

Village of Howard City

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
Year Ended February 28, 2018

Village of Howard City

Table of Contents

February 28, 2018

Independent Auditor's Report	1
Management's Discussion and Analysis	4
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Governmental Funds	
Balance Sheet	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Funds	
Statement of Net Position	16
Statement of Revenues, Expenses and Changes in Net Position	17
Statement of Cash Flows	18
Notes to Financial Statements	20
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedules	
General Fund	46
Major Street Fund	48
Downtown Development Authority Fund	49
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios	50
Schedule of Employer's Contributions to the MERS Defined Benefit Pension Plan	51
OTHER SUPPLEMENTAL INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	55

2496 84th Street SW
Byron Center, MI 49315
Phone (616) 583-0094
Fax (866) 569-0725
Email: doug@wohlbergcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Howard City

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Howard City, Michigan, as of and for the year ended February 28, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Howard City, Michigan, as of February 28, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–8 and 46-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2018, on our consideration of the Village of Howard City, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Howard City, Michigan's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Douglas Wohlberg". The signature is written in a cursive, flowing style with a large, prominent loop at the end of the last name.

Douglas Wohlberg, CPA
Byron Center, Michigan
July 27, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Village of Howard City

Management's Discussion and Analysis

For the year ended February 28, 2018

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village as a Whole

The Village's combined net position increased 3.24% from a year ago, increasing from \$6,053,328 to \$6,249,282. Unrestricted net position, the part of net position that can be used to finance day to day operations, increased by \$383,646. This represents an increase of approximately 130%. The current level of unrestricted net position stands at \$678,436, or about 40% of expenses. This is within the targeted range set by the Village Council during its last budget process.

Net position as of year ended February 28, 2018 are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets:						
Current and other assets	\$ 1,165,907	\$ 1,733,252	\$ 875,802	\$ 759,110	\$ 2,041,709	\$ 2,492,362
Capital assets	4,267,230	3,603,805	3,565,735	3,628,412	7,832,965	7,232,217
Total assets	5,433,137	5,337,057	4,441,537	4,387,522	9,874,674	9,724,579
Deferred outflows of resources:						
Deferred outflows - net pension liability	94,455	30,704	-	-	94,455	30,704
Liabilities:						
Long-term liabilities	2,666,260	2,607,508	977,000	1,031,000	3,643,260	3,638,508
Current liabilities	47,570	29,017	29,017	30,156	76,587	59,173
Total liabilities	2,713,830	2,636,525	1,006,017	1,061,156	3,719,847	3,697,681
Net position:						
Net investment in capital assets	2,275,057	1,803,743	2,588,735	2,668,092	4,863,792	4,471,835
Restricted	638,276	1,217,994	68,778	68,709	707,054	1,286,703
Unrestricted	(99,571)	(294,775)	778,007	589,565	678,436	294,790
Total net position	\$ 2,813,762	\$ 2,726,962	\$ 3,435,520	\$ 3,326,366	\$ 6,249,282	\$ 6,053,328

Village of Howard City

Management's Discussion and Analysis

For the year ended February 28, 2018

The following table shows the changes of the net position as of the current year to the prior year:

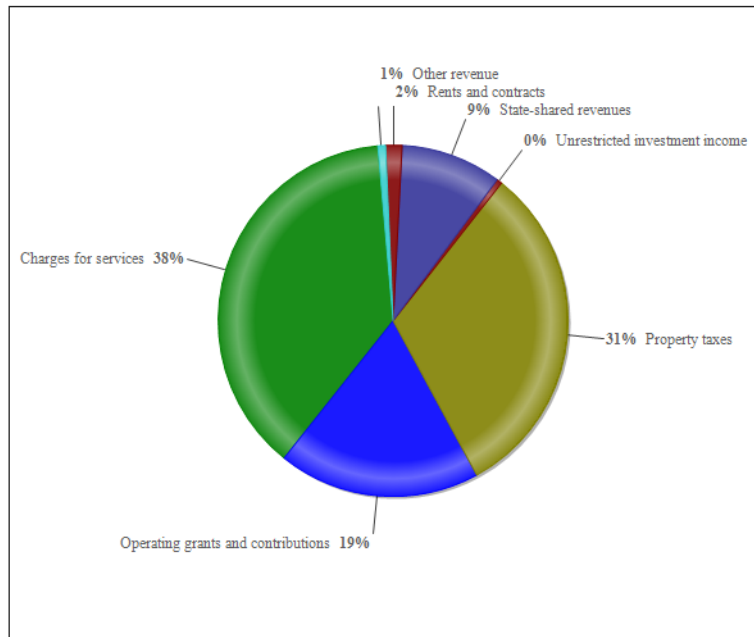
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program revenues						
Charges for services	\$ 97,018	\$ 115,525	\$ 555,276	\$ 519,239	\$ 652,294	\$ 634,764
Operating grants and contributions	320,462	313,394	-	-	320,462	313,394
Capital grants and contributions	50,000	-	-	-	50,000	-
General revenues						
Property taxes	538,388	535,099	-	-	538,388	535,099
State-shared revenues	160,364	149,455	-	-	160,364	149,455
Franchise fees	15,728	-	-	-	15,728	-
Grants and contributions not restricted	22,906	-	80,000	-	102,906	-
Unrestricted investment income	5,623	4,226	2,243	166	7,866	4,392
Rents and contracts	27,152	36,228	-	-	27,152	36,228
Gain on sale of capital assets	13,330	-	-	-	13,330	-
Other revenue	11,665	104,793	779	355	12,444	105,148
Transfers	28,624	34,154	(28,624)	(34,154)	-	-
Total revenues	1,291,260	1,292,874	609,674	485,606	1,900,934	1,778,480
Program expenses						
General government	150,719	140,962	-	-	150,719	140,962
Public safety	327,557	298,074	-	-	327,557	298,074
Public works	530,304	433,465	-	-	530,304	433,465
Community and economic development	64,089	104,523	-	-	64,089	104,523
Recreation and culture	51,193	36,687	-	-	51,193	36,687
Interest on long-term debt	80,598	52,297	-	-	80,598	52,297
Sewer	-	-	325,617	324,247	325,617	324,247
Water	-	-	174,903	176,411	174,903	176,411
Total expenses	1,204,460	1,066,008	500,520	500,658	1,704,980	1,566,666
 Change in net position	 86,800	 226,866	 109,154	 (15,052)	 195,954	 211,814
 Net position--beginning	 2,726,962	 2,500,096	 3,326,366	 3,341,418	 6,053,328	 5,841,514
Net position--ending	\$ 2,813,762	\$ 2,726,962	\$ 3,435,520	\$ 3,326,366	\$ 6,249,282	\$ 6,053,328

Village of Howard City

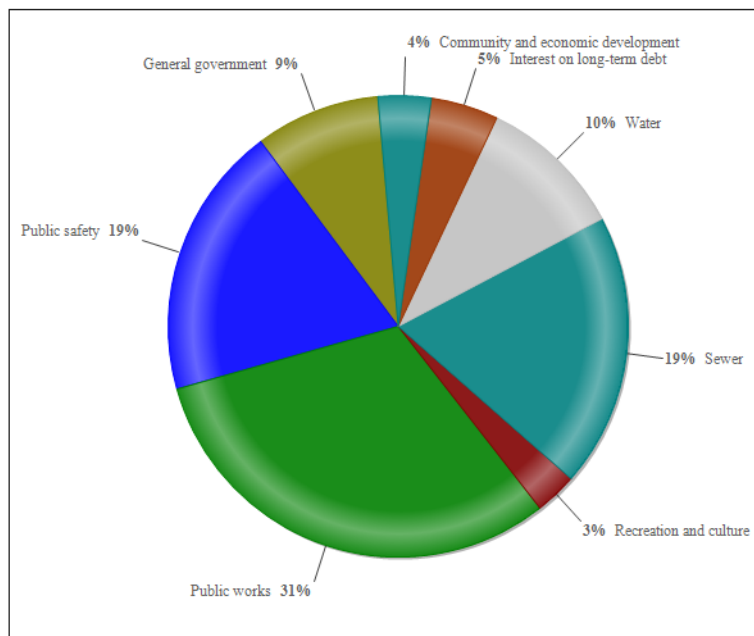
Management's Discussion and Analysis

For the year ended February 28, 2018

The following chart illustrates the sources of the Village's revenue.



The following chart illustrates the Village's expenses.



Village of Howard City

Management's Discussion and Analysis

For the year ended February 28, 2018

The Village's Funds

Our presentation of the Village's major funds begins on page 12, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for 2018 are the General Fund, Major Street Fund, Downtown Development Authority Fund, 2016 Construction Fund, Sewer Fund and Water Fund.

The General Fund Budgetary Highlights

Over the course of the year, the Village's budget was amended to take into account events during the fiscal year. The most significant changes to the budgeted revenues were an increase to federal grants for the purchase of a fire truck and to the local community stabilization share. The most significant change to the budgeted expenditures was an increase to the fire department for the purchase of the fire truck.

Capital Asset and Debt Administration

At the end of the fiscal year, the Village had \$7,832,965, net of accumulated depreciation, invested in a broad range of capital assets, including land, buildings, police and fire equipment and water and sewer lines.

The following table shows the Village's capital assets compared to last year.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ -	\$ -	\$ 34,300	\$ 34,300	\$ 34,300	\$ 34,300
Buildings and improvements	152,101	158,329	-	-	152,101	158,329
Equipment	463,757	119,240	-	-	463,757	119,240
Infrastructure	3,308,181	2,873,815	3,531,435	3,594,112	6,839,616	6,467,927
Intangibles	282,357	315,707	-	-	282,357	315,707
Internal service equipment fund	60,834	33,346	-	-	60,834	33,346
Total capital assets, net of depreciation	\$ 4,267,230	\$ 3,500,437	\$ 3,565,735	\$ 3,628,412	\$ 7,832,965	\$ 7,128,849

The following table shows the Village's long-term debt compared to last year.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Bonds	\$ 2,082,377	\$ 2,210,000	\$ 977,000	\$ 1,031,000	\$ 3,059,377	\$ 3,241,000
Installment purchase agreements	362,000	113,000	-	-	362,000	113,000
Government obligation contract	53,962	84,794	-	-	53,962	84,794
Compensated absences	-	5,874	-	-	-	5,874
Total long-term debt	\$ 2,498,339	\$ 2,413,668	\$ 977,000	\$ 1,031,000	\$ 3,475,339	\$ 3,444,668

Village of Howard City

Management's Discussion and Analysis

For the year ended February 28, 2018

Economic Factors and Next Year's Budgets and Rates

The Village's industrial park continues to attract investment in the Village. Two companies recently opened locations in the park. The park has approximately ten acres of land available for development in the future.

The Village of Howard City Downtown Development Authority owns four properties in the DDA District. The DDA has received an offer to buy two of the buildings.

Downtown property owners are taking advantage of the DDA Facade Program through the Village of Howard City Downtown Development Authority. The grants are used to improve the facades of buildings in the DDA District. The DDA budgets \$20,000 per year for the program. Grants are available for up to 50% of the costs of improvements with a maximum grant of \$5,000 per property. To date, this program has helped finance about \$350,000 in facade improvements.

The Village of Howard City Downtown Development Authority is planning improvements along Shaw Street to the US 131 freeway. The plan for this project includes a bike path that will connect White Pine Trail to Artman Park. Shaw Street will be widened and have a left turn lane.

The Village was approved for a Stormwater and Asset Management (SAW) Grant in the amount of approximately \$470,000. Using this funding, the Village has hired engineers to prepare an asset management inventory, televise, clean, and provide other services relating to the wastewater and stormwater systems. The work on this project continued through the year.

It is the opinion of the Village's management, and even State Governor Rick Snyder, that the State legislature has failed to provide adequate funding for street maintenance. The result is that the Village's streets are now in very poor condition. The streets continue to worsen, despite a Village property tax millage to provide additional property tax revenue to be spent only on streets.

The Michigan Department of Transportation now requires additional audit procedures as of the fiscal year ending February 28, 2017. These auditing procedures will test the Village's compliance with the provisions of PA 51, but MDOT will not provide additional funding to pay for these additional procedures.

On March 1, 2014, the Village began outsourcing the Police Department through the Montcalm County Sheriff's Department. This change has saved the Village approximately \$70,000 to date. Residents of the Village have experienced improved service and better police coverage. The Montcalm Sheriff's Department continues to use most of the personnel previously employed by the Howard City Police Department.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village's Manager at the Howard City Village Hall, 125 Shaw Street, Howard City, Michigan, 49329. The Village's phone number is (231) 937-4311.

BASIC FINANCIAL STATEMENTS

Village of Howard City

Statement of Net Position

February 28, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,022,435	\$ 692,801	\$ 1,715,236
Assets restricted by bond indentures	-	68,778	68,778
Receivables, net	660	108,400	109,060
Intergovernmental receivable	52,280	-	52,280
Internal balances	(5,823)	5,823	-
Prepaid items	17,987	-	17,987
Property held for investment	78,368	-	78,368
Capital assets, net of accumulated depreciation	4,267,230	3,565,735	7,832,965
Total assets	5,433,137	4,441,537	9,874,674
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - net pension liability	94,455	-	94,455
Total assets and deferred outflows of resources	\$ 5,527,592	\$ 4,441,537	\$ 9,969,129
LIABILITIES			
Accounts payable	\$ 47,570	\$ 180	\$ 47,750
Accrued and other liabilities	-	28,837	28,837
Noncurrent liabilities:			
Net pension liability	167,921	-	167,921
Due within one year	198,314	55,000	253,314
Due in more than one year	2,300,025	922,000	3,222,025
Total liabilities	2,713,830	1,006,017	3,719,847
NET POSITION			
Net investment in capital assets	2,275,057	2,588,735	4,863,792
Restricted for:			
Streets	322,725	-	322,725
Downtown streetscape	279,199	-	279,199
Public works	36,250	-	36,250
Debt service	102	68,778	68,880
Unrestricted	(99,571)	778,007	678,436
Total net position	2,813,762	3,435,520	6,249,282
Total liabilities and net position	\$ 5,527,592	\$ 4,441,537	\$ 9,969,129

The Notes to Financial Statements are an integral part of this statement.

Village of Howard City

Statement of Activities

For the year ended February 28, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 150,719	\$ 5,000	\$ -	\$ -	\$ (145,719)	\$ -	\$ (145,719)
Public safety	327,557	91,578	-	50,000	(185,979)	-	(185,979)
Public works	530,304	-	318,412	-	(211,892)	-	(211,892)
Community and economic development	64,089	-	-	-	(64,089)	-	(64,089)
Recreation and culture	51,193	440	2,050	-	(48,703)	-	(48,703)
Interest on long-term debt	80,598	-	-	-	(80,598)	-	(80,598)
Total governmental activities	1,204,460	97,018	320,462	50,000	(736,980)	-	(736,980)
Business-type activities:							
Sewer	325,617	314,134	-	-	-	(11,483)	(11,483)
Water	174,903	241,142	-	-	-	66,239	66,239
Total business-type activities	500,520	555,276	-	-	-	54,756	54,756
Total primary government	\$ 1,704,980	\$ 652,294	\$ 320,462	\$ 50,000	(736,980)	54,756	(682,224)
General revenues:							
Property taxes				538,388	-	538,388	
State-shared revenues				160,364	-	160,364	
Franchise fees				15,728	-	15,728	
Grants and contributions not restricted				22,906	80,000	102,906	
Unrestricted investment income				5,623	2,243	7,866	
Rent and contracts				27,152	-	27,152	
Gain (Loss) on sale of capital assets				13,330	-	13,330	
Other revenue				11,665	779	12,444	
Transfers				28,624	(28,624)	-	
Total general revenues and transfers				823,780	54,398	878,178	
Change in net position				86,800	109,154	195,954	
Net position-beginning				2,726,962	3,326,366	6,053,328	
Net position-ending				\$ 2,813,762	\$ 3,435,520	\$ 6,249,282	

The Notes to Financial Statements are an integral part of this statement.

Village of Howard City

Governmental Funds

Balance Sheet

February 28, 2018

	General	Major Street	Downtown Development Authority	2016 Construction	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 378,256	\$ 60,873	\$ 200,831	\$ 36,250	\$ 220,151	\$ 896,361
Receivables, net	660	-	-	-	-	660
Intergovernmental receivable	4,654	34,979	-	-	12,647	52,280
Property held for investment	-	-	78,368	-	-	78,368
Prepaid items	17,987	-	-	-	-	17,987
Total assets	\$ 401,557	\$ 95,852	\$ 279,199	\$ 36,250	\$ 232,798	\$ 1,045,656
LIABILITIES						
Accounts payable	\$ 47,570	\$ -	\$ -	\$ -	\$ -	\$ 47,570
Due to other funds	-	-	-	-	5,823	5,823
Total liabilities	47,570	-	-	-	5,823	53,393
FUND BALANCES						
Nonspendable:						
Prepaid items	17,987	-	-	-	-	17,987
Restricted:						
Streets	-	95,852	-	-	226,873	322,725
Downtown streetscape	-	-	279,199	-	-	279,199
Public works	-	-	-	36,250	-	36,250
Debt service	-	-	-	-	102	102
Unassigned	336,000	-	-	-	-	336,000
Total fund balances	353,987	95,852	279,199	36,250	226,975	992,263
Total liabilities and fund balances	\$ 401,557	\$ 95,852	\$ 279,199	\$ 36,250	\$ 232,798	\$ 1,045,656

The Notes to Financial Statements are an integral part of this statement.

Village of Howard City

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position February 28, 2018

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

Total fund balances - governmental funds	\$	992,263
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,206,396
Internal service funds are used by management to charge the cost of equipment management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		186,908
Net deferred outflows resulting from net pension liability transactions		94,455
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Balances at February 28, 2018 were:		
Net pension liability		(167,921)
Bonds payable		(2,082,377)
Installment purchase contracts payable		(362,000)
Loans		(53,962)
Net position of governmental activities	\$	2,813,762

Village of Howard City

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended February 28, 2018

	General	Major Street	Downtown Development Authority	2016 Construction	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 271,155	\$ -	\$ 176,136	\$ -	\$ 91,097	\$ 538,388
Licenses and permits	17,594	-	-	-	-	17,594
Federal grants	50,000	-	-	-	-	50,000
State grants	183,270	174,222	-	-	144,190	501,682
Charges for services	94,652	-	-	-	-	94,652
Fines and forfeits	500	-	-	-	-	500
Interest and rents	23,949	39	8,247	534	6	32,775
Other revenue	11,265	-	2,450	-	-	13,715
Total revenues	652,385	174,261	186,833	534	235,293	1,249,306
EXPENDITURES						
Current:						
General government	225,059	-	-	-	-	225,059
Public safety	674,749	-	-	-	-	674,749
Public works	79,401	69,727	-	-	173,938	323,066
Community and economic development	-	-	64,089	-	-	64,089
Recreation and culture	47,237	-	-	-	-	47,237
Other governmental functions	729	-	-	-	-	729
Capital outlay	-	-	-	676,211	-	676,211
Debt service:						
Principal	21,000	-	70,641	-	87,815	179,456
Interest	4,425	-	47,385	-	28,787	80,597
Total expenditures	1,052,600	69,727	182,115	676,211	290,540	2,271,193
Excess (deficiency) of revenues over expenditures	(400,215)	104,534	4,718	(675,677)	(55,247)	(1,021,887)
OTHER FINANCING SOURCES (USES)						
Transfers in	6,350	-	-	-	132,102	138,452
Transfers out	-	(43,846)	(49,632)	-	(10,000)	(103,478)
Issuance of long-term debt	270,000	-	-	-	-	270,000
Sale of capital assets	-	-	13,330	-	-	13,330
Total other financing sources (uses)	276,350	(43,846)	(36,302)	-	122,102	318,304
Net change in fund balances	(123,865)	60,688	(31,584)	(675,677)	66,855	(703,583)
Fund balances-beginning	477,852	35,164	310,783	711,927	160,120	1,695,846
Fund balances-ending	\$ 353,987	\$ 95,852	\$ 279,199	\$ 36,250	\$ 226,975	\$ 992,263

The Notes to Financial Statements are an integral part of this statement.

Village of Howard City

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended February 28, 2018

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

Net change in fund balances - total governmental funds	\$	(703,583)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		1,014,268
Depreciation expense		(274,963)
Issuance of long-term debt is an other financing source in the governmental funds, but not in the statement of activities (where it increases long-term debt).		
Installment Purchase Agreements		(270,000)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		179,455
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Accrued absences		1,311
An internal service fund is used by management to charge the cost of certain equipment to individual funds. The net revenue of certain activities of internal service fund is reported with governmental activities.		
		50,873
Net pension transactions are recognized in the government-wide financial statements, but not in the fund financial statements.		
		89,671
Nonexchange revenues are recognized at full accrual in the government-wide statements but only when the revenue is available on the fund financial statements.		
		(232)
Change in net position of governmental activities	\$	86,800

Village of Howard City

Proprietary Funds

Statement of Net Position

February 28, 2018

	Business-type Activities			Governmental Activities
	Sewer	Water	Total Enterprise Funds	Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 510,647	\$ 182,154	\$ 692,801	\$ 126,074
Restricted cash	50,933	17,845	68,778	-
Receivables, net	61,045	47,355	108,400	-
Due from other funds	5,823	-	5,823	-
Total current assets	628,448	247,354	875,802	126,074
Noncurrent assets:				
Capital assets:				
Land	17,879	16,421	34,300	-
Wastewater system	5,458,701	-	5,458,701	-
Water distribution system	-	954,615	954,615	-
Equipment	16,551	8,821	25,372	410,190
Less accumulated depreciation	(2,456,273)	(450,980)	(2,907,253)	(349,356)
Total noncurrent assets	3,036,858	528,877	3,565,735	60,834
Total assets	\$ 3,665,306	\$ 776,231	\$ 4,441,537	\$ 186,908
LIABILITIES				
Current liabilities:				
Accounts payable	\$ -	\$ 180	\$ 180	\$ -
Customers deposits payable	-	15,477	15,477	-
Accrued interest payable	13,360	-	13,360	-
Bonds payable - current portion	55,000	-	55,000	-
Total current liabilities	68,360	15,657	84,017	-
Noncurrent liabilities:				
Bonds payable	922,000	-	922,000	-
Total liabilities	990,360	15,657	1,006,017	-
NET POSITION				
Net investment in capital assets	2,059,858	528,877	2,588,735	60,834
Restricted for debt service	50,933	17,845	68,778	-
Unrestricted	564,155	213,852	778,007	126,074
Total net position	2,674,946	760,574	3,435,520	186,908
Total liabilities and net position	\$ 3,665,306	\$ 776,231	\$ 4,441,537	\$ 186,908

The Notes to Financial Statements are an integral part of this statement.

Village of Howard City

Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Position

For the year ended February 28, 2018

	Business-type Activities			Governmental Activities
	Sewer	Water	Total Enterprise Funds	Internal Service Fund
Operating revenues:				
Sales	\$ 314,134	\$ 241,142	\$ 555,276	\$ 143,968
Operating expenses:				
Personnel services	69,409	54,445	123,854	29,291
Contractual services	3,870	9,816	13,686	-
Utilities	34,878	19,880	54,758	12,776
Repairs and maintenance	53,376	61,078	114,454	34,082
Other expenses	10,600	8,290	18,890	-
Depreciation	121,283	21,394	142,677	16,946
Total operating expenses	293,416	174,903	468,319	93,095
Operating income (loss)	20,718	66,239	86,957	50,873
Nonoperating revenues (expenses):				
Investment earnings	2,243	-	2,243	-
Reimbursements	171	-	171	-
Miscellaneous revenue	-	608	608	-
Interest expense	(32,201)	-	(32,201)	-
Gain (Loss) on sale of depreciable assets	-	-	-	6,350
Total nonoperating revenues (expenses)	(29,787)	608	(29,179)	6,350
Income (loss) before contributions and transfers	(9,069)	66,847	57,778	57,223
Capital contributions	-	80,000	80,000	-
Transfers out	(20,916)	(7,708)	(28,624)	(6,350)
Change in net position	(29,985)	139,139	109,154	50,873
Net position-beginning	2,704,931	621,435	3,326,366	136,035
Net position-ending	\$ 2,674,946	\$ 760,574	\$ 3,435,520	\$ 186,908

The Notes to Financial Statements are an integral part of this statement.

Village of Howard City

Proprietary Funds

Statement of Cash Flows

For the year ended February 28, 2018

	Business-type Activities			Governmental Activities
	Sewer	Water	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 311,163	\$ 233,471	\$ 544,634	\$ -
Receipts from interfund services provided	-	-	-	143,968
Payments to suppliers	(102,576)	(100,171)	(202,747)	(46,933)
Payments to employees	(69,409)	(54,445)	(123,854)	(33,854)
Due from other funds	(5,823)	-	(5,823)	-
Net cash provided by (used for) operating activities	133,355	78,855	212,210	63,181
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(20,916)	(7,708)	(28,624)	(6,350)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	-	80,000	80,000	-
Purchase of capital assets	-	(80,000)	(80,000)	(44,434)
Principal and interest paid on capital debt	(86,880)	-	(86,880)	-
Proceeds from the sale of assets	-	-	-	6,350
Net cash provided by (used for) capital and related financing activities	(86,880)	-	(86,880)	(38,084)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	2,243	-	2,243	-
Net increase (decrease) in cash and cash equivalents	27,802	71,147	98,949	18,747
Cash and cash equivalents-beginning	533,778	128,852	662,630	107,327
Cash and cash equivalents-ending	\$ 561,580	\$ 199,999	\$ 761,579	\$ 126,074
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 20,718	\$ 66,239	\$ 86,957	\$ 50,873
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	121,283	21,394	142,677	16,946
(Increase) decrease in accounts receivable	(2,971)	(8,949)	(11,920)	-
(Increase) decrease in due from other funds	(5,823)	-	(5,823)	-
Increase (decrease) in accounts and other payables	(23)	(1,107)	(1,130)	(4,638)
Increase (decrease) in other receipts	171	608	779	-
Increase (decrease) in customer deposits	-	670	670	-
Net cash provided by (used for) operating activities	\$ 133,355	\$ 78,855	\$ 212,210	\$ 63,181

The Notes to Financial Statements are an integral part of this statement.

NOTES THE FINANCIAL STATEMENTS

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Howard City (the "Village") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village.

A. Reporting Entity

The Village of Howard City was incorporated under the provisions of Public Act (PA) 3 of 1895, as amended, as a General Law Village. The Village operates under a President-Council form of government and provides the following services as authorized by its charter: public safety, public works, culture and recreation, public improvement, and general administration services. In addition, the Village owns and operates a water and sewer system.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity," these financial statements represent the Village (the primary government). The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

There are no other units that should be included in the financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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 demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for Act 51 money received from the State of Michigan for the maintenance and construction of streets in the Village.

The Downtown Development Authority Fund accounts for captured property tax and other revenue used to improve the economic vitality in the DDA district.

The 2016 Construction Fund accounts for the bond proceeds and other revenues, and expenditures, to reconstruct certain streets and other infrastructure in the village.

The Village reports the following major enterprise funds:

The Water Fund and the Sewer Fund account for the activities of the water distribution system and sewage collection system.

Additionally, the Village reports the following fund type:

The Special Revenue Funds account for property tax and other sources restricted to maintaining the Village's streets.

The Debt Service Funds are used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The Capital Projects Funds account for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds.

The Internal Service Fund accounts for major machinery and equipment purchases and maintenance provided to other departments of the government on a cost reimbursement basis.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 needed.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on September 15th, at which time penalties and interest are assessed.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

Prepaid Items

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

Restricted Assets

The revenue bonds of the enterprise funds require amounts to be set aside for a bond reserve. Accordingly, these amounts are classified as restricted assets on the statement of net position.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Property, plant, equipment, and infrastructure are depreciated using the straight-line method over the following useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	40 to 60 years
Building improvements	15 to 40 years
Water and sewer system	5 to 50 years
Infrastructure	15 to 40 years
Vehicles	3 to 15 years
Machinery and equipment	3 to 15 years
Office equipment	5 to 7 years
Computer equipment and software	3 to 7 years

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government did not have any items qualifying for this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government did not have any items qualifying for this category.

Compensated Absences (Vacation and Sick Leave)

It is the government's policy to not permit employees to accumulate earned but unused sick and vacation pay benefits.

Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

Other Financing Sources (Uses)

Transfers of cash between the various Village funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

Net Position and Fund Balances

The difference between fund assets and liabilities is "Net Position" on the government-wide and proprietary fund statements and "Fund Balances" on governmental fund statements. Net Position are classified as "Net investment in capital assets," legally "Restricted" for a specific purpose, or "Unrestricted" and available for appropriation for the general purposes of the fund. In governmental fund financial statements, fund balances are classified as follows:

- Nonspendable--Amounts that cannot be spent either because they are (a) not in a spendable form; or (b) legally or contractually required to be maintained intact.
- Restricted--Amounts with constraints placed on the use of resources because they are either (a) externally imposed by creditors (such as through debt covenants), grants, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed--Amounts that can be used only for specific purposes determined by a formal action by Village Council ordinance or resolution, and that remain binding unless removed in the same manner.
- Assigned--Amounts neither restricted nor committed for which a government has a stated intended use as established by the Village Council or a body or official to which the Village Council has delegated the authority to assign amounts for specific purposes.
- Unassigned--Amounts that cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

Use of Restricted Resource

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Village's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Village's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

Comparative Data/Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

E. Revenues and Expenditures/Expenses

Program Revenues

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

Property Taxes

The Village of Howard City's 2017 ad valorem tax was levied and collectible on July 1, 2017. It is the Village's policy to recognize revenues from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing operations. Taxes are considered delinquent on September 15 of the current year, at which time penalties and interest are assessed.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 revenue of the proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

NOTE 2-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end.

The Village normally follows these procedures in establishing the budgetary data reflected in the financial statements:

The Village Administration submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1.

The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted at the Village hall to obtain taxpayer comments.

The budget is legally adopted by ordinance before March 1.

All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the Village Council throughout the operating year.

The Village adopts budgets for the General Fund and the Special Revenue Funds.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the Village Council.

The legal level of control is at the activity level of the General Fund, and at the fund expenditure level for the Special Revenue funds.

The Village Manager or Clerk is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Village Council.

The budget document presents information by fund, function, activity.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Village of Howard City to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Deposits are carried at cost. The investment policy adopted by the council in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The Village's deposits and investment policy are in accordance with statutory authority.

Custodial Credit Risk--Deposits

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Village's deposits may not be recovered. The Village does not have a deposit policy for custodial credit risk. The bank balance of the Village's deposits is \$1,798,291, of which \$572,640 is covered by Federal depository insurance. The remaining \$1,225,651 is uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Fair Value Hierarchy

The Village has no investments that fall under the Fair Value Measurement Standards.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

NOTE 4 - RECEIVABLES

The Sewer Fund and Water Fund accounts receivable is based on the sewer and water services provided by the Village. The receivables do not have an allowance for doubtful accounts because any receivables not collected are placed on the customer's property tax bill. The receivable for the Sewer Fund is \$61,045 and for the Water Fund is \$47,355.

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the year ended February 28, 2018, was as follows:

Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, being depreciated:				
Buildings	\$ 235,162	\$ -	\$ -	\$ 235,162
Equipment	595,394	418,057	-	1,013,451
Infrastructure	3,970,132	596,211	-	4,566,343
Intangibles	374,255	-	-	374,255
Internal service equipment	385,750	44,434	19,994	410,190
Total capital assets, being depreciated	5,560,693	1,058,702	19,994	6,599,401
Less accumulated depreciation for:				
Buildings	76,833	6,228	-	83,061
Equipment	476,154	73,540	-	549,694
Infrastructure	1,096,317	161,845	-	1,258,162
Intangibles	58,548	33,350	-	91,898
Internal service equipment	352,404	16,946	19,994	349,356
Total accumulated depreciation	2,060,256	291,909	19,994	2,332,171
Governmental activities capital assets, net	\$ 3,500,437	\$ 766,793	\$ -	\$ 4,267,230

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

Governmental Activities:	
General government	\$ 14,370
Public safety	70,865
Public works	185,772
Recreation and culture	3,956
Internal service fund	16,946
Total depreciation expense - governmental activities	\$ 291,909

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

Business-type Activities:	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 34,300	\$ -	\$ -	\$ 34,300
Capital assets, being depreciated:				
Systems	6,333,316	80,000	-	6,413,316
Machinery and equipment	18,501	-	-	18,501
Software	6,870	-	-	6,870
Total capital assets, being depreciated	6,358,687	80,000	-	6,438,687
Less accumulated depreciation for:				
Systems	2,739,204	142,677	-	2,881,881
Machinery and equipment	18,501	-	-	18,501
Software	6,870	-	-	6,870
Total accumulated depreciation	2,764,575	142,677	-	2,907,252
Total capital assets being depreciated, net	3,594,112	(62,677)	-	3,531,435
Business-type activities capital assets, net	\$ 3,628,412	\$ (62,677)	\$ -	\$ 3,565,735

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

Business-type Activities:	
Sewer	\$ 121,283
Water	21,394
Total depreciation expense - business-type activities	\$ 142,677

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of February 28, 2018, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Sewer	SAW Grant	\$ 5,823

The interfund receivable/payable results from the Village's requirement to match 10% of the expenditures of the SAW Grant project.

NOTE 7 - INTERFUND TRANSFERS

The composition of interfund transfers as of February 28, 2018, is as follows:

Interfund transfers:

Transfer Out Fund	Transfer In Fund					Total
	General	Local Street	Street Bond	2016 Debt	SAW Grant	
Major Street	\$ -	\$ -	\$ 43,846	\$ -	\$ -	\$ 43,846
Locally Raised Street	-	10,000	-	-	-	10,000
Downtown Development Authority	-	-	-	49,632	-	49,632
Sewer	-	-	15,416	-	5,500	20,916
Water	-	-	7,708	-	-	7,708
Equipment	6,350	-	-	-	-	6,350
Total	\$ 6,350	\$ 10,000	\$ 66,970	\$ 49,632	\$ 5,500	\$ 138,452

During the year, transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

NOTE 8 - LONG-TERM DEBT

Long-term liability activity, for the year ended February 28, 2018, can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds:					
2005 Michigan transportation fund bonds	\$ 275,000	\$ -	\$ 25,000	\$ 250,000	\$ 25,000
Limited tax general obligation bonds, series 2011	685,000	-	35,000	650,000	35,000
Limited tax general obligation bonds, series 2016	1,250,000	-	67,623	1,182,377	72,482
Installment purchase agreements:					
2017 Act 99 installment purchase agreement - fire truck	-	270,000	-	270,000	14,000
2006 Act 99 installment purchase agreement	86,000	-	16,000	70,000	16,000
2012 Act 99 note agreement	27,000	-	5,000	22,000	5,000
Loans:					
Industrial park loan - Renaissance Zone	84,794	-	30,832	53,962	30,832
Compensated absences	1,311	-	1,311	-	-
Subtotal	2,409,105	270,000	180,766	2,498,339	198,314
Internal service fund:					
Compensated absences	4,563	-	4,563	-	-
Total governmental activities	2,413,668	270,000	185,329	2,498,339	198,314
Business-type Activities:					
Revenue bonds:					
Sewer system revenue bonds, series 1994	396,000	-	14,000	382,000	15,000
Act 94 sewage disposal system revenue bonds	635,000	-	40,000	595,000	40,000
Total business-type activities	1,031,000	-	54,000	977,000	55,000
Total long-term debt	\$ 3,444,668	\$ 270,000	\$ 239,329	\$ 3,475,339	\$ 253,314

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

The annual debt service requirements to pay the principal and interest on the Village's long-term debt obligations excluding compensated absences are as follows:

Year Ended February 28,	Principal	Interest	Total
2019	\$ 253,314	\$ 111,799	\$ 365,113
2020	260,290	104,355	364,645
2021	240,875	96,335	337,210
2022	251,630	88,083	339,713
2023	233,426	80,047	313,473
2024	242,262	72,345	314,607
2025	250,143	64,321	314,464
2026	254,066	55,962	310,028
2027	232,034	47,422	279,456
2028	236,047	39,904	275,951
2029	246,107	32,237	278,344
2030	253,215	24,203	277,418
2031	263,371	15,835	279,206
2032	146,559	7,699	154,258
2033	38,000	4,048	42,048
2034	46,000	1,958	47,958
2035	28,000	630	28,630
Totals	\$ 3,475,339	\$ 847,183	\$ 4,322,522

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

Information regarding the long-term debt issues of the Village follows:

Description	Balance
Governmental Activities:	
General obligation bonds:	
2005 Michigan Transportation Fund Bonds; payable in annual installments of \$15,000 to \$35,000 through 2026 with interest payable semi-annually at 4.00%.	\$ 250,000
Limited Tax General Obligation Bonds, Series 2011; payable in annual installments of \$25,000 to \$70,000 through 2031 with interest payable semi-annually at 4.875%.	650,000
Limited Tax General Obligation Bonds, Series 2016; payable in bi-annual installments of \$31,982 to \$49,067 through 2031 with interest payable semi-annually at 2.30%.	1,182,377
Installment purchase agreements:	
2017 Act 99 Installment purchase agreement; payable in annual installments of \$8,000 to \$21,000 through 2034 with interest payable semi-annually at 3.125%.	270,000
2006 Act 99 Installment purchase agreement; payable in annual installments of \$10,000 to \$19,000 through 2022 with interest payable semi-annually at 4.375%.	70,000
2012 Act 99 note agreement; payable in annual installments of \$3,000 to \$6,000 through 2022 with interest payable semi-annually at 3.75%.	22,000
Loans:	
Industrial Park - Renaissance Zone; payable in quarterly installments of \$7,708 through 2019 with interest payable semi-annually at 0.00%.	53,962
Total governmental activities	2,498,339
Business-type Activities:	
Revenue bonds:	
Sewer system revenue bonds, series 1994; payable in annual installments of \$5,000 to \$28,000 through 2034 with interest payable semi-annually at 4.50%.	382,000
Act 94 sewage disposal system revenue bonds; payable in annual installments of \$35,000 to \$50,000 through 2031 with interest payable semi-annually at 2.50%.	595,000
Total business-type activities	977,000
Total long-term debt	\$ 3,475,339

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

NOTE 9 - RESTRICTED ASSETS

The revenue bonds of the enterprise funds require amounts to be set aside for a bond reserve. The balance of the restricted asset accounts in the enterprise funds is as follows:

	Sewer Fund	Water Fund	Total
Revenue bond restrictions	\$ 50,933	\$ 17,845	\$ 68,778

NOTE 10 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village obtains commercial insurance coverage through the Michigan Municipal League for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 11 - OTHER POST-RETIREMENT BENEFITS

The Village has no post-retirement benefit plans at this time other than its pension plan.

NOTE 12 - PROPERTY TAX ABATEMENTS

Act 198, the Plant Rehabilitation and Industrial Development Districts Act, was adopted in the State of Michigan as a means of providing a stimulus in the form of significant tax incentives to industry for the purpose of creating new jobs and maintaining existing jobs. It allows an obsolete property, when replaced or restored, to have its assessed value frozen at the level prior to the improvement for a maximum of twelve years; and new plants to receive a fifty percent exemption from property tax on the taxable value of new real and personal properties, also for a maximum period of twelve years.

Public Act 381 of 1996, the Brownfield Redevelopment Financing Act, was adopted in the State of Michigan as a means to authorize municipalities to create a brownfield redevelopment authority to facilitate the implementation of brownfield plans; to create brownfield redevelopment zones; to promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax reverted, blighted, or functionally obsolete property; to prescribe the powers and duties of brownfield redevelopment authorities; to permit the issuance of bonds and other evidences of indebtedness by an authority; to authorize the acquisition and disposal of certain property; to authorize certain funds; to prescribe certain powers and duties of certain state officers and agencies; and to authorize and permit the use of certain tax increment financing.

There are no significant abatements made by the Village.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

NOTE 13 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

Plan Description--The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

Benefits Provided

Table 2

General: Closed to new hires

	2017 Valuation	2016 Valuation
Benefit Multiplier:	1.70% Multiplier (no max)	1.70% Multiplier (no max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	-	-
Early Retirement (Reduced):	50/25 55/15	50/25 55/15
Final Average Compensation:	5 years	5 years
COLA for Future Retirees:	2.50% (Non-Compound)	2.50% (Non-Compound)
Employee Contributions:	0%	0%
DC Plan for New Hires:	1/1/2006	1/1/2006
Act 88:	Yes: (Adopted 3/12/2001)	Yes: (Adopted 3/12/2001)

Police and Fire: Closed to new hires

	2017 Valuation	2016 Valuation
Benefit Multiplier:	1.70% Multiplier (no max)	1.70% Multiplier (no max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	-	-
Early Retirement (Reduced):	50/25 55/15	50/25 55/15
Final Average Compensation:	5 years	5 years
COLA for Future Retirees:	2.50% (Non-Compound)	2.50% (Non-Compound)
Employee Contributions:	0%	0%
Act 88:	Yes: (Adopted 3/12/2001)	Yes: (Adopted 3/12/2001)

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	5
Active employees	1
	11

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

Contributions--The employer 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 employer may establish contribution rates to be paid by its covered employees.

The plan is closed to new employees and has an annual employer contribution amount of \$29,384.

Net Pension Liability--The employer's Net Pension Liability was measured as of December 31, 2017, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

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

Inflation: 3.75%

Pay Increases: 3.75% in the long-term; merit and longevity increases: 0.00% to 11.00%.

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

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 2.5%

The mortality table used to project the mortality experience of non-disabled plan members is a 50% Male and 50% Female blend of the following tables:

The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%

The RP-2014 Employee Mortality Tables

The RP-2014 Juvenile Mortality Tables

The mortality table used to project the mortality experience of disabled plan members is a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study completed in 2015. That actuarial experience study covered the period from December 31, 2008, through December 31, 2013. Generally, the Retirement Board conducts an experience study every 5 years.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

Discount rate--The discount rate used to measure the total pension liability is 8.0%. 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. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Calculating the Net Pension Liability			
Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/16	\$ 832,042	\$ 638,202	\$ 193,840
Changes for the year			
Service cost	-	-	-
Interest on total pension liability	65,734	-	65,734
Changes in benefits	-	-	-
Difference between expected and actual experience	2,033	-	2,033
Changes in assumptions	-	-	-
Employer contributions	-	29,384	(29,384)
Employee contributions	-	-	-
Net investment income	-	83,798	(83,798)
Benefit payments, including employee refunds	(55,467)	(55,467)	-
Administrative expense	-	(1,328)	1,328
Other changes	18,168	-	18,168
Net changes	30,468	56,387	(25,919)
Balances as of 12/31/2017	\$ 862,510	\$ 694,589	\$ 167,921

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

Sensitivity of the Net Pension Liability to changes in the discount rate--The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7%) or 1% higher (9%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Change in pension liability (a)	\$ 92,192	\$ -	\$ (77,603)
Fiduciary net position (b)	694,589	694,589	694,589
Net pension liability (a) - (b)	\$ (602,397)	\$ (694,589)	\$ (772,192)

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

For the fiscal year ended February 28, 2018, the employer recognized pension expense of \$63,510. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 32,468
Differences in assumptions	80,196	-
Excess (Deficit) investment returns	41,865	-
Contributions subsequent to the measurement date*	4,862	-
Total	\$ 126,923	\$ 32,468

*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 fiscal year ending February 28, 2018.

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

Fiscal Year	Deferred Outflows (Inflows)
2018	\$ 37,646
2019	19,111
2020	7,213
2021	3,445
2022	3,444
Thereafter	18,736

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

Defined Contribution Pension Plans

The Village of Howard City maintains two defined contribution retirement plans offered by MERS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

401(a) Plan--The Village sponsors a defined contribution plan created in accordance with Internal Revenue Code Section 401(a). The plan is administered by MERS. The plan is available to all full-time employees at time of hire. Plan provisions and contribution requirements are established and may be amended by the Village Council. The contribution by the Village is 10% of the employee's gross earnings. In accordance with these requirements, the Village contributed and expensed \$13,262 during the current year. No contribution is required by the employee.

457(b) Plan--The Village offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan is administered by MERS. The plan is available to all employees at time of hire. Employees are not required to join this plan. Plan provisions are established and may be amended by the Village Council. The Village does not contribute to this plan. All contributions are made by the employee. Contributions for the year totaled \$7,702.

NOTE 14 - IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

In March 2016, GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2018

In March 2017, GASB issued Statement 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill • Classifying real estate held by insurance entities • Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

In June, 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

In April, 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

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REQUIRED SUPPLEMENTAL INFORMATION

Village of Howard City

General Fund

Budgetary Comparison Schedule

For the year ended February 28, 2018

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes:				
Property	\$ 275,000	\$ 255,837	\$ 255,838	\$ 1
Payment in lieu of	4,000	3,472	10,954	7,482
Penalties and interest	100	100	37	(63)
Property tax administration fee	4,400	4,326	4,326	-
Total taxes	283,500	263,735	271,155	7,420
Licenses and permits:				
Business licenses	2,000	1,866	1,866	-
Franchise fees	15,500	15,728	15,728	-
Total licenses and permits	17,500	17,594	17,594	-
Federal grants:				
Federal grants	-	320,000	50,000	(270,000)
State grants:				
Local community stabilization share	-	22,906	22,906	-
State revenue sharing	140,000	160,364	160,364	-
Total state grants	140,000	183,270	183,270	-
Charges for services:				
Services rendered	97,950	98,766	94,212	(4,554)
Use and admission fees	-	400	440	40
Total charges for services	97,950	99,166	94,652	(4,514)
Fines and forfeits:				
Fines and forfeitures	1,000	500	500	-
Interest and rents:				
Interest	2,500	4,500	4,477	(23)
Rent	20,000	20,000	19,472	(528)
Total interest and rents	22,500	24,500	23,949	(551)
Other revenue:				
Contributions	1,500	2,050	2,050	-
Reimbursements	2,400	4,166	4,166	-
Other miscellaneous	5,000	5,000	5,049	49
Total other revenue	8,900	11,216	11,265	49
Total revenues	571,350	919,981	652,385	(267,596)

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

General Fund

Budgetary Comparison Schedule

For the year ended February 28, 2018

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
EXPENDITURES				
Current:				
General government:				
Village council	\$ 15,750	\$ 7,100	\$ 6,200	\$ 900
Manager	209,150	199,432	195,760	3,672
Buildings and grounds	27,500	23,494	23,099	395
Total general government	252,400	230,026	225,059	4,967
Public safety:				
Police department	190,800	190,865	190,865	-
Fire department	81,100	484,577	483,884	693
Total public safety	271,900	675,442	674,749	693
Public works				
	85,600	81,056	79,401	1,655
Parks and recreation				
	35,400	48,018	47,237	781
Other expense				
	1,500	729	729	-
Debt service:				
Principal	27,000	21,000	21,000	-
Interest	5,000	4,425	4,425	-
Total debt service	32,000	25,425	25,425	-
Total expenditures				
	678,800	1,060,696	1,052,600	8,096
Excess (deficiency) of revenues over expenditures				
	(107,450)	(140,715)	(400,215)	(259,500)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	21,350	-	(21,350)
Issuance of long-term debt	-	-	270,000	270,000
Transfers in	-	12	6,350	6,338
Total other financing sources (uses)	-	21,362	276,350	254,988
Net change in fund balance				
	(107,450)	(119,353)	(123,865)	(4,512)
Fund balance-beginning				
	477,852	477,852	477,852	-
Fund balance-ending				
	\$ 370,402	\$ 358,499	\$ 353,987	\$ (4,512)

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

Major Street Fund

Budgetary Comparison Schedule

For the year ended February 28, 2018

	Budgeted Amounts				Variance with Final Budget
	Original	Final	Actual		
REVENUES					
State grants:					
Other state grants	\$ 134,000	\$ 166,195	\$ 174,222	\$	8,027
Interest and rents:					
Interest	35	35	39		4
Total revenues	134,035	166,230	174,261		8,031
EXPENDITURES					
Current:					
Public works:					
Traffic services	400	-	-		-
Preservation - streets	82,500	47,478	45,559		1,919
Winter maintenance	39,100	39,100	23,868		15,232
Administration, engineering & record keeping	300	300	300		-
Total expenditures	122,300	86,878	69,727		17,151
Excess (deficiency) of revenues over expenditures	11,735	79,352	104,534		25,182
OTHER FINANCING SOURCES (USES)					
Transfers in	20,000	-	-		-
Transfers out	(47,800)	(47,800)	(43,846)		3,954
Total other financing sources (uses)	(27,800)	(47,800)	(43,846)		3,954
Net change in fund balance	(16,065)	31,552	60,688		29,136
Fund balance-beginning	35,164	35,164	35,164		-
Fund balance-ending	\$ 19,099	\$ 66,716	\$ 95,852	\$	29,136

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

Downtown Development Authority Fund

Budgetary Comparison Schedule

For the year ended February 28, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 187,000	\$ 176,136	\$ 176,136	\$ -
Interest and rents:				
Interest	-	2,496	567	(1,929)
Rent	11,400	7,680	7,680	-
Total interest and rents	11,400	10,176	8,247	(1,929)
Other revenue:				
Other miscellaneous	1,150	2,450	2,450	-
Total revenues	199,550	188,762	186,833	(1,929)
EXPENDITURES				
Current:				
Community and economic development:				
Economic development	87,300	54,168	64,089	(9,921)
Debt service:				
Principal	78,000	98,965	70,641	28,324
Interest	65,100	68,699	47,385	21,314
Total debt service	143,100	167,664	118,026	49,638
Total expenditures	230,400	221,832	182,115	39,717
Excess (deficiency) of revenues over expenditures	(30,850)	(33,070)	4,718	37,788
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	11,400	13,330	1,930
Transfers out	-	-	(49,632)	(49,632)
Total other financing sources (uses)	-	11,400	(36,302)	(47,702)
Net change in fund balance	(30,850)	(21,670)	(31,584)	(9,914)
Fund balance-beginning	310,783	310,783	310,783	-
Fund balance-ending	\$ 279,933	\$ 289,113	\$ 279,199	\$ (9,914)

The Notes to the Financial Statements are an integral part of this statement.

Village of Howard City

Required Supplemental Information

February 28, 2018

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios

	2017
Total Pension Liability	
Service cost	\$ -
Interest	65,734
Changes of benefit terms	-
Difference between expected and actual experience	2,033
Changes of assumptions	-
Benefit payments including employee refunds	(55,467)
Other	18,168
Net change in total pension liability	30,468
Total pension liability beginning	832,042
Total pension liability ending	\$ 862,510
Plan Fiduciary Net Position	
Contributions - employer	\$ 29,384
Contributions - employee	-
Net Investment income	83,798
Benefit payments including employee refunds	(55,467)
Administrative expense	(1,328)
Net change in plan fiduciary net position	56,387
Plan fiduciary net position beginning	638,202
Plan fiduciary net position ending	694,589
Employer net pension liability	\$ 167,921
Plan fiduciary net position as a percentage of the total pension liability	81 %
Covered employee payroll	\$ 36,393
Employer's net pension liability as a percentage of covered employee payroll	461 %

Village of Howard City

Required Supplemental Information

February 28, 2018

Schedule of Employer's Contributions to the MERS Defined Benefit Pension Plan

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarial determined contributions*	\$ 29,384	\$ 32,732	\$ 27,842	\$ 22,156	\$ 23,066	\$ 25,000	\$ 27,462	\$ 26,840	\$ 22,238	\$ 22,110
Contributions in relation to the actuarially determined contribution	29,384	32,732	27,842	22,156	23,066	25,000	27,462	26,840	22,238	22,110
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 36,393	\$ 90,658	\$ 89,428	\$ 90,000	\$ 125,502	\$ 136,861	\$ 130,383	\$ 128,883	\$ 131,694	\$ 131,415
Contributions as a percentage of covered employee payroll	81 %	36 %	31 %	25 %	18 %	18 %	21 %	21 %	17 %	17 %

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	10 year smoothed
Inflation	2.5%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	Varies depending on plan adoption
Mortality	The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, The RP-2014 Employee Mortality Tables, The RP-2014 Juvenile Mortality Tables

Previous actuarial methods and assumptions:

Inflation	3.5%
Salary increases	4.5%
Investment rate of return	8.0%
Mortality	50% Female/50%Male 1994 Group Annuity Mortality Table

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OTHER SUPPLEMENTAL INFORMATION

Village of Howard City

Nonmajor Governmental Funds

Combining Balance Sheet

February 28, 2018

	Special Revenue Funds		Debt Service Funds		Capital Projects Fund		
	Locally						
	Local Street	Raised Street	Street Bond	2016 Debt	SAW Grant		Total
ASSETS							
Cash and cash equivalents	\$ 6,144	\$ 208,082	\$ 2	\$ 100	\$ 5,823	\$	220,151
Intergovernmental receivable	12,647	-	-	-	-		12,647
Total assets	\$ 18,791	\$ 208,082	\$ 2	\$ 100	\$ 5,823	\$	232,798
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 5,823	\$	5,823
FUND BALANCES							
Restricted:							
Streets	18,791	208,082	-	-	-		226,873
Debt service	-	-	2	100	-		102
Total fund balances	18,791	208,082	2	100	-		226,975
Total liabilities and fund balances	\$ 18,791	\$ 208,082	\$ 2	\$ 100	\$ 5,823	\$	232,798

Village of Howard City

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended February 28, 2018

	Special Revenue Funds		Debt Service Funds		Capital Projects Fund		
	Locally						
	Local Street	Raised Street	Street Bond	2016 Debt	SAW Grant		Total
REVENUES							
Taxes	\$ -	\$ 91,097	\$ -	\$ -	\$ -	\$	91,097
State grants	69,364	-	-	-	74,826		144,190
Interest and rents	1	-	1	-	4		6
Total revenues	69,365	91,097	1	-	74,830		235,293
EXPENDITURES							
Current:							
Public works	72,467	18,904	-	-	82,567		173,938
Debt service:							
Principal	-	-	55,832	31,983	-		87,815
Interest	-	-	11,138	17,649	-		28,787
Total expenditures	72,467	18,904	66,970	49,632	82,567		290,540
Excess (deficiency) of revenues over expenditures	(3,102)	72,193	(66,969)	(49,632)	(7,737)		(55,247)
OTHER FINANCING SOURCES (USES)							
Transfers in	10,000	-	66,970	49,632	5,500		132,102
Transfers out	-	(10,000)	-	-	-		(10,000)
Total other financing sources (uses)	10,000	(10,000)	66,970	49,632	5,500		122,102
Net change in fund balances	6,898	62,193	1	-	(2,237)		66,855
Fund balances-beginning	11,893	145,889	1	100	2,237		160,120
Fund balances-ending	\$ 18,791	\$ 208,082	\$ 2	\$ 100	\$ -	\$	226,975