-0-
Recreation and culture				
Recreation	48,615	76,742	76,742	-0-
Capital outlay	41,000	53,694	43,667	10,027
TOTAL EXPENDITURES	<u>\$ 1,760,222</u>	<u>\$ 1,859,251</u>	<u>\$ 1,739,617</u>	<u>\$ 119,634</u>

Village of Fowlerville

Local Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 46,700	\$ 46,700	\$ 46,794	\$ 94
Interest	250	250	26	(224)
Other	-	-	20,945	20,945
TOTAL REVENUES	<u>46,950</u>	<u>46,950</u>	<u>67,765</u>	<u>20,815</u>
EXPENDITURES				
Public works				
Operations	304,708	500,708	431,959	68,749
Administration	4,500	4,500	4,678	(178)
TOTAL EXPENDITURES	<u>309,208</u>	<u>505,208</u>	<u>436,637</u>	<u>68,571</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(262,258)	(458,258)	(368,872)	89,386
OTHER FINANCING SOURCES				
Transfer in	<u>225,000</u>	<u>330,000</u>	<u>320,000</u>	<u>(10,000)</u>
NET CHANGE IN FUND BALANCE	(37,258)	(128,258)	(48,872)	79,386
Fund balance, beginning of year	<u>129,672</u>	<u>129,672</u>	<u>129,672</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 92,414</u>	<u>\$ 1,414</u>	<u>\$ 80,800</u>	<u>\$ 79,386</u>

Village of Fowlerville

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

Last Fiscal Year (Amounts determined as of 12/31 of each fiscal year)

(Ultimately ten fiscal years will be displayed)

	<u>2014</u>
Total Pension Liability	
Service cost	\$ 16,564
Interest	267,530
Benefit payments, including employee refunds	(197,109)
Other	<u>8,360</u>
Net Change in Total Pension Liability	95,345
Total Pension Liability, beginning	<u>3,434,397</u>
Total Pension Liability, ending	<u><u>\$ 3,529,742</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 20,140
Contributions - employee	8,563
Net investment income	189,791
Benefit payments, including employee refunds	(197,109)
Administrative expense	<u>(6,938)</u>
Net Change in Plan Fiduciary Net Position	14,447
Plan Fiduciary Net Position, beginning	<u>3,040,858</u>
Plan Fiduciary Net Position, ending	<u><u>\$ 3,055,305</u></u>
Village's Net Pension Liability	<u><u>\$ 474,437</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	87%
Covered employee payroll	\$ 108,685
Village's Net Pension Liability as a percentage of Covered Employee Payroll	436.5%



Village of Fowlerville

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

(Ultimately ten fiscal years will be displayed)

	<u>2015</u>
Actuarial determined contributions	\$ 16,459
Contributions in relation to the actuarially determined contribution	<u>16,459</u>
Contribution deficiency (excess)	<u>\$ -0-</u>
Covered employee payroll	\$ 129,712
Contributions as a percentage of covered employee payroll	12.69%

Village of Fowlerville

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2015

**NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

The approved budgets of the Village have been adopted at the activity level for the General Fund and Special Revenue funds.

During the year ended June 30, 2015, the Village incurred expenditures in the General Fund and the Local Street Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Current			
General government			
Contracted services	\$ 66,200	\$ 66,570	\$ 370
Local Street Fund			
Current			
Public works			
Administration	4,500	4,678	178

## **OTHER SUPPLEMENTARY INFORMATION**

Village of Fowlerville

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2015

	Special			
	Major Street	Municipal Street	Drug Law Enforcement	K9 Program
<b>ASSETS</b>				
Cash and cash equivalents	\$ 135,180	\$ 33,058	\$ 3,871	\$ 152
Accounts receivable	3,611	-	-	-
Due from other funds	-	-	-	-
Due from other governmental units	26,360	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 165,151</b>	<b>\$ 33,058</b>	<b>\$ 3,871</b>	<b>\$ 152</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 237	\$ 194	\$ -	\$ -
Accrued liabilities	288	-	-	-
Due to other funds	20,998	-	-	-
<b>TOTAL LIABILITIES</b>	<b>21,523</b>	<b>194</b>	<b>-0-</b>	<b>-0-</b>
<b>FUND BALANCES</b>				
Restricted	143,628	32,864	3,871	152
Committed	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>143,628</b>	<b>32,864</b>	<b>3,871</b>	<b>152</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 165,151</b>	<b>\$ 33,058</b>	<b>\$ 3,871</b>	<b>\$ 152</b>

<u>Revenue</u> Greenwood Cemetery	<u>Debt Service</u> 2008 G.O. Bond	<u>Total</u>
\$ 28,754	\$ 615	\$ 201,630
-	-	3,611
5,565	-	5,565
-	-	26,360
<u>\$ 34,319</u>	<u>\$ 615</u>	<u>\$ 237,166</u>
\$ 3,400	\$ -	\$ 3,831
-	-	288
-	-	20,998
3,400	-0-	25,117
-	615	181,130
<u>30,919</u>	<u>-</u>	<u>30,919</u>
<u>30,919</u>	<u>615</u>	<u>212,049</u>
<u>\$ 34,319</u>	<u>\$ 615</u>	<u>\$ 237,166</u>

Village of Fowlerville

Nonmajor Governmental Funds

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

Year Ended June 30, 2015

	Special			
	Major Street	Municipal Street	Drug Law Enforcement	K9 Program
REVENUES				
Taxes	\$ -	\$ 183,239	\$ -	\$ -
Intergovernmental	164,455	-	-	-
Fines and forfeitures	-	-	410	-
Interest and rents	28	34	1	-
Other	11,575	-	-	-
<b>TOTAL REVENUES</b>	<b>176,058</b>	<b>183,273</b>	<b>411</b>	<b>-0-</b>
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	250	403
Public works	109,675	61,654	-	-
Capital outlay	8,489	-	-	-
Debt service	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>118,164</b>	<b>61,654</b>	<b>250</b>	<b>403</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>57,894</b>	<b>121,619</b>	<b>161</b>	<b>(403)</b>
OTHER FINANCING (USES)				
Transfer out	-	(320,000)	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>57,894</b>	<b>(198,381)</b>	<b>161</b>	<b>(403)</b>
Fund balances, beginning of year	85,734	231,245	3,710	555
Fund balances, end of year	<u>\$ 143,628</u>	<u>\$ 32,864</u>	<u>\$ 3,871</u>	<u>\$ 152</u>

<u>Revenue</u>	<u>Debt Service</u>	
Greenwood Cemetery	2008 G.O. Bond	<u>Total</u>
\$ -	\$ -	\$ 183,239
-	146,100	310,555
-	-	410
14	1	78
<u>5,565</u>	<u>-</u>	<u>17,140</u>
5,579	146,101	511,422
23,985	-	23,985
-	-	653
-	-	171,329
-	-	8,489
<u>-</u>	<u>145,675</u>	<u>145,675</u>
<u>23,985</u>	<u>145,675</u>	<u>350,131</u>
(18,406)	426	161,291
<u>-</u>	<u>-</u>	<u>(320,000)</u>
(18,406)	426	(158,709)
<u>49,325</u>	<u>189</u>	<u>370,758</u>
<u>\$ 30,919</u>	<u>\$ 615</u>	<u>\$ 212,049</u>

Village of Fowlerville

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2015

	General	Farmer's Market	Property Rental	2007 Debt Service	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 43,984	\$ 6,671	\$ 8,761	\$ 1,166	\$ 60,582
Due from other funds	8,000	-	-	-	8,000
<b>TOTAL ASSETS</b>	<b>\$ 51,984</b>	<b>\$ 6,671</b>	<b>\$ 8,761</b>	<b>\$ 1,166</b>	<b>\$ 68,582</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 3,796	\$ -	\$ -	\$ -	\$ 3,796
Due to other funds	-	-	8,000	-	8,000
Security deposits	-	-	550	-	550
<b>TOTAL LIABILITIES</b>	<b>3,796</b>	<b>-0-</b>	<b>8,550</b>	<b>-0-</b>	<b>12,346</b>
<b>FUND BALANCES</b>					
Restricted					
Debt service	-	-	-	1,166	1,166
Assigned					
Property rental	-	-	211	-	211
Unassigned	48,188	6,671	-	-	54,859
<b>TOTAL FUND BALANCES</b>	<b>48,188</b>	<b>6,671</b>	<b>211</b>	<b>1,166</b>	<b>56,236</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 51,984</b>	<b>\$ 6,671</b>	<b>\$ 8,761</b>	<b>\$ 1,166</b>	<b>\$ 68,582</b>



Village of Fowlerville

Component Unit Funds

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

June 30, 2015

**Total fund balances - governmental funds** \$ 56,236

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	\$ 3,570,449	
Accumulated depreciation is	<u>(348,686)</u>	
Capital assets, net		3,221,763

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

Bonds payable	255,000	
Accrued interest payable	<u>2,063</u>	
		<u>(257,063)</u>

**Net position of governmental activities** \$ 3,020,936

Village of Fowlerville

Component Unit Funds

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

Year Ended June 30, 2015

	General	Farmer's Market	Property Rental	2007 Debt Service	Total
<b>REVENUES</b>					
Taxes	\$ 353,661	\$ -	\$ -	\$ -	\$ 353,661
Charges for services	9,986	-	-	-	9,986
Interest and rents	2,044	2,180	15,930	-	20,154
Other	-	250	-	-	250
<b>TOTAL REVENUES</b>	<b>365,691</b>	<b>2,430</b>	<b>15,930</b>	<b>-0-</b>	<b>384,051</b>
<b>EXPENDITURES</b>					
Current					
Community and economic development					
Contracted services	44,232	9,687	-	-	53,919
Supplies	3,864	-	-	-	3,864
Repairs and maintenance	10,999	-	-	-	10,999
Equipment rental	180	-	-	-	180
Utilities	-	-	11,214	-	11,214
Management fees	-	-	736	-	736
Payments to primary government	12,698	-	-	-	12,698
Debt service	242,483	-	-	81,750	324,233
<b>TOTAL EXPENDITURES</b>	<b>314,456</b>	<b>9,687</b>	<b>11,950</b>	<b>81,750</b>	<b>417,843</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>51,235</b>	<b>(7,257)</b>	<b>3,980</b>	<b>(81,750)</b>	<b>(33,792)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	8,000	-	-	82,000	90,000
Transfers out	(82,000)	-	(8,000)	-	(90,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(74,000)</b>	<b>-0-</b>	<b>(8,000)</b>	<b>82,000</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(22,765)</b>	<b>(7,257)</b>	<b>(4,020)</b>	<b>250</b>	<b>(33,792)</b>
Fund balances, beginning of year	70,953	13,928	4,231	916	90,028
Fund balances, end of year	\$ 48,188	\$ 6,671	\$ 211	\$ 1,166	\$ 56,236

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, 2015

**Net change in fund balances - total governmental funds** \$ (33,792)

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 (47,433)

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 year, these amounts consist of:

Bond principal retirement 160,000

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 1,246

**Change in net position of governmental activities** \$ 80,021

Village of Fowlerville

Component Unit Funds

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2015

	General	2005 Debt Service	Water Tower/ Gregory Road Capital Project	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 485,132	\$ 181	\$ 102,280	\$ 587,593
Due from other funds	15,283	-	-	15,283
Due from other governmental units	26,159	-	-	26,159
<b>TOTAL ASSETS</b>	<b>\$ 526,574</b>	<b>\$ 181</b>	<b>\$ 102,280</b>	<b>\$ 629,035</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 27,953	\$ -	\$ -	\$ 27,953
Due to other funds	-	-	15,283	15,283
<b>TOTAL LIABILITIES</b>	<b>27,953</b>	<b>-0-</b>	<b>15,283</b>	<b>43,236</b>
<b>FUND BALANCES</b>				
Restricted				
Capital improvements	-	-	86,997	86,997
Assigned				
Debt service	-	181	-	181
Unassigned	498,621	-	-	498,621
<b>TOTAL FUND BALANCES</b>	<b>498,621</b>	<b>181</b>	<b>86,997</b>	<b>585,799</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 526,574</b>	<b>\$ 181</b>	<b>\$ 102,280</b>	<b>\$ 629,035</b>

Village of Fowlerville

Component Unit Funds

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

June 30, 2015

**Total fund balances - governmental funds** \$ 585,799

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	\$ 3,934,093	
Accumulated depreciation is	<u>(1,826,665)</u>	
Capital assets, net		2,107,428

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds and notes payable	547,691	
Accrued interest payable	<u>2,081</u>	
		<u>(549,772)</u>

**Net position of governmental activities** \$ 2,143,455

Village of Fowlerville

Component Unit Funds

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

Year Ended June 30, 2015

	General	2005 Debt Service	Water Tower/ Gregory Road Capital Project	Total
<b>REVENUES</b>				
Taxes	\$ 657,254	\$ -	\$ -	\$ 657,254
Interest	276	-	31	307
<b>TOTAL REVENUES</b>	<b>657,530</b>	<b>-0-</b>	<b>31</b>	<b>657,561</b>
<b>EXPENDITURES</b>				
Current				
Community and economic development				
Contracted services	27,680	-	-	27,680
Payments to primary government	330,845	-	-	330,845
Other	25,610	-	-	25,610
Debt service	26,159	201,950	-	228,109
Capital outlay	698,886	-	15,283	714,169
<b>TOTAL EXPENDITURES</b>	<b>1,109,180</b>	<b>201,950</b>	<b>15,283</b>	<b>1,326,413</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(451,650)</b>	<b>(201,950)</b>	<b>(15,252)</b>	<b>(668,852)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	202,000	-	202,000
Transfers out	(202,000)	-	-	(202,000)
Land contract	385,000	-	-	385,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>183,000</b>	<b>202,000</b>	<b>-0-</b>	<b>385,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(268,650)</b>	<b>50</b>	<b>(15,252)</b>	<b>(283,852)</b>
Fund balances, beginning of year	767,271	131	102,249	869,651
Fund balances, end of year	<u>\$ 498,621</u>	<u>\$ 181</u>	<u>\$ 86,997</u>	<u>\$ 585,799</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 -  
LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2015

**Net change in fund balances - total governmental funds** \$ (283,852)

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	\$ 700,283	
Depreciation expense	<u>(214,333)</u>	
Excess of capital outlay over depreciation expense		485,950

Items resulting from the repayment of long-term debt and borrowing of long-term debt is reported as expenditures, other financing uses, and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings and other liabilities increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Borrowing of long-term debt		(385,000)
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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 year, these amounts consist of:

Bond and note principal retirement		207,309
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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		<u>2,082</u>
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**Change in net position of governmental activities** \$ 26,489

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS

To the Village Council  
Village of Fowlerville, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Fowlerville, Michigan (the Village) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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

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

Compliance and Other Matters

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

This communication is intended solely for the information and use of management, Village Council, and others within the Village of Fowlerville, and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

November 5, 2015