

Village of Homer
Financial Statements
For the Year Ended December 31, 2015

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WALKER, FLUKE & SHELDON, PLC

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INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Homer
Homer, Michigan

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 Homer, Michigan, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Homer, Michigan, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of employer contributions and schedule of employer's net pension liability and related ratios on pages 3 through 7 and 34 through 42 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 an opinion on the financial statements that collectively comprise the Village of Homer, Michigan's basic financial statements. The combining non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining non-major 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 individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hastings, Michigan
June 24, 2016

Walker, Fiske & Holders PLLC

Management Discussion and Analysis

As the Village Council of the Village of Homer, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of Village of Homer for the fiscal year ended December 31, 2015. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Village. We encourage readers to consider this information in conjunction with the letter or transmittal, which begins on page 1, and the financial statements, which begin on page 8.

Financial Highlights

- The assets of Village of Homer exceeded its liabilities at the close of the most recent fiscal year by \$6,552,282 (net position) compared to \$6,694,803 last year. Of this amount, \$1,184,730 (unrestricted assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$142,521 compared to a decrease of \$305,520 last year.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$984,517 an increase of \$38,469 compared to an ending fund balance of \$946,048 a decrease of \$135,640 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$25,346 or 4.68% of total general fund expenditures. Last year the unassigned fund balance for the general fund was \$53,472 or 9.12% of total general fund expenditures.

Overview of the Financial Statements

The Village of Homer's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Village's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in position may serve as a useful indicator of whether the Village's financial position is improving or deteriorating.

The statement of activities presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., state shared revenue).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include legislative, general government, public safety, public works, recreation and cultural and community and economic development.

The government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Village of Homer, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: government funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village of Homer maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Streets, Local Streets, Library Fund and Fire Fund, which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 10-13 of this report.

Proprietary funds. The Village maintains two types of proprietary funds. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for the Water Fund and Sewer Fund. The Village also maintains an internal service fund for the Motorpool.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, both of which are considered to be major funds of the Village. The proprietary fund financial statements can be found on pages 14-17 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Village's own programs. The Village currently has no Fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 18-33 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Village adopts an annual budget for its general fund, major street fund, local street fund, library fund and fire fund. Within the required supplementary information, a budget comparison statement has been provided for these funds to demonstrate compliance with the budget.

Required supplementary information can be found on pages 34-42 of this report.

Combining non-major fund statements are presented immediately following the required supplementary information on budgets on pages 43-44.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Village of Homer, assets exceeded liabilities by \$6,552,282 at the close of the most recent fiscal year.

\$1,184,730 of the Village's net position (18.08 percent) reflects its unrestricted assets, which may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the Village's net position (2.75 percent) reflects restricted assets \$179,928 which are resources that are subject to external restrictions on how they may be used. The remaining portion of the Village's net position (79.17 percent) reflects its investment in capital assets \$5,187,624 (e.g. land, buildings, equipment and furniture and fixtures). The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Village of Homer's Condensed Financial Data

	Governmental		Business-Type	
	2015 Audited	2014 Unaudited	2015 Audited	2014 Unaudited
Current and Other Assets	\$ 1,272,296	\$ 1,083,282	\$ 284,706	\$ 420,498
Capital Assets, Net	2,559,006	2,637,411	3,215,218	3,357,384
Total Assets	<u>3,831,302</u>	<u>3,720,693</u>	<u>3,499,924</u>	<u>3,777,882</u>
Short-Term Liabilities	155,883	59,648	55,999	107,256
Long-Term Liabilities	95,000	-	448,000	594,600
Total Liabilities	<u>250,883</u>	<u>59,648</u>	<u>503,999</u>	<u>701,856</u>
Deferred Inflows of Resources	<u>24,062</u>	<u>42,268</u>	-	-
Net Assets				
Invested in Capital Assets, Net of Related Debt	2,459,006	2,637,411	2,728,618	2,709,184
Restricted	88,996	94,994	90,932	68,953
Unrestricted	<u>1,008,355</u>	<u>886,372</u>	<u>176,375</u>	<u>297,889</u>
Total Net Position	<u>\$ 3,556,357</u>	<u>\$ 3,618,777</u>	<u>\$ 2,995,925</u>	<u>\$ 3,076,026</u>
Expenditures/Expenses				
Governmental Activities				
Legislative	7,363	6,099	-	-
General Government	137,871	136,758	-	-
Public Safety	508,240	504,724	-	-
Public Works	253,672	426,759	-	-
Community and Economic Devel	19,563	3,668	-	-
Recreational and Cultural	231,433	247,751	-	-
Interest and Fiscal Charges	-	-	-	-
(Gain) Loss on Disposal	-	36,752	-	-
Business-Type Activities				
Water	-	-	230,587	261,112
Sewer	-	-	306,795	313,321
Interest and Fiscal Charges	-	-	30,958	34,535
Total Expenses	<u>1,158,142</u>	<u>1,362,511</u>	<u>568,340</u>	<u>608,968</u>
Program Revenues				
Charges for Services	\$ 78,638	\$ 142,459	\$ 487,396	\$ 482,010
Operating Grants and Contributions	348,776	317,858	-	-
Capital Grants and Contributions	-	-	-	-
Total Program Revenues	<u>427,414</u>	<u>460,317</u>	<u>487,396</u>	<u>482,010</u>
Net Expenses	(730,728)	(902,194)	(80,944)	(126,958)
General Revenues				
Property Taxes	468,332	432,729	-	-
State Grants	176,242	177,590	-	-
Investment Income	1,590	20,681	843	979
Other	<u>22,144</u>	<u>91,653</u>	<u>-</u>	<u>-</u>
Total General Revenues	<u>668,308</u>	<u>722,653</u>	<u>843</u>	<u>979</u>
Change in Net Position	<u>\$ (62,420)</u>	<u>\$ (179,541)</u>	<u>\$ (80,101)</u>	<u>\$ (125,979)</u>

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net position, for the government as a whole.

Governmental activities. Governmental activities decreased the Village's net position by \$62,420. This decrease is significantly less than the prior year as decreases in expenditures for public works was the primary reason for the improved performance. Overall revenue was down compared to the prior year.

Business-Type activities. Business-type activities decreased the Village's position by \$80,101. This is significantly less than the prior year and the improved performance is mostly due to increased service revenue and decreased water expenditures.

Financial Analysis of the Village's Funds

As noted earlier, the Village used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Village's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$984,517, an increase of \$38,469. Last year, the Village's governmental funds combined ending fund balance was \$946,048 which was a decrease of \$135,640.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the general fund was \$25,346 and the total fund balance was \$123,051.

The fund balance of the Village's general fund decreased by \$25,414 during the current fiscal year, mainly due to static revenues and capital expenditures to replace Village roofs.

Proprietary funds. The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

As of the end of the current fiscal year, the Village's water fund reported unrestricted assets of \$86,311. The water fund had a decrease in net position of \$14,403. Service revenues are not high enough to cover the expense of providing water service. The Village's sewer fund reported unrestricted assets of \$90,064 at the end of the year. The Sewer fund had a decrease in net position of \$65,698. Revenues for sewer services are also not sufficient to cover the cost of providing sewer services.

General Fund Budgetary Highlights

The general fund revenue budget was not amended during the fiscal year. The general fund expenditures budget increased by only \$1,225 during 2015. The majority of the changes in appropriations can be summarized with the following:

- \$17,075 decrease to legislative
- \$3,950 increase to audit and Attorney
- \$13,600 increase to police

During the year revenues were less than budgetary estimates and expenditures were greater than budgetary estimates.

Capital Assets

The Village's investment in capital assets for its governmental activities as of December 31, 2015, amounts to \$2,559,006 (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements, equipment and furniture and fixtures.

Major capital asset events during the current fiscal year include the purchase of a generator for the fire department and the Village office, fire equipment, water and sewer equipment, and the construction of new roofs for the community building and the municipal building. Details of the Village's capital assets are continued in the notes to the financial statements on pages 25 and 26.

Long-Term Debt

At the end of the current fiscal year, the Village had total debt outstanding of \$586,600 and compensated absences of \$47,360. The Village's debt represents bonds secured by specified revenue sources and compensated absences, respectively.

**The Village's Outstanding Debt
General Obligation and Revenue Bonds**

	Governmental-Type Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Primary Government:						
Revenue Bonds	\$ -	\$ -	\$ 525,200	\$ 486,600	\$ 486,600	\$ 535,200
Note Payable	100,000	-	-	123,000	100,000	123,000
Compensated Absences	47,360	63,273	-	-	47,360	63,273
Total	\$ 147,360	\$ 63,273	\$ 525,200	\$ 609,600	\$ 633,960	\$ 721,473

The Village's debt decreased by \$87,513 (9.48%) during the current fiscal year. The net decrease was mainly attributable to scheduled pay down of the financed water projects and payoff of the sewer note.

Additional information on the Village's long-term debt can be found on page 28 of the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Budget assumptions: The concern for the FY 2016 budget is the impact of increasing public safety costs, as a percentage of the total general fund budget, the uncertainty of the State's commitment to personal property tax and revenue sharing dollars back to local municipalities and the level of the property values. With the continued ever increasing costs, and the stagnant, and even worse, downward pressures on revenues, balancing the budget becomes more challenging every year

Requests for Information

This financial report is designed to provide a general overview of Village of Homer's finances for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Manager, Village of Homer, 130 E Main Street, P.O. Box 155 Homer, MI 49245.

VILLAGE OF HOMER
GOVERNMENT-WIDE STATEMENT OF NET POSITION
December 31, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 524,516	\$ 55,641	\$ 580,157
Investments	248,632	-	248,632
Receivables (Net)			
Taxes	131,611	-	131,611
Accounts	-	126,662	126,662
Other	-	30,935	30,935
Due from State	79,905	-	79,905
Due from Other Units of Government	114,755	-	114,755
Due from Other Funds	60,128	4,289	64,417
Internal Balances	23,753	(23,753)	-
Restricted Assets	88,996	90,932	179,928
Capital Assets not being Depreciated	75,676	152,000	227,676
Capital Assets being Depreciated, Net	<u>2,483,330</u>	<u>3,063,218</u>	<u>5,546,548</u>
Total Assets	<u>3,831,302</u>	<u>3,499,924</u>	<u>7,331,226</u>
Liabilities			
Accounts Payable	31,590	4,936	36,526
Accrued Liabilities	11,805	8,174	19,979
Due to Other Funds	60,128	4,289	64,417
Noncurrent Liabilities			
Due Within One Year	52,360	38,600	90,960
Due In More Than One Year	<u>95,000</u>	<u>448,000</u>	<u>543,000</u>
Total Liabilities	<u>250,883</u>	<u>503,999</u>	<u>754,882</u>
Deferred Inflows of Resources			
Net Pension Liability	<u>24,062</u>	<u>-</u>	<u>24,062</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	2,459,006	2,728,618	5,187,624
Restricted for Park Maintenance	24,912	-	24,912
Restricted for Lake Improvements	4,437	-	4,437
Restricted for Salvage	59,647	-	59,647
Restricted for Capital Improvements	-	90,932	90,932
Unrestricted	<u>1,008,355</u>	<u>176,375</u>	<u>1,184,730</u>
Total Net Position	<u>\$ 3,556,357</u>	<u>\$ 2,995,925</u>	<u>\$ 6,552,282</u>

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

VILLAGE OF HOMER
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
Legislative	\$ 7,363	\$ -	\$ -	\$ -	\$ (7,363)	\$ -	\$ (7,363)
General Government	137,871	59,206	-	-	(78,665)	-	(78,665)
Public Safety	508,240	-	92,656	-	(415,584)	-	(415,584)
Public Works	253,672	-	141,454	-	(112,218)	-	(112,218)
Community and Economic Develop	19,563	-	-	-	(19,563)	-	(19,563)
Recreational and Cultural	231,433	19,432	114,666	-	(97,335)	-	(97,335)
Total Governmental Activities	<u>1,158,142</u>	<u>78,638</u>	<u>348,776</u>	<u>-</u>	<u>(730,728)</u>	<u>-</u>	<u>(730,728)</u>
Business-type Activities							
Water	230,587	243,128	-	-	-	12,541	12,541
Sewer	306,795	244,268	-	-	-	(62,527)	(62,527)
Interest and Fiscal Charges	30,958	-	-	-	-	(30,958)	(30,958)
Total Business-type Activities	<u>568,340</u>	<u>487,396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(80,944)</u>	<u>(80,944)</u>
Total Primary Government	<u>\$ 1,726,482</u>	<u>\$ 566,034</u>	<u>\$ 348,776</u>	<u>\$ -</u>	<u>(730,728)</u>	<u>(80,944)</u>	<u>(811,672)</u>
General Revenues							
Taxes and Penalties					468,332	-	468,332
State Grants					176,242	-	176,242
Investment Income					1,590	843	2,433
Other					22,144	-	22,144
Total General Revenue					<u>668,308</u>	<u>843</u>	<u>669,151</u>
Change in Net Position					(62,420)	(80,101)	(142,521)
Net Position - Restated					<u>3,618,777</u>	<u>3,076,026</u>	<u>6,694,803</u>
Net Position - Ending					<u>\$ 3,556,357</u>	<u>\$ 2,995,925</u>	<u>\$ 6,552,282</u>

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

VILLAGE OF HOMER
GOVERNMENTAL FUND BALANCE SHEET
December 31, 2015

	General	Major Streets	Local Streets	Library	Fire	Non-Major Governmental Funds	Total Governmental Funds
Assets							
Cash and Cash Equivalents	\$ 11,928	\$ 92,902	\$ 103,716	\$ 53,082	\$ 66,512	\$ 217,306	\$ 545,446
Investments	15,648	-	232,984	-	-	-	248,632
Receivables							
Taxes	94,232	-	37,429	-	-	-	131,661
Other	-	-	-	-	-	-	-
Due From State	60,303	14,052	5,550	-	-	-	79,905
Due From Other Units of Government	-	-	-	114,755	-	-	114,755
Due From Other Funds	20,603	-	61,340	-	-	1,938	83,881
Total Assets	\$ 202,714	\$ 106,954	\$ 441,019	\$ 167,837	\$ 66,512	\$ 219,244	\$ 1,204,280
Liabilities							
Accounts Payable	\$ 24,147	\$ -	\$ -	\$ -	\$ 7,443	\$ -	\$ 31,590
Accrued Liabilities	6,476	1,084	452	1,847	175	-	10,034
Due To Other Funds	1,938	10,271	10,332	-	-	-	22,541
Total Liabilities	32,561	11,355	10,784	1,847	7,618	-	64,165
Deferred Inflows of Resources							
Property Taxes	47,102	-	18,637	89,859	-	-	155,598
Fund Balances							
Restricted	88,995	95,599	411,598	76,131	58,894	219,244	950,461
Committed	8,710	-	-	-	-	-	8,710
Unassigned	25,346	-	-	-	-	-	25,346
Total Fund Balances	123,051	95,599	411,598	76,131	58,894	219,244	984,517
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 202,714	\$ 106,954	\$ 441,019	\$ 167,837	\$ 66,512	\$ 219,244	\$ 1,204,280

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

VILLAGE OF HOMER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2015

Governmental Fund Balance - December 31, 2015		\$ 984,517
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	\$6,991,622	
Less: accumulated depreciation	<u>(4,432,616)</u>	2,559,006
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net current assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-Wide Statement of Net Assets		
		28,658
Deferred inflows reported in governmental funds are recognized as revenues in the governmental activities		
		155,598
Proceeds from loans are recorded as an increase in financing sources in the governmental activities, but are recorded as a liability in the Government Wide Statements		
		(100,000)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Accumulated Vacation and Sick Leave		(47,360)
Pension Liability		<u>(24,062)</u>
Net Position of Governmental Activities		<u>\$ 3,556,357</u>

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

VILLAGE OF HOMER
GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2015

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Library</u>	<u>Fire</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues							
Taxes and Penalties	\$ 304,307	\$ -	\$ 119,268	\$ -	\$ -	\$ 18,038	\$ 441,613
Licenses and Permits	6,421	-	-	-	-	-	6,421
State Grants	176,242	92,027	49,427	2,312	-	-	320,008
Contributions from Local Units	-	-	-	107,209	73,984	18,672	199,865
Charges for Services	36,869	-	-	-	-	-	36,869
Fines and Forfeitures	3,651	-	-	19,432	-	-	23,083
Interest and Rentals	12,382	81	1,019	78	94	201	13,855
Other Revenue	11,560	1,623	1,994	9,673	2,439	-	27,289
Total Revenues	<u>551,432</u>	<u>93,731</u>	<u>171,708</u>	<u>138,704</u>	<u>76,517</u>	<u>36,911</u>	<u>1,069,003</u>
Expenditures							
Legislative	7,363	-	-	-	-	-	7,363
General Government	91,849	-	-	-	-	-	91,849
Public Safety	250,568	-	-	-	157,900	-	408,468
Public Works	48,930	105,087	123,272	-	-	-	277,289
Community and Economic Development	3,463	-	-	-	-	16,100	19,563
Recreational and Cultural	33,172	-	-	163,907	-	-	197,079
Capital Outlay	106,346	-	-	-	22,577	-	128,923
Total Expenditures	<u>541,691</u>	<u>105,087</u>	<u>123,272</u>	<u>163,907</u>	<u>180,477</u>	<u>16,100</u>	<u>1,130,534</u>
Excess of Revenues Over (Under) Expenditures	<u>9,741</u>	<u>(11,356)</u>	<u>48,436</u>	<u>(25,203)</u>	<u>(103,960)</u>	<u>20,811</u>	<u>(61,531)</u>
Other Financing Sources (Uses)							
Proceeds from loans	100,000	-	-	-	-	-	100,000
Operating Transfers In	-	66,000	-	29,250	84,577	21,328	201,155
Operating Transfers (Out)	(135,155)	-	(66,000)	-	-	-	(201,155)
Total Other Financing Sources (Uses)	<u>(35,155)</u>	<u>66,000</u>	<u>(66,000)</u>	<u>29,250</u>	<u>84,577</u>	<u>21,328</u>	<u>100,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(25,414)</u>	<u>54,644</u>	<u>(17,564)</u>	<u>4,047</u>	<u>(19,383)</u>	<u>42,139</u>	<u>38,469</u>
Fund Balance - January 1, 2015	<u>148,465</u>	<u>40,955</u>	<u>429,162</u>	<u>72,084</u>	<u>78,277</u>	<u>177,105</u>	<u>946,048</u>
Fund Balance - December 31, 2015	<u>\$ 123,051</u>	<u>\$ 95,599</u>	<u>\$ 411,598</u>	<u>\$ 76,131</u>	<u>\$ 58,894</u>	<u>\$ 219,244</u>	<u>\$ 984,517</u>

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

VILLAGE OF HOMER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Net Change in Fund Balances - Total Governmental Funds	\$	38,469
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund		26,719
Compensated absences 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		15,913
Allocation of internal service funds		4,899
Government Funds report loan proceeds as an increase in financing source. In the Government Wide Statements they are recorded as a liability		(100,000)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	\$	147,641
Less: Depreciation		214,267
Add: Gain on Disposal of Capital Assets		-
Less: Proceeds from Sale of Capital Assets		<u>-</u>
		(66,626)
Governmental funds report pension expenditures. However, in the statement of activities, the costs of pension expenses are deferred for timing differences		<u>18,206</u>
Change in Net Position of Governmental Activities	\$	<u>(62,420)</u>

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

VILLAGE OF HOMER
PROPRIETARY FUNDS STATEMENT OF NET POSITION
December 31, 2015

	Enterprise Funds		Total	Internal
	Sewer System	Water System	Enterprise Funds	Service Fund Motor Pool
Assets				
Cash and Cash Equivalents	\$ 55,641	\$ -	\$ 55,641	\$ 68,066
Receivables (Net)				
Accounts	65,363	61,299	126,662	-
Other	-	30,935	30,935	-
Restricted Assets	-	90,932	90,932	-
Due from Other Funds	-	4,289	4,289	-
Capital Assets not being Depreciated	127,000	25,000	152,000	-
Capital Assets being Depreciated, Net	<u>1,159,426</u>	<u>1,903,792</u>	<u>3,063,218</u>	<u>58,499</u>
Total Assets	<u>\$ 1,407,430</u>	<u>\$ 2,116,247</u>	<u>\$ 3,523,677</u>	<u>\$ 126,565</u>
Liabilities				
Accounts Payable	\$ -	\$ 4,936	4,936	\$ -
Accrued Liabilities	2,898	5,276	8,174	1,771
Due to Other Funds	28,042	-	28,042	37,587
Notes Payable	-	141,600	141,600	-
Bonds Payable	-	<u>345,000</u>	<u>345,000</u>	-
Total Liabilities	<u>30,940</u>	<u>496,812</u>	<u>527,752</u>	<u>39,358</u>
Net Position				
Investment in Capital Assets, Net of Related Debt	1,286,426	1,442,192	2,728,618	58,499
Restricted for Capital Improvements	-	90,932	90,932	-
Unrestricted	<u>90,064</u>	<u>86,311</u>	<u>176,375</u>	<u>28,708</u>
Total Net Position	<u>1,376,490</u>	<u>1,619,435</u>	<u>2,995,925</u>	<u>87,207</u>
Total Liabilities and Net Position	<u>\$ 1,407,430</u>	<u>\$ 2,116,247</u>	<u>\$ 3,523,677</u>	<u>\$ 126,565</u>

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

VILLAGE OF HOMER
PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2015

	<u>Enterprise Funds</u>		<u>Total</u>	<u>Internal</u>
	<u>Sewer</u>	<u>Water</u>	<u>Enterprise</u>	<u>Service Fund</u>
	<u>System</u>	<u>System</u>	<u>Funds</u>	<u>Motor</u>
				<u>Pool</u>
Operating Revenues				
Charges for Services	\$ 226,669	\$ 212,378	\$ 439,047	\$ 110,259
Other Operating Revenue	<u>17,599</u>	<u>30,750</u>	<u>48,349</u>	<u>1,912</u>
Total Operating Revenues	<u>244,268</u>	<u>243,128</u>	<u>487,396</u>	<u>112,171</u>
Operating Expenses				
Salaries and Fringe Benefits	90,229	97,612	187,841	62,087
Administration	8,750	8,750	17,500	-
Supplies	11,588	10,902	22,490	6,845
Professional Services	23,363	12,374	35,737	2,228
Insurance and Bonds	4,380	4,915	9,295	4,217
Maintenance and Repairs	6,230	5,282	11,512	14,207
Gas and Oil	1,170	2,168	3,338	2,783
Equipment Rental	13,429	9,371	22,800	102
Miscellaneous	-	1,646	1,646	170
Utilities	35,067	19,870	54,937	1,055
Depreciation/Amortization	<u>112,589</u>	<u>57,697</u>	<u>170,286</u>	<u>13,644</u>
Total Operating Expenses	<u>306,795</u>	<u>230,587</u>	<u>537,382</u>	<u>107,338</u>
Operating Income	<u>(62,527)</u>	<u>12,541</u>	<u>(49,986)</u>	<u>4,833</u>
Nonoperating Revenues (Expenses)				
Interest Earned on Investments	762	81	843	66
Interest Expense	<u>(3,933)</u>	<u>(27,025)</u>	<u>(30,958)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(3,171)</u>	<u>(26,944)</u>	<u>(30,115)</u>	<u>66</u>
Change in Net Position	(65,698)	(14,403)	(80,101)	4,899
Net Position-January 1, 2015	<u>1,442,188</u>	<u>1,633,838</u>	<u>3,076,026</u>	<u>82,308</u>
Net Position-December 31, 2015	<u>\$ 1,376,490</u>	<u>\$ 1,619,435</u>	<u>\$ 2,995,925</u>	<u>\$ 87,207</u>

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

VILLAGE OF HOMER
PROPRIETARY FUNDS STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

	Enterprise Funds		Total	Internal
	Sewer	Water	Enterprise	Service Fund
	System	System	Funds	Motorpool
Cash Flows From Operating Activities:				
Cash Charges for Services	\$ 229,041	\$ 224,315	\$ 453,356	\$ 110,259
Other Operating Revenue	17,599	30,750	48,349	1,912
Cash Payments to Employees for Services	(93,425)	(101,749)	(195,174)	(64,022)
Cash Payments to Suppliers for Goods and Services	<u>(106,615)</u>	<u>(75,120)</u>	<u>(181,735)</u>	<u>(36,427)</u>
Net Cash Provided by Operating Activities	<u>46,600</u>	<u>78,196</u>	<u>124,796</u>	<u>11,722</u>
Cash Flows from Noncapital Financing Activities:				
Short-Term Installment Payments	<u>(31,024)</u>	<u>31,024</u>	<u>-</u>	<u>(5,000)</u>
Net Cash Provided from Noncapital Financing Activities	<u>(31,024)</u>	<u>31,024</u>	<u>-</u>	<u>(5,000)</u>
Cash Flows From Capital and Related Financing Activities:				
Payment of Principal	(123,000)	(38,600)	(161,600)	-
Payment of Interest	<u>(7,008)</u>	<u>(27,382)</u>	<u>(34,390)</u>	<u>-</u>
Net Cash Used by Capital and Related Financing Activities	<u>(130,008)</u>	<u>(65,982)</u>	<u>(195,990)</u>	<u>-</u>
Cash Flows From Investing Activities:				
Interest Earned on Cash Equivalents and Investments	762	81	843	66
Purchase of Fixed Assets	<u>(3,135)</u>	<u>(24,985)</u>	<u>(28,120)</u>	<u>(1,100)</u>
Net Cash Provided (Used) by Investing Activities	<u>(2,373)</u>	<u>(24,904)</u>	<u>(27,277)</u>	<u>(1,034)</u>
Net Increase in Cash and Cash Equivalents	<u>(116,805)</u>	<u>18,334</u>	<u>(98,471)</u>	<u>5,688</u>
Cash and Cash Equivalents at Beginning of the Year	<u>172,446</u>	<u>67,662</u>	<u>240,108</u>	<u>62,378</u>
(Including \$68,952 in restricted water accounts)				
Cash and Cash Equivalents at End of the Year	<u>\$ 55,641</u>	<u>\$ 85,996</u>	<u>\$ 141,637</u>	<u>\$ 68,066</u>
(Including \$90,932 in restricted water accounts)				

VILLAGE OF HOMER
PROPRIETARY FUNDS STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

	<u>Enterprise Funds</u>		<u>Total</u>	<u>Service Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Enterprise</u>	<u>Motorpool</u>
	<u>System</u>	<u>System</u>	<u>Funds</u>	
Reconciliation of Operating Income to Net Cash				
Provided by Operating Activities:				
Operating Income (Loss)	\$(62,527)	\$ 12,541	\$ (49,986)	\$ 4,833
Adjustments to Reconcile Operating Income to Net				
Cash Provided by Operating Activities:				
Depreciation/Amortization	112,589	57,697	170,286	13,644
Decrease (Increase) in Accounts Receivable	2,372	11,940	14,312	-
Increase (Decrease) in Accounts Payable	(2,549)	(199)	(2,748)	(4,820)
Increase (Decrease) in Accrued Liabilities	<u>(3,285)</u>	<u>(3,783)</u>	<u>(7,068)</u>	<u>(1,935)</u>
Net Cash Provided by Operating Activities	<u>\$ 46,600</u>	<u>\$ 78,196</u>	<u>\$ 124,796</u>	<u>\$ 11,722</u>

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Homer 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 of Homer:

REPORTING ENTITY

The Village of Homer was incorporated as a Village in 1871 and is situated in the southeastern corner of Calhoun County. The Village operates under an elected council of seven members and provides services to its almost 2,000 residents in many areas including police and fire protection and highway and street maintenance. Education services are provided to citizens through several local school districts that are separate governmental entities. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary 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 property 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 net position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is 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.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(Continued)

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 Village 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.

Property taxes, state grants, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual; therefore, they have been recognized as revenue in the current fiscal period. All other revenues are considered to be measurable only when the Village receives cash.

Taxes Receivable - The Village property tax is levied on each July 1st based on the taxable valuation of property located in the Village as of the preceding December 31st. These taxes are due on August 31 with the final collection date of September 15. After that date, they are added to the county's delinquent tax rolls.

It is the Village's policy to recognize revenue from the current tax levy in the year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2015 State taxable valuation of the Village totaled \$26,550,002 on which ad valorem taxes levied consisted of 11.3748 mills for Village operating purposes and 4.599 mills for Village street operations, raising \$307,759 for operating and \$124,429 for street operations. The amounts recognized in the financial statements as current property tax revenue represent 2015 taxes collected and 2014 delinquent taxes collected in the current fiscal year.

The Village reports the following major governmental funds:

- The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.
- The Major Street Fund accounts for the maintenance of all major streets and trunk lines. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.
- The Local Street Fund accounts for the maintenance of all local streets. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.
- The Library Fund accounts for the revenue and expenses for the operation of the library.
- The Fire Fund accounts for the revenue and expenses for the operation of the fire department.

The Village reports the following major proprietary funds:

- The Water Fund accounts for the operation and maintenance of the water supply system, capital additions, and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds and customers.
- The Sewer Fund accounts for the operation and maintenance of the sewage disposal system, capital additions, and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds and customers.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(Continued)

Additionally, the government reports the following fund types:

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

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes.

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 function 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.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering products in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current cost (e.g., labor and materials to hook up new customers) as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

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.

The delinquent real property taxes of the Village are purchased by Calhoun County. These taxes have been recorded as deferred revenue in the fund financial statements for the current year since they are not available to fund expenditures of the current period.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Committed Assets - The Village has committed assets for public safety, community interest and equipment. By committing a portion of the fund balance for a specific purpose, the Village has limited the use of the funds for that specific purpose, unless the council rescinds via resolution.

Restricted Assets - The Village has restricted assets for parks, downtown development authority, lake improvements, salvage and construction. By restricting a portion of the fund balance for a specific purpose, the Village has limited the use of the funds for that specific purpose only. The Village Council cannot change the amounts restricted and cannot spend the restricted funds for anything other than items listed above.

Retained Earnings Reserve - In the Water System fund, certain amounts of the retained earnings are reserved for capital improvements. The amounts of the reserves are established by bond ordinances. Any use of the reserve balances would be a violation of the bond ordinances.

Capital Assets - Capital assets, which include property, plant, and equipment, 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 \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

<u>General Assets</u>	
Buildings and Improvements	20 to 60 years
Water and Sewer Lines	50 to 75 years
Furniture	5 to 10 years
Data Processing Equipment	2 to 7 years
Equipment	2 to 7 years
<u>Infrastructure Assets</u>	
Road	8 to 30 years
Sidewalks	10 to 30 years
Bridges	12 to 50 years
Drains, Curbs, Gutters	8 to 40 years

Deferred Inflows - In the fund financial statements, governmental funds report deferred inflows in connection with resources that are not considered to be available to pay liabilities of the current period (60 days).

Pensions - Financial reporting information pertaining to the Village's participation in the Michigan Employees Retirement System (MERS) is prepared in accordance with Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows or resources related to pensions, and pension expense, information about the fiduciary net position of the MERS of Michigan and additions to/deductions for 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.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Fund Equity - In March 2009 the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned.

In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- **Committed:** Amounts that have been formally set aside by the council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the council.
- **Assigned:** Intent to spend resources on specific purposes expressed by the council, or the director, who is authorized by resolution approved by the council to make assignments.
- **Unassigned:** All other amounts available for any purpose.

Restricted/Unrestricted Resources - When expenses are incurred for which both restricted and unrestricted resources are available, it is the Village's policy to first apply restricted resources. Once restricted resources are exhausted, the Village's policy is to apply unrestricted resources in the following order: committed, assigned, and unassigned.

Compensated Absences (Vacation and Sick Leave) - Vacation pay is earned by all full time employees according to the length of their employment and is available for use annually, not on an accrual basis. Vacation time is paid at the employee's current pay rate and must be used in the year available. Any unused vacation time at the nearest pay date to their anniversary date is paid out to the employee's current rate of pay. Upon termination of employment, employees will be paid for all unused vacation time.

Full time employees earn personal time of twenty-four hours each year. Personal time is earned based on the employee's anniversary date. Employees may not accumulate personal time from year-to-year.

Sick leave time is earned at the rate of twelve days per year by full time employees. Sick leave is paid at the employee's current rate of pay and benefits can accumulate to a maximum of 60 days. Sick leave accrued is to be paid to the employees for any unused accumulated sick leave at the time of termination of employment for any reason.

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 assets. 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.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village of Homer.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The Village Councils prepares the annual budgets prior to December 31. A Public Hearing is conducted to obtain taxpayers' comments. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level, except for the Library and Fire funds, which are adopted at the line item level.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended December 31, 2015, the Village incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

FUND	BUDGET APPROPRIATION	ACTUAL EXPENDITURE	BUDGET VARIANCE
General:			
Police	\$ 236,881	\$ 250,568	\$ 13,687
Capital Outlay	\$ -	\$ 106,346	\$ 106,346
Library:			
Supplies	\$ 7,500	\$ 7,664	\$ 164
Printing and Publishing	\$ 112	\$ 158	\$ 46
Contracted Services	\$ 4,700	\$ 7,366	\$ 2,666
Fire:			
Professional Fees	\$ 6,100	\$ 11,737	\$ 5,637
Capital Outlay	\$ 7,000	\$ 22,577	\$ 15,577

DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes the Village to make deposits 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.

The Village has designated two banks and one Investment Company for the deposit of the Village of Homer funds.

The Village's deposits and investments are in accordance with statutory authority.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

DEPOSITS AND INVESTMENTS (Continued)

At year-end, the Village's deposits and investments were reported in the basic financial statements in the following categories:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>FIDUCIARY FUNDS</u>	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents	\$ 524,516	\$ 50,705	\$ -	\$ 575,221
Investments	248,632	-	-	248,632
Restricted Assets	<u>88,996</u>	<u>90,932</u>	<u>-</u>	<u>179,928</u>
Total	<u>\$ 862,144</u>	<u>\$ 141,637</u>	<u>\$ -</u>	<u>\$ 1,003,781</u>

The breakdown between deposits and investments is as follows:

	<u>PRIMARY GOVERNMENT</u>
Bank Deposits	\$ 1,003,656
(Checking and Savings Accounts, Certificates of Deposit)	
Investment in Securities	-
(Mutual Funds and Similar Vehicles)	
Petty Cash and Cash Hand	<u>125</u>
Total	<u>\$ 1,003,781</u>

Custodial credit risk is the risk that the Village will not be able to recover its deposits in the event of financial institution failure. The Village's deposits are exposed to custodial credit risk if they are not covered by federal depository or securities investor insurance and are uncollateralized. At December 31, 2015, the Village had deposits with a carrying amount of \$1,003,656 and a bank balance of \$1,011,646. Of the bank balance, \$571,641 is covered by federal depository or securities investor insurance, \$440,005 is uninsured and \$0 is collateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of the FDIC and SIPC 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. The Village's investment policy does not identify interest rate risk, foreign currency risk or concentration of credit risk.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 75,676	\$ -	\$ -	\$ 75,676
Subtotal	<u>75,676</u>	<u>-</u>	<u>-</u>	<u>75,676</u>
Capital Assets Being Depreciated				
Building	2,563,749	100,762	-	2,664,511
Furniture	159,592	-	-	159,592
Equipment	2,607,333	29,261	-	2,636,594
Land Improvements	8,800	-	-	8,800
Data Processing Equipment	74,863	-	-	74,863
Infrastructure	<u>1,352,868</u>	<u>18,718</u>	<u>-</u>	<u>1,371,586</u>
Subtotal	<u>6,767,205</u>	<u>148,741</u>	<u>-</u>	<u>6,915,946</u>
Less Accumulated Depreciation for				
Building	1,716,507	55,196	-	1,771,703
Furniture	130,372	6,325	-	136,697
Equipment	1,868,878	87,687	-	1,956,565
Land Improvements	880	440	-	1,320
Data Processing Equipment	54,676	5,551	-	60,227
Infrastructure	<u>433,393</u>	<u>72,711</u>	<u>-</u>	<u>506,104</u>
Subtotal	<u>4,204,706</u>	<u>227,910</u>	<u>-</u>	<u>4,432,616</u>
Net Capital Assets Being Depreciated	<u>2,562,499</u>	<u>(79,169)</u>	<u>-</u>	<u>2,483,330</u>
Governmental Activities Total Capital Assets-Net of Depreciation	<u>\$ 2,638,175</u>	<u>\$ (79,169)</u>	<u>\$ -</u>	<u>\$ 2,559,006</u>

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

CAPITAL ASSETS (Continued)

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Business-Type Activities				
Capital Assets not Being Depreciated				
Land	<u>152,000</u>	<u>-</u>	<u>-</u>	<u>152,000</u>
Subtotal	<u>152,000</u>	<u>-</u>	<u>-</u>	<u>152,000</u>
Capital Assets Being Depreciated				
Buildings	417,988	-	-	417,988
Equipment	67,512	28,120	-	95,632
Sewer Plant	3,625,736	-	-	3,625,736
Infrastructure	<u>3,940,869</u>	<u>-</u>	<u>-</u>	<u>3,940,869</u>
Subtotal	<u>8,052,105</u>	<u>28,120</u>	<u>-</u>	<u>8,080,225</u>
Less Accumulated Depreciation for				
Building	320,347	3,170	-	323,517
Equipment	56,318	3,214	-	59,532
Sewer Plant	2,593,357	104,910	-	2,698,267
Infrastructure	<u>1,876,699</u>	<u>58,992</u>	<u>-</u>	<u>1,935,691</u>
Subtotal	<u>4,846,721</u>	<u>170,286</u>	<u>-</u>	<u>5,017,007</u>
Net Capital Assets Being Depreciated	<u>3,205,384</u>	<u>(142,166)</u>	<u>-</u>	<u>3,063,218</u>
Business-Type Activities Total				
Capital Assets-Net of Depreciation	<u>\$ 3,357,384</u>	<u>\$ (142,166)</u>	<u>\$ -</u>	<u>\$ 3,215,218</u>

Depreciation expense was charged to programs of the Village as follows:

Governmental Activities	
General Government	\$ 80,141
Public Safety	99,772
Public Works	13,643
Recreation and Cultural	<u>34,354</u>
Total Governmental Activities	<u>\$ 227,910</u>
Business-Type Activities	
Water	\$ 57,697
Sewer	<u>112,589</u>
Total Business-Type Activities	<u>\$ 170,286</u>

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>FUND</u>	<u>INTERFUND PAYABLES</u>
General	\$ 20,603	General	\$ 1,938
Water	4,289	Major Streets	\$ 10,271
Local Street	61,340	Motorpool	37,587
DDA	<u>1,938</u>	Sewer	28,042
		Local	<u>10,332</u>
	<u>\$ 88,170</u>		<u>\$ 88,170</u>
<u>FUND</u>	<u>TRANSFER IN</u>	<u>FUND</u>	<u>TRANSFERS OUT</u>
Major	\$ 66,000	General	\$ 135,155
Library	29,250	Local	<u>66,000</u>
Fire	84,577		
Fire Truck	<u>21,328</u>		
	<u>\$ 201,155</u>		<u>\$ 201,155</u>

The interfund receivables and payables represent money owed to the funds for expenses paid by other funds for various expenses. Transfers were used to move revenues from the fund that is required to collect them to the fund where expenditures were expended, move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and to reimburse general fund for administrative expenses carried on by proprietary funds.

LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

LONG-TERM DEBT (Continued)

The following is a summary of the debt outstanding of the Village of Homer as of December 31, 2015:

	<u>INTEREST RATE</u>	<u>PRINCIPAL MATURES</u>	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>DUE WITHIN ONE YEAR</u>
Primary Government							
Governmental Activities							
Other Liabilities							
Capital Improvement Loan	3.50%	2030	\$ -	\$ 100,000	\$ -	\$ 100,000	\$ 5,000
Compensated Absences			<u>62,273</u>	<u>-</u>	<u>15,913</u>	<u>78,186</u>	<u>47,360</u>
Total Governmental Activities			<u>\$ 62,273</u>	<u>\$ 100,000</u>	<u>\$ 15,913</u>	<u>\$ 178,186</u>	<u>\$ 52,360</u>
Business-Type Activities							
Revenue Bonds							
2010 Water Bond	2.00-6.00%	2030	\$ 360,000	\$ -	\$ (15,000)	\$ 345,000	\$ 15,000
2012 Water Expansion	4.55%	2021	165,200	-	(23,600)	\$ 141,600	23,600
Sewer Contracts	5.00%	2017	<u>123,000</u>	<u>-</u>	<u>(123,000)</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities			<u>\$ 648,200</u>	<u>\$ -</u>	<u>\$ (161,600)</u>	<u>\$ 486,600</u>	<u>\$ 38,600</u>

The compensated absence liability attributable to the governmental activities will be liquidated by the Village's governmental funds. The annual requirements to pay principal and interest on long-term bonds outstanding for the primary government are as follows:

<u>Year End December 31</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 5,000	\$ 3,413	38,600	26,138
2017	5,000	3,238	38,600	24,432
2018	6,000	3,045	43,600	22,705
2019	6,000	2,835	43,600	20,716
2020	6,000	2,625	43,600	18,683
2021-2025	33,000	9,818	123,600	65,589
2026-2030	<u>39,000</u>	<u>3,483</u>	<u>155,000</u>	<u>29,400</u>
Total	<u>\$ 100,000</u>	<u>\$ 28,457</u>	<u>\$ 486,600</u>	<u>\$ 207,663</u>

DEFINED BENEFIT PENSION PLAN

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 by accessing the MERS website at www.mersofmich.com.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided

Benefits provided include plans with a multiplier of 2.00%.

Vesting period is 6 years.

Normal retirement age is 60 with reduced retirement benefits at 50 with 25 years of service or at 55 with 15 years of service.

Final average compensation is calculated based on 3 years.

Employees do not contribute to the plan.

Employees Covered by Benefit Terms

At the December 31, 2014 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employee entitled to but not yet receiving benefits	14
Active employees	<u>8</u> <u>30</u>

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.

Employer contributions for the fiscal year were \$20,986.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2014, and the total pension liability use 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, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary increases: 4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)

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

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions(Continued)

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

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

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 2013.)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Global Equity	57.50%	5.02%
Flobal Fixed Income	20.00%	2.18%
Real Assets	12.50%	4.23%
Diversifying Strategies	10.00%	6.56%

Discount Rate

The discount rate used to measure the total pension liability is 8.25% for 2014. 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 of 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.

**VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

DEFINED BENEFIT PENSION PLAN (Continued)

Changes in Net Pension Liability

	Calculating the Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
Balance at 12/31/13	\$ 1,381,337	\$ 1,339,072	\$ 42,265
Changes for the Year			
Service Cost	26,800	-	26,800
Interest on Total Pension Liability	51,177	-	51,177
Employer Contributions	-	20,986	(20,986)
Net Investment Income	-	75,194	(75,194)
Benefit payments Including	(69,341)	(69,341)	-
Net Changes	<u>8,636</u>	<u>26,839</u>	<u>(18,203)</u>
Balances as of 12/31/14	<u>\$ 1,389,973</u>	<u>\$ 1,365,911</u>	<u>\$ 24,062</u>

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 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

	1% Decrease 7.25%	Current Discount Rate 8.25%	1% Increase 9.25%
Net Pension Liability	\$ 178,201	\$ 24,062	\$ (106,296)

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

DEFERRED CONTRIBUTION PENSION PLAN

The Village offers an optional deferred contribution pension plan created in accordance with the Internal Revenue Code, Section 457. The plan is available to one employee and allows the participant to defer a portion of current income to further years to shelter such funds and earning from state and federal taxation until withdrawal. The deferred contribution pension plan is not available to the participant until the employee's termination, retirement, death or unforeseeable emergency. The plan is administered through a third-party administrator. The Village does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related liabilities to the plan participant have been excluded from the Village's basic financial statements.

VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

RISK MANAGEMENT

The Village is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village manages its risk exposure and provides certain employee benefits through a combination of risk management pools and commercial insurance. The Village participates in the Michigan Municipal League for general and automobile liability, motor vehicle physical damage, property damage, and workers compensation coverages. The Michigan Municipal Liability and Property Pool were established pursuant to laws of the State of Michigan, which authorizes local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the pool is to jointly exercise powers common to each participating member to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect any member of the authority against liability or loss.

The Michigan Municipal Liability and Property Pool, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Michigan Municipal Liability and Property Pool. Due to this reinsurance purchase, there is no pooling of risk between members.

The Michigan Municipal Liability and Property Pool chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverage's 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

The individual members are responsible for their self-retention amounts (deductibles) that vary from member to member.

The Village also provides employee benefits through the Michigan Municipal League with programs underwritten by commercial insurance carriers.

At December 31, 2015, there were no claims, which exceeded insurance coverage. The Village had no significant reduction in insurance coverage from previous years.

**VILLAGE OF HOMER
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015**

CHANGE IN ACCOUNTING PRINCIPLE

Net position as of January 1, 2014 has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71.

Net Position as previously reported at December 31, 2014:	\$ 6,737,068
Prior period adjustment:	
Net Pension Liability (measurement date as of December 31, 2013)	<u>(42,265)</u>
Net position as restated, January 1, 2014	<u>\$ 6,694,803</u>

ACCOUNTING PRONOUNCEMENTS

GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard will provide guidance for determining a fair value measurement for financial reporting purposes and how to apply fair value to certain investments and corresponding disclosures. This standard will be effective in 2016. The Village is currently evaluating the impact of this standard.

GASB issued Statement No 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Standard will identify the hierarchy of generally accepted accounting principles and provide a framework for selecting those principles. This standard will be effective in 2016. The Village is currently evaluating the impact of this standard.

GASB issued Statement No 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes additional note disclosure requirements for qualifying external investment pools. This standard will be effective in 2016. Because the Village does not participate in any external investment pools, the Village does not believe that this standard will have any impact on its financial statements.

VILLAGE OF HOMER
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2015

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 148,465	\$ 148,465	\$ 148,465	\$ -
Resources (Inflows)				
Taxes and Penalties	341,600	341,600	304,307	(37,293)
Licenses and Permits	5,200	5,200	6,421	1,221
State Grants	179,281	179,281	176,242	(3,039)
Charges for Services	24,260	24,260	36,869	12,609
Fines and Forfeitures	6,100	6,100	3,651	(2,449)
Interest and Rentals	16,200	16,200	12,382	(3,818)
Other Revenue	<u>33,731</u>	<u>33,731</u>	<u>11,560</u>	<u>(22,171)</u>
Total Resources	<u>606,372</u>	<u>606,372</u>	<u>551,432</u>	<u>(54,940)</u>
Charges to Appropriations (Outflows)				
Legislative	24,830	7,755	7,363	392
General Government				
Manager	18,660	19,960	18,781	1,179
Accounting Department	13,590	13,990	12,383	1,607
Audit and Attorney	4,500	8,450	6,903	1,547
Clerk	14,440	14,390	12,796	1,594
Treasurer	16,035	16,185	12,245	3,940
Buildings and Grounds	51,190	50,715	28,741	21,974
Public Safety				
Police	223,281	236,881	250,568	(13,687)
Public Works				
Street Lighting	41,500	44,600	43,542	1,058
Sidewalk Replacement	6,105	1,200	1,181	19
Lake Maintenance	-	2,600	2,541	59
Locally Administered Streets	4,370	3,925	1,666	2,259
Community and Economic Development				
Planning and Zoning	3,500	3,600	3,463	137
Recreational and Cultural				
Parks	27,545	27,220	25,276	1,944
Promotional	8,750	8,050	7,896	154
Capital Outlay	<u>-</u>	<u>-</u>	<u>106,346</u>	<u>(106,346)</u>
Total Charges to Appropriations	<u>458,296</u>	<u>459,521</u>	<u>541,691</u>	<u>(82,170)</u>

VILLAGE OF HOMER
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)
For the Year Ended December 31, 2015

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Excess of Resources Over (Under) Appropriations	<u>148,076</u>	<u>146,851</u>	<u>9,741</u>	<u>(137,110)</u>
Other Financing Sources (Uses)				
Proceeds from Loans	-	-	100,000	100,000
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	<u>(136,250)</u>	<u>(135,155)</u>	<u>(135,155)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(136,250)</u>	<u>(135,155)</u>	<u>(35,155)</u>	<u>100,000</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>11,826</u>	<u>11,696</u>	<u>(25,414)</u>	<u>(37,110)</u>
Budgetary Fund Balance - December 31, 2015	<u>\$ 160,291</u>	<u>\$ 160,161</u>	<u>\$ 123,051</u>	<u>\$ (37,110)</u>

VILLAGE OF HOMER
BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND
For the Year Ended December 31, 2015

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 40,955	\$ 40,955	\$ 40,955	\$ -
Resources (Inflows)				
State Grants	90,000	90,000	92,027	2,027
Interest and Rentals	400	400	81	(319)
Other Revenue	<u>3,000</u>	<u>3,000</u>	<u>1,623</u>	<u>(1,377)</u>
Total Resources	<u>93,400</u>	<u>93,400</u>	<u>93,731</u>	<u>331</u>
Charges to Appropriations (Outflows)				
Public Works				
Street Administration	6,800	7,250	7,180	70
Street Routine Maintenance	88,290	88,290	71,833	16,457
Street Winter Maintenance	46,475	46,025	21,387	24,638
Traffic Services	2,480	2,480	301	2,179
Trees	<u>15,235</u>	<u>15,235</u>	<u>4,386</u>	<u>10,849</u>
Total Charges to Appropriations	<u>159,280</u>	<u>159,280</u>	<u>105,087</u>	<u>54,193</u>
Excess of Resources Over (Under) Appropriations	<u>(65,880)</u>	<u>(65,880)</u>	<u>(11,356)</u>	<u>54,524</u>
Other Financing Sources (Uses):				
Operating Transfers In	66,000	66,000	66,000	-
Operating Transfers (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>66,000</u>	<u>66,000</u>	<u>66,000</u>	<u>-</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>120</u>	<u>120</u>	<u>54,644</u>	<u>54,524</u>
Budgetary Fund Balance - December 31, 2015	<u>\$ 41,075</u>	<u>\$ 41,075</u>	<u>\$ 95,599</u>	<u>\$ 54,524</u>

VILLAGE OF HOMER
BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND
For the Year Ended December 31, 2015

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning of Year Fund Balance	\$ 429,162	\$ 429,162	\$ 429,162	\$ -
Resources (Inflows)				
Taxes and Penalties	127,000	127,000	119,268	(7,732)
State Grants	35,000	35,000	49,427	14,427
Interest and Rentals	4,000	4,000	1,019	(2,981)
Other Revenue	<u>700</u>	<u>700</u>	<u>1,994</u>	<u>1,294</u>
Total Resources	<u>166,700</u>	<u>166,700</u>	<u>171,708</u>	<u>5,008</u>
Charges to Appropriations (Outflows)				
Public Works				
Street Administration	47,010	46,420	27,544	18,876
Street Routine Maintenance	77,342	79,432	67,255	12,177
Street Winter Maintenance	42,675	42,675	19,319	23,356
Traffic Services	2,950	2,950	708	2,242
Trees	<u>12,405</u>	<u>12,905</u>	<u>8,446</u>	<u>4,459</u>
Total Charges to Appropriations	<u>182,382</u>	<u>184,382</u>	<u>123,272</u>	<u>61,110</u>
Excess of Resources Over (Under) Appropriations	<u>(15,682)</u>	<u>(17,682)</u>	<u>48,436</u>	<u>66,118</u>
Other Financing Sources (Uses):				
Operating Transfers In	5,000	5,000	-	(5,000)
Operating Transfers (Out)	<u>-</u>	<u>-</u>	<u>(66,000)</u>	<u>(66,000)</u>
Total Other Financing Sources (Uses):	<u>5,000</u>	<u>5,000</u>	<u>(66,000)</u>	<u>(71,000)</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>(10,682)</u>	<u>(12,682)</u>	<u>(17,564)</u>	<u>(4,882)</u>
Budgetary Fund Balance - December 31, 2015	<u>\$ 418,480</u>	<u>\$ 416,480</u>	<u>\$ 411,598</u>	<u>\$ (4,882)</u>

VILLAGE OF HOMER
BUDGETARY COMPARISON SCHEDULE - LIBRARY FUND
For the Year Ended December 31, 2015

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning of Year Fund Balance	\$ 72,084	\$ 72,084	\$ 72,084	\$ -
Resources (Inflows)				
State Grants	2,277	2,312	2,312	-
Contributions from Local Units	110,000	112,241	107,209	(5,032)
Fines and Forfeits	16,500	18,976	19,432	456
Interest and Rentals	150	150	78	(72)
Other Revenue	4,500	9,459	9,673	214
Total Resources	<u>133,427</u>	<u>143,138</u>	<u>138,704</u>	<u>(4,434)</u>
Charges to Appropriations (Outflows)				
Recreation and Cultural:				
Wages and Fringes	114,568	107,606	98,417	9,189
Training	250	-	-	-
Supplies	4,000	7,500	7,664	(164)
Books and Magazines	14,799	30,990	30,827	163
Telephone	1,700	1,810	1,785	25
Contracted Services	4,700	4,700	7,366	(2,666)
Professional Services	2,500	2,500	2,408	92
Promotional	2,750	3,750	3,675	75
Printing and Publishing	200	112	158	(46)
Insurance	2,000	2,000	1,556	444
Transportation	500	-	-	-
Maintenance and Repairs	3,550	2,550	1,402	1,148
Miscellaneous	900	1,400	1,077	323
Utilities	9,000	9,000	7,572	1,428
Capital Outlay	1,000	-	-	-
Total Charges to Appropriations	<u>162,417</u>	<u>173,918</u>	<u>163,907</u>	<u>10,011</u>
Excess of Resources Over (Under) Appropriations	<u>(28,990)</u>	<u>(30,780)</u>	<u>(25,203)</u>	<u>5,577</u>

VILLAGE OF HOMER
BUDGETARY COMPARISON SCHEDULE - LIBRARY FUND (Continued)
For the Year Ended December 31, 2015

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Other Financing Sources (Uses):				
Operating Transfers In	29,250	29,250	29,250	-
Operating Transfers (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>29,250</u>	<u>29,250</u>	<u>29,250</u>	<u>-</u>
Excess of Resources and Other Sources				
Over (Under) Appropriations				
and Other Uses	<u>260</u>	<u>(1,530)</u>	<u>4,047</u>	<u>5,577</u>
Budgetary Fund Balance -				
December 31, 2015	<u>\$ 72,344</u>	<u>\$ 70,554</u>	<u>\$ 76,131</u>	<u>\$ 5,577</u>

VILLAGE OF HOMER
BUDGETARY COMPARISON SCHEDULE - FIRE FUND
For the Year Ended December 31, 2015

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 78,277	\$ 78,277	\$ 78,277	\$ -
Resources (Inflows)				
Contributions from Local Units	73,984	73,984	73,984	-
Interest and Rentals	-	-	94	94
Other Revenue	-	-	2,439	2,439
Total Resources	<u>73,984</u>	<u>73,984</u>	<u>76,517</u>	<u>2,533</u>
Charges to Appropriations (Outflows)				
Public Safety:				
Wages and Fringes	91,502	81,202	78,380	2,822
Training	2,000	2,150	2,120	30
Supplies	9,180	15,780	8,616	7,164
Fire Prevention	400	1,000	999	1
Professional Fees	6,100	6,100	11,737	(5,637)
Insurance and Bonds	27,500	29,500	29,432	68
Repairs and Maintenance	13,260	13,660	11,285	2,375
Gas and Oil	3,000	3,000	2,310	690
Rent	4,500	4,500	4,500	-
Utilities	10,050	10,600	8,521	2,079
Capital Outlay	7,000	7,000	22,577	(15,577)
Total Charges to Appropriations	<u>174,492</u>	<u>174,492</u>	<u>180,477</u>	<u>(5,985)</u>
Excess of Resources Over (Under) Appropriations	<u>(100,508)</u>	<u>(100,508)</u>	<u>(103,960)</u>	<u>(3,452)</u>
Other Financing Sources (Uses):				
Operating Transfers In	84,508	84,508	84,577	(69)
Operating Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>84,508</u>	<u>84,508</u>	<u>84,577</u>	<u>(69)</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>(16,000)</u>	<u>(16,000)</u>	<u>(19,383)</u>	<u>(3,383)</u>
Budgetary Fund Balance - December 31, 2015	<u>\$ 62,277</u>	<u>\$ 62,277</u>	<u>\$ 58,894</u>	<u>\$ (3,383)</u>

VILLAGE OF HOMER
SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Year Ended December 31, 2015

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarial Determined Contributions*	\$ 20,986	\$ 24,814	\$ 20,549	\$ 25,440	\$ 34,857	\$ 21,281	\$ 23,850	\$ 17,075	\$ 16,864	\$ 6,321
Contributions in relation to the actuarially determined contribution	20,221	20,653	18,272	25,440	34,857	21,281	23,850	17,075	16,864	6,321
Contribution deficiency (excess)	\$ 765	\$ 4,161	\$ 2,277	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 307,336	\$ 275,489	\$ 298,787	\$ 305,434	\$ 268,765	\$ 324,532	\$ 325,220	\$ 283,735	\$ 321,490	\$ 301,361
Contributions as a percentage of covered employee payroll	7%	7%	6%	8%	13%	7%	7%	6%	5%	2%

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	3.5%
Salary Increases	4.5%
Investment rate of return	8.0%
Retirement age	Varies depending on plan adoption
Mortality	50% Female/50% Male 1994 Group Annuity Mortality Table

Previous actuarial methods and assumptions:

A seven year smoothed asset valuation method was used for the time period of 2008 through 2014

VILLAGE OF HOMER
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET
PENSION LIABILITY AND RELATED RATIOS
For the Year Ended December 31, 2015

	<u>2014</u>
Total Pension Liability	
Service Cost	\$ 26,800
Interest	51,177
Changes of Benefit Terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments including employee refunds	(69,341)
Other	-
Net Change in Total Pension Liability	<u>8,636</u>
Total Pension Liability beginning	<u>1,381,337</u>
Total Pension Liability ending	<u>\$ 1,389,973</u>
Plan Fiduciary Net Position	
Contributions-employer	20,989
Contributions-employee	-
Net Investment income	75,194
Benefit payments including employee refunds	(69,341)
Administrative expense	-
Net Change in Plan Fiduciary Net Position	<u>26,842</u>
Plan Fiduciary Net Position beginning	<u>1,339,069</u>
Plan Fiduciary Net Position ending	<u>1,365,911</u>
Employer Net Pension Liability	<u>\$ 24,062</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	98%
Covered Employee Payroll (from GASB 68 actuarial page)	307,336
Employer's Net Pension Liability as a percentage of covered employee payroll	8%

Notes to schedule:

Benefit changes (if any) can be found in the actuarial valuation section titled: "Benefit Provision History"
Changes in assumptions: There were no changes in actuarial assumptions or methods affecting the 2014 valuation.
(This information can be found in the actuarial valuation section titled: "Plan Provision, Actuarial Assumptions and Actuarial Funding Method; and also in the Appendix link of the actuarial valuation.

**VILLAGE OF HOMER
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
December 31, 2015**

	Downtown Development Authority	Fire Truck Fund	Total
Assets			
Cash and Cash Equivalents	\$ 1,312	\$ 215,994	\$ 217,306
Due from Other Funds	<u>1,938</u>	<u>-</u>	<u>1,938</u>
Total Assets	<u>3,250</u>	<u>215,994</u>	<u>219,244</u>
Liabilities			
Accounts Payable	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances			
Restricted	3,250	215,994	219,244
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>3,250</u>	<u>215,994</u>	<u>219,244</u>
Total Liabilities and Fund Balances	<u>\$ 3,250</u>	<u>\$ 215,994</u>	<u>\$ 219,244</u>

VILLAGE OF HOMER
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	Downtown Development Authority	Fire Truck Fund	Total
Revenues			
Taxes and Penalties	\$ 18,038	\$ -	\$ 18,038
State Grants	-	-	-
Contributions from Local Units	-	18,672	18,672
Interest and Rentals	<u>1</u>	<u>200</u>	<u>201</u>
Total Revenues	<u>18,039</u>	<u>18,872</u>	<u>36,911</u>
Expenditures			
Community and Economic Development:			
Contracted Services	<u>16,100</u>	<u>-</u>	<u>16,100</u>
Total Expenditures	<u>16,100</u>	<u>-</u>	<u>16,100</u>
Excess of Revenues Over (Under) Expenditures	<u>1,939</u>	<u>18,872</u>	<u>20,811</u>
Other Financing Sources (Uses):			
Operating Transfer In	-	21,328	21,328
Operating Transfer (Out)	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>21,328</u>	<u>21,328</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,939	40,200	42,139
Fund Balance-January 1, 2015	<u>1,311</u>	<u>175,794</u>	<u>177,105</u>
Fund Balance-December 31, 2015	<u>\$ 3,250</u>	<u>\$ 215,994</u>	<u>\$ 219,244</u>



WALKER, FLUKE & SHELDON, PLC

CERTIFIED PUBLIC ACCOUNTANTS

Building Trust, Delivering Integrity, One Handshake at a Time

To the Village Council
Village of Homer
Homer, Michigan

We have recently completed our audit of the financial statements of Village of Homer for the year ended December 31, 2015. As an addition to the audit report, the following report on internal control and results of the audit are being provided to the Village of Homer.

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Report on Internal Control	2
Results of the Audit	3 - 4

We are very thankful for the opportunity to be of service to the Village of Homer. Should you have any questions regarding these reports, please do not hesitate to contact us.

Walker, Fluke & Sheldon PLC

Hastings, Michigan
June 24, 2016



WALKER, FLUKE & SHELDON, PLC

CERTIFIED PUBLIC ACCOUNTANTS

Building Trust, Delivering Integrity, One Handshake at a Time

To the Village Council
Village of Homer
Homer, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Homer as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Homer's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Homer, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Homer, Michigan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in the Village's internal control to be a material weakness.

- The Village does not have the technical expertise to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, changes in capital assets, and to present required financial statement disclosures. This is a recurring comment. Currently, the Village contracts with Walker, Fluke & Sheldon, PLC to prepare the financial statements and assist with accrual entries, because the additional benefits derived from implementing a system, would not outweigh the costs incurred.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Hastings, MI
June 24, 2016

Walker, Fluke & Sheldon PLC



WALKER, FLUKE & SHELDON, PLC

CERTIFIED PUBLIC ACCOUNTANTS

Building Trust, Delivering Integrity, One Handshake at a Time

June 24, 2016

To the Village Council
Village of Homer
Homer, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Homer for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 6, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Village of Homer are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by Village of Homer during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Village of Homer financial statements are depreciation and the defined benefit pension plan.

Village of Homer's estimate of depreciation is based on estimated useful lives of capital assets. We reviewed these estimates used to calculate depreciation and believe they are reasonable in relation to the financial statements taken as a whole.

The defined benefit pension plan liability is based on actuarial assumptions and the use of a specialist. MERS is responsible for these calculations and provides information to the Village regarding the liability. We have determined these estimates are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures were corrected by management: posting depreciation for proprietary funds, reclassifying fixed asset expenditures, adjusting accounts receivable, and reclassifying bond payments.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 24, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Village of Homer's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

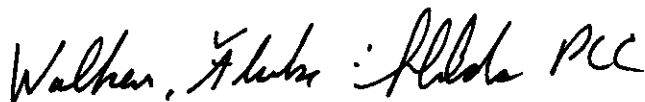
We applied certain limited procedures to management discussion and analysis, budgetary comparison schedules, schedule of employer's contributions, and schedule of changes in employer's net pension liability and related ratios which requires supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on non-major fund combining statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

A handwritten signature in cursive script that reads "Walker, Fluke & Sheldon PLC".

Walker, Fluke and Sheldon, PLC