

# **VILLAGE OF EDMORE**

Montcalm County

## **FINANCIAL STATEMENTS**

February 28, 2015

# VILLAGE OF EDMORE

---

## TABLE OF CONTENTS

	PAGE
<b>Independent Auditors' Report</b> .....	1
<b>Management's Discussion &amp; Analysis</b> .....	4
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position .....	10
Statement of Activities .....	11
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
Balance Sheet .....	13
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities .....	15
Statement of Revenues, Expenditures and Changes in Fund Balances .....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
<b>Proprietary Funds:</b>	
Statement of Net Position .....	19
Statement of Revenues, Expenses and Changes in Fund Net Position .....	20
Statement of Cash Flows .....	21
<b>Fiduciary Fund:</b>	
Statement of Fiduciary Assets and Liabilities .....	22
<b>Notes to Financial Statements</b> .....	24
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Budgetary Comparison Schedule – General Fund .....	38
Budgetary Comparison Schedule – Major Street Fund .....	40
Budgetary Comparison Schedule – Special Revenue Fund – Economic Development Fund .....	41
<b>Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in in Accordance with <i>Government Auditing Standards</i></b> .....	42

BERTHIAUME  
& COMPANY

Certified Public Accountants



60 Harrow Lane  
Saginaw, Michigan 48638

(989) 791-1555  
Fax (989) 791-1992

## INDEPENDENT AUDITORS' REPORT

To the Village Council  
Village of Edmore  
Montcalm County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Edmore, as of and for the year ended February 28, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 purposes 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.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Edmore as of February 28, 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.

To the Village Council  
Village of Edmore

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 8) and budgetary comparison information (pages 38 through 41) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Edmore's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2015 on our consideration of the Village of Edmore's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Edmore's internal control over financial reporting and compliance.

*Berthiaume & Co.*

Saginaw, Michigan  
April 1, 2015

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

# VILLAGE OF EDMORE

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2015

As management of the Village of Edmore (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

### FINANCIAL HIGHLIGHTS:

- The Village's combined total net position is reported as \$7,631,654 for the fiscal year ended February 28, 2015, compared to \$7,720,343 for the fiscal year ended February 28, 2014.
- In the Village's governmental activities, revenues generated were \$563,473 while expenses totaled \$628,604.
- In the Village's business-type activities, revenues generated were \$427,968 while expenses totaled \$442,767.
- Total net position decreased by \$88,689.

### OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

#### Government-wide Financial Statements:

The government-wide statements are designed to provide readers with a broad overview of the Village's finances, as a whole, 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. The *statement of activities* presents all of the Village's revenues and expenses, and is reported based on when the underlying event giving rise to the revenue or expense occurs, regardless of when cash is received or paid.

The government-wide statements of the Village of Edmore are divided into two categories:

**Governmental Activities** – Most of the Village's basic services are included here, such as the public safety, public works, recreation departments, and general administration. Property taxes, state shared revenue, and charges for services finance most of these activities.

**Business-type Activities** – The Village charges fees to customers to recover all or a significant portion of certain services it provides. These business-type activities include water distribution and wastewater collection.

The government-wide financial statements include not only the Village itself (known as the *primary government*), but also the legally separate entity of the *Downtown Development Authority* for which the Village is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

# VILLAGE OF EDMORE

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2015

### **Fund Financial Statements:**

The fund financial statements provide more detailed information about the Village's most significant funds, not the Village as a whole. 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.

The Village has three types of funds:

**Governmental Funds** – Most of the Village's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out. The funds also show the balances left at year-end that are available for spending.

The governmental funds focus on a short-term view, rather than the long-term focus of the government-wide statements, so additional information is provided after each of the governmental fund statements that explain the relationship of differences between the fund and government-wide statements.

The Village maintains five (5) individual governmental funds. Separate information is presented for the General Fund, Major Street Fund, Economic Development Fund and Sunrise Project Fund, which are considered to be "major" funds. Data from the other governmental fund, the Local Street Fund, considered to be a "nonmajor" fund, is also presented separately.

The Village adopts an annual budget for each of its governmental funds. Budgetary comparison statements have been provided for the General Fund and major special revenue funds to demonstrate compliance with those budgets.

**Proprietary Funds** – Proprietary funds are used to report services where the Village charges a fee to the customer to recover most or all of the cost of the service rendered. Proprietary funds provide both long- and short-term financial information. The two types of proprietary funds are enterprise and internal service funds.

- Enterprise funds and business-type funds are the same, but the fund statements provide more detail and additional information such as cash flows.
- Internal service funds are used to report activities that provide supplies and services to the Village's other programs. The Village's internal service fund is the Motor Pool Fund.

**Fiduciary Funds** – Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are available to support the Village's own programs.

### **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.

### **Other Information:**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village. The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplementary information.

# VILLAGE OF EDMORE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2015

### THE VILLAGE OF EDMORE AS A WHOLE:

The Village's total combined net position for the fiscal year ended February 28, 2015 is \$7,631,654, consisting of \$4,109,864 in governmental activities and \$3,521,790 in business-type activities.

Combined unrestricted net position, that part of net position that can be used to finance day-to-day operations, is \$2,258,831. Governmental activities unrestricted total is \$915,732, while business-type activities is \$1,343,099.

The following table shows comparisons of total assets, total liabilities, total deferred inflows and total net position in a condensed format as of February 28, 2015 and February 28, 2014.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Assets:</b>						
Current and other assets	\$ 3,002,178	\$ 3,345,119	\$ 1,462,213	\$ 1,401,338	\$ 4,464,391	\$ 4,746,457
Capital assets	<u>1,129,292</u>	<u>857,680</u>	<u>4,462,635</u>	<u>4,578,779</u>	<u>5,591,927</u>	<u>5,436,459</u>
Total assets	<u>4,131,470</u>	<u>4,202,799</u>	<u>5,924,848</u>	<u>5,980,117</u>	<u>10,056,318</u>	<u>10,182,916</u>
<b>Liabilities:</b>						
Other liabilities	6,886	13,439	13,058	15,528	19,944	28,967
Long-term liabilities	<u>10,174</u>	<u>5,606</u>	<u>2,390,000</u>	<u>2,428,000</u>	<u>2,400,174</u>	<u>2,433,606</u>
Total liabilities	<u>17,060</u>	<u>19,045</u>	<u>2,403,058</u>	<u>2,443,528</u>	<u>2,420,118</u>	<u>2,462,573</u>
<b>Deferred inflows:</b>						
State grant	<u>4,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,546</u>	<u>-</u>
<b>Net position:</b>						
Net investment in capital assets	1,129,292	857,680	2,072,635	2,150,779	3,201,927	3,008,459
Restricted	2,064,840	2,352,054	106,056	81,850	2,170,896	2,433,904
Unrestricted	<u>915,732</u>	<u>974,020</u>	<u>1,343,099</u>	<u>1,303,960</u>	<u>2,258,831</u>	<u>2,277,980</u>
Total net position	<u>\$ 4,109,864</u>	<u>\$ 4,183,754</u>	<u>\$ 3,521,790</u>	<u>\$ 3,536,589</u>	<u>\$ 7,631,654</u>	<u>\$ 7,720,343</u>

The Village's combined total net position decreased by \$88,689 during the current fiscal year. Governmental activities decreased by \$73,890 while business-type activities decreased by \$14,799.

### Governmental Activities:

The Village's total governmental revenue is reported at \$563,473, a decrease of \$38,077 from the prior year. Total expenses decreased by \$818 from the prior year.

### Business-type Activities:

The Village's total business-type revenue is reported at \$427,968, a decrease of \$689,431 from the prior year. Total expenses increased by \$43,196 from the prior year. In the prior year, the Village finished a sewer system improvement project for which it had received capital grants in the amount of \$642,601.



# VILLAGE OF EDMORE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2015

The following table shows the comparison of the change in net position in a condensed format for the years ended February 28, 2015 and February 28, 2014.

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 48,064	\$ 51,491	\$ 426,502	\$ 415,986	\$ 474,566	\$ 467,477
Operating grants and contributions	111,660	111,704	-	-	111,660	111,704
Capital contributions	30,000	60,203	-	699,903	30,000	760,106
General revenues						
Property taxes	241,453	241,566	-	-	241,453	241,566
Payment in lieu of property taxes	1,776	1,335	-	-	1,776	1,335
Franchise fees	1,344	1,230	-	-	1,344	1,230
State revenue sharing	109,102	107,469	-	-	109,102	107,469
Investment earnings	8,758	9,296	1,466	1,510	10,224	10,806
Other	11,316	17,256	-	-	11,316	17,256
Total revenues	<u>563,473</u>	<u>601,550</u>	<u>427,968</u>	<u>1,117,399</u>	<u>991,441</u>	<u>1,718,949</u>
<b>Expenses:</b>						
General government	139,059	132,969	-	-	139,059	132,969
Public safety	101,432	75,054	-	-	101,432	75,054
Public works	296,369	299,293	-	-	296,369	299,293
Community and economic development	62,893	92,758	-	-	62,893	92,758
Recreation and culture	28,851	29,348	-	-	28,851	29,348
Sewer	-	-	278,239	254,449	278,239	254,449
Water	-	-	164,528	145,122	164,528	145,122
Total expenses	<u>628,604</u>	<u>629,422</u>	<u>442,767</u>	<u>399,571</u>	<u>1,071,371</u>	<u>1,028,993</u>
Excess of revenues over expenses before other	<u>(65,131)</u>	<u>(27,872)</u>	<u>(14,799)</u>	<u>717,828</u>	<u>(79,930)</u>	<u>689,956</u>
<b>Other items:</b>						
Sale of capital assets	<u>(8,759)</u>	<u>357</u>	<u>-</u>	<u>-</u>	<u>(8,759)</u>	<u>357</u>
<b>Changes in net position</b>	<b>(73,890)</b>	<b>(27,515)</b>	<b>(14,799)</b>	<b>717,828</b>	<b>(88,689)</b>	<b>690,313</b>
Net position, beginning of year	<u>4,183,754</u>	<u>4,211,269</u>	<u>3,536,589</u>	<u>2,818,761</u>	<u>7,720,343</u>	<u>7,030,030</u>
Net position, end of year	<u>\$ 4,109,864</u>	<u>\$ 4,183,754</u>	<u>\$ 3,521,790</u>	<u>\$ 3,536,589</u>	<u>\$ 7,631,654</u>	<u>\$ 7,720,343</u>

# VILLAGE OF EDMORE

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2015

### **THE VILLAGE OF EDMORE'S FUNDS:**

Presentation of the Village of Edmore's major funds begins on page 13, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. Funds are created to help manage money for specific purposes, as well as show accountability for certain activities, such as specific property tax millages and restricted receipts from Federal and State sources.

The General Fund is the Village's largest governmental fund and one of four governmental funds that is considered a major fund. It pays for most of the Village's government services. Its major components of revenue are property taxes and state shared revenue. For the year ended February 28, 2015, General Fund financing uses exceeded its financing sources by \$30,982, decreasing its ending fund balance to \$784,844. The Village's second major governmental fund, the Major Street Fund was able to increase its ending fund balance by \$31,991. The Village's third major governmental fund, the Economic Development Fund, decreased its ending fund balance by \$33,539. The Village's fourth major governmental fund, the Sunrise Project Fund decreased its ending fund balance by \$306,801.

### **General Fund Budgetary Highlights:**

The General Fund budget, as originally adopted, projected a net increase in fund balance of \$1,607. During the year, the Village made budget amendments that changed the projected net decrease in fund balance to \$42,411 for the fiscal year. The actual results yielded a decrease in fund balance of \$30,982.

### **Capital Assets and Debt Administration:**

At February 28, 2015, the Village of Edmore had \$5,591,927 invested in a range of capital assets including land and land improvements, buildings, machinery and equipment, vehicles, water and sewer lines, and other infrastructure net of accumulated depreciation. At February 28, 2014, this total was \$5,436,459. Additional information about the Village's capital assets is presented in Note 1 and Note 6 of the Notes to the Financial Statements.

At February 28, 2015, the Village of Edmore's total bonded indebtedness was \$2,390,000 (not including compensate absences payable), which is backed by specific revenue sources. Additional information about the Village's indebtedness is presented in Note 8 of the Notes to the Financial Statements.

### **Economic Factors:**

We are continuing to plan for the long term, and will continue to balance the budgets through controls over spending, while striving to provide the Village's residents with the same level of service to which they have become accustomed.

### **Contacting the Village's Financial Management:**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village of Edmore, 209 S Sheldon St, Edmore, MI 48746.

***BASIC FINANCIAL STATEMENTS***

# VILLAGE OF EDMORE

## STATEMENT OF NET POSITION

February 28, 2015

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,645,156	\$ 1,384,432	\$ 4,029,588	\$ 216,690
Receivables	357,022	77,781	434,803	37,595
Capital assets:				
Capital assets not being depreciated	146,022	15,804	161,826	-
Capital assets being depreciated, net	983,270	4,446,831	5,430,101	-
Total assets	<u>4,131,470</u>	<u>5,924,848</u>	<u>10,056,318</u>	<u>254,285</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	6,886	13,058	19,944	43
Long-term liabilities:				
Due within one year	-	39,000	39,000	-
Due in more than one year	10,174	2,351,000	2,361,174	-
Total liabilities	<u>17,060</u>	<u>2,403,058</u>	<u>2,420,118</u>	<u>43</u>
<b>Deferred inflows of resources:</b>				
State grant applicable to future period	4,546	-	4,546	-
<b>Net position:</b>				
Net investment in capital assets	1,129,292	2,072,635	3,201,927	-
Restricted for:				
Debt service	-	106,056	106,056	-
Economic development	760,495	-	760,495	-
Streets	819,529	-	819,529	-
Sunrise capital projects	484,816	-	484,816	-
Unrestricted	915,732	1,343,099	2,258,831	254,242
Total net position	<u>\$ 4,109,864</u>	<u>\$ 3,521,790</u>	<u>\$ 7,631,654</u>	<u>\$ 254,242</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF EDMORE

## STATEMENT OF ACTIVITIES

Year Ended February 28, 2015

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>PRIMARY GOVERNMENT:</b>					
<i>Governmental activities:</i>					
General government	\$ 139,059	\$ 8,520	\$ -	\$ -	\$ (130,539)
Public safety	101,432	7,398	-	-	(94,034)
Public works	296,369	24,816	111,660	-	(159,893)
Community and economic development	62,893	7,330	-	-	(55,563)
Recreation and culture	28,851	-	-	30,000	1,149
Total governmental activities	628,604	48,064	111,660	30,000	(438,880)
<i>Business-type activities:</i>					
Sewer	278,239	276,637	-	-	(1,602)
Water	164,528	149,865	-	-	(14,663)
Total business-type activities	442,767	426,502	-	-	(16,265)
Total primary government	<u>\$1,071,371</u>	<u>\$ 474,566</u>	<u>\$ 111,660</u>	<u>\$ 30,000</u>	<u>\$ (455,145)</u>
<b>COMPONENT UNIT:</b>					
Downtown development authority	<u>\$ 42,856</u>	<u>\$ -</u>	<u>\$ 27,319</u>	<u>\$ -</u>	<u>\$ (15,537)</u>

continued

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF EDMORE

## STATEMENT OF ACTIVITIES, CONTINUED

Year Ended February 28, 2015

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>	
<i>Changes in net position:</i>				
Net (Expense) Revenue	\$ (438,880)	\$ (16,265)	\$ (455,145)	\$ (15,537)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	241,453	-	241,453	-
Property taxes captured by component unit	-	-	-	73,341
Payment in lieu of property taxes	1,776	-	1,776	-
Franchise fees	1,344	-	1,344	-
Grants and contributions not restricted to specific programs	109,102	-	109,102	-
Unrestricted investment earnings	8,758	1,466	10,224	-
Other	11,316	-	11,316	-
Special item:				
Net loss on disposal of capital asset	(8,759)	-	(8,759)	-
Total general revenues and special item	<u>364,990</u>	<u>1,466</u>	<u>366,456</u>	<u>73,341</u>
Changes in net position	(73,890)	(14,799)	(88,689)	57,804
Net position, beginning of year	<u>4,183,754</u>	<u>3,536,589</u>	<u>7,720,343</u>	<u>196,438</u>
Net position, end of year	<u>\$ 4,109,864</u>	<u>\$ 3,521,790</u>	<u>\$ 7,631,654</u>	<u>\$ 254,242</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF EDMORE

---

## GOVERNMENTAL FUNDS

### BALANCE SHEET

February 28, 2015

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Economic Development Fund</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 744,889	\$ 415,825	\$ 472,053
Accounts receivable	1,608	-	-
Notes receivable	-	-	288,442
Due from other governments	43,550	15,081	-
Due from other funds	-	-	-
	<u>790,047</u>	<u>430,906</u>	<u>760,495</u>
Total assets	<u>\$ 790,047</u>	<u>\$ 430,906</u>	<u>\$ 760,495</u>
<b>Liabilities:</b>			
Accrued expenses	\$ 5,203	\$ 171	\$ -
Due to other funds	-	3,028	-
	<u>5,203</u>	<u>3,199</u>	<u>-</u>
Total liabilities	<u>5,203</u>	<u>3,199</u>	<u>-</u>
<b>Deferred inflows of resources:</b>			
State grant applicable to future period	-	1,515	-
	<u>-</u>	<u>1,515</u>	<u>-</u>
<b>Fund balances:</b>			
Nonspendable:			
Long-term receivables	-	-	288,442
Restricted for:			
Economic development	-	-	472,053
Streets	-	426,192	-
Sunrise capital projects	-	-	-
Committed for:			
Police protection	3,095	-	-
Unassigned	781,749	-	-
	<u>784,844</u>	<u>426,192</u>	<u>760,495</u>
Total fund balances	<u>784,844</u>	<u>426,192</u>	<u>760,495</u>
Total liabilities and fund balances	<u>\$ 790,047</u>	<u>\$ 430,906</u>	<u>\$ 760,495</u>

continued

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF EDMORE

## GOVERNMENTAL FUNDS BALANCE SHEET, CONTINUED

February 28, 2015

	<i>Sunrise Project Fund</i>	<i>Nonmajor Fund Local Street Fund</i>	<i>Total</i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 484,816	\$ 385,352	\$ 2,502,935
Accounts receivable	-	-	1,608
Notes receivable	-	-	288,442
Due from other governments	-	8,341	66,972
Due from other funds	-	3,028	3,028
	<u>484,816</u>	<u>396,721</u>	<u>2,862,985</u>
Total assets	<u>\$ 484,816</u>	<u>\$ 396,721</u>	<u>\$ 2,862,985</u>
<b>Liabilities:</b>			
Accrued expenses	\$ -	\$ 353	\$ 5,727
Due to other funds	-	-	3,028
	<u>-</u>	<u>353</u>	<u>8,755</u>
Total liabilities	<u>-</u>	<u>353</u>	<u>8,755</u>
<b>Deferred inflows of resources:</b>			
State grant applicable to future period	-	3,031	4,546
	<u>-</u>	<u>3,031</u>	<u>4,546</u>
<b>Fund balances:</b>			
Nonspendable:			
Long-term receivables	-	-	288,442
Restricted for:			
Economic development	-	-	472,053
Streets	-	393,337	819,529
Sunrise capital projects	484,816	-	484,816
Committed for:			
Police protection	-	-	3,095
Unassigned	-	-	781,749
	<u>484,816</u>	<u>393,337</u>	<u>2,849,684</u>
Total fund balances	<u>484,816</u>	<u>393,337</u>	<u>2,849,684</u>
Total liabilities and fund balances	<u>\$ 484,816</u>	<u>\$ 396,721</u>	<u>\$ 2,862,985</u>

The accompanying notes are an integral part of these financial statements.



# VILLAGE OF EDMORE

---

## RECONCILIATION OF FUND BALANCES OF THE GOVERNMENT FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES

February 28, 2015

<b>Fund balances of governmental funds</b>		\$ 2,849,684
Net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Capital assets not being depreciated	146,022	
Capital assets being depreciated, net	983,270	
Capital assets accounted for in the internal service fund	<u>(40,659)</u>	1,088,633
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.		
Compensated absences payable		(10,174)
An internal service fund is used by management to charge the costs of certain activities, such as equipment usage, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities.		<u>181,721</u>
<b>Net position of governmental activities</b>		<u>\$ 4,109,864</u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF EDMORE

## GOVERNMENTAL FUNDS

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

Year Ended February 28, 2015

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Economic Development Fund</u>
<b>Revenues:</b>			
Property taxes	\$ 243,229	\$ -	\$ -
Licenses and permits	1,344	-	-
State grants	110,498	75,238	-
Contributions from other units	6,002	-	-
Charges for services	9,687	-	250
Interest and rents	6,920	227	3,757
Other revenue	41,718	-	-
	<u>419,398</u>	<u>75,465</u>	<u>4,007</u>
Total revenues			
<b>Expenditures:</b>			
Current			
General government	131,779	-	-
Public safety	96,067	-	-
Public works	172,641	23,898	-
Community and development	1,210	-	461
Recreation and culture	20,154	-	-
Other	4,533	-	-
Capital outlay	73,996	-	-
	<u>500,380</u>	<u>23,898</u>	<u>461</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(80,982)</u>	<u>51,567</u>	<u>3,546</u>
<b>Other financing sources (uses):</b>			
Write down portion of note receivable	-	-	(37,085)
Transfers from (to) other funds	<u>50,000</u>	<u>(19,576)</u>	<u>-</u>
Total other financing sources (uses)	<u>50,000</u>	<u>(19,576)</u>	<u>(37,085)</u>
Changes in fund balances	(30,982)	31,991	(33,539)
Fund balances, beginning of year	<u>815,826</u>	<u>394,201</u>	<u>794,034</u>
Fund balances, end of year	<u>\$ 784,844</u>	<u>\$ 426,192</u>	<u>\$ 760,495</u>

continued

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF EDMORE

---

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, CONTINUED

Year Ended February 28, 2015

	<i>Sunrise Project Fund</i>	<i>Nonmajor Fund Local Street Fund</i>	<i>Total</i>
<b>Revenues:</b>			
Property taxes	\$ -	\$ -	\$ 243,229
Licenses and permits	-	-	1,344
State grants	-	36,422	222,158
Contributions from other units	-	-	6,002
Charges for services	-	-	9,937
Interest and rents	9,250	294	20,448
Other revenue	-	-	41,718
	<u>9,250</u>	<u>36,716</u>	<u>544,836</u>
Total revenues			
<b>Expenditures:</b>			
Current			
General government	-	-	131,779
Public safety	-	-	96,067
Public works	-	35,157	231,696
Community and development	18,357	-	20,028
Recreation and culture	-	-	20,154
Other	-	-	4,533
Capital outlay	<u>247,694</u>	<u>-</u>	<u>321,690</u>
Total expenditures	<u>266,051</u>	<u>35,157</u>	<u>825,947</u>
Excess (deficiency) of revenues over expenditures	<u>(256,801)</u>	<u>1,559</u>	<u>(281,111)</u>
<b>Other financing sources (uses):</b>			
Write down portion of note receivable	-	-	(37,085)
Transfers from (to) other funds	<u>(50,000)</u>	<u>19,576</u>	<u>-</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>19,576</u>	<u>(37,085)</u>
Changes in fund balances	(306,801)	21,135	(318,196)
Fund balances, beginning of year	<u>791,617</u>	<u>372,202</u>	<u>3,167,880</u>
Fund balances, end of year	<u>\$ 484,816</u>	<u>\$ 393,337</u>	<u>\$ 2,849,684</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF EDMORE

---

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

Year Ended February 28, 2015

**Changes in fund balances of governmental funds** \$ (318,196)

Change in net position reported for governmental activities in the statement of activities is different because:

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 and reported as depreciation expense.

Purchases of capital assets	321,690	
Less depreciation expense	(41,316)	
Less loss on disposal of capital assets	(8,762)	
Depreciation expense accounted for in the internal service fund	<u>15,060</u>	286,672

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

Change in compensated absences payable		(4,568)
--	--	---------

An internal service fund is used by management to charge the costs of certain activities, such as equipment usage, to individual funds. The net revenues (expenses) attributable to that fund are included in governmental activities.

Operating loss from governmental activities in the internal service fund	(37,858)	
Interest income from governmental activities in the internal service fund	<u>60</u>	<u>(37,798)</u>

**Change in net position of governmental activities** \$ (73,890)

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF EDMORE

## PROPRIETARY FUNDS STATEMENT OF NET POSITION

February 28, 2015

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>	
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 690,916	\$ 587,460	\$ 1,278,376	\$ 142,221
Accounts receivable	51,478	26,303	77,781	-
Total current assets	<u>742,394</u>	<u>613,763</u>	<u>1,356,157</u>	<u>142,221</u>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	106,056	-	106,056	-
Capital assets:				
Capital assets not being depreciated	13,050	2,754	15,804	-
Capital assets being depreciated, net	<u>3,887,910</u>	<u>558,921</u>	<u>4,446,831</u>	<u>40,659</u>
Total noncurrent assets	<u>4,007,016</u>	<u>561,675</u>	<u>4,568,691</u>	<u>40,659</u>
Total assets	<u>4,749,410</u>	<u>1,175,438</u>	<u>5,924,848</u>	<u>182,880</u>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accrued expenses	1,329	1,771	3,100	1,159
Accrued interest payable	9,958	-	9,958	-
Current long-term debt	<u>39,000</u>	<u>-</u>	<u>39,000</u>	<u>-</u>
Total current liabilities	<u>50,287</u>	<u>1,771</u>	<u>52,058</u>	<u>1,159</u>
<b>Noncurrent liabilities:</b>				
Long-term debt	<u>2,351,000</u>	<u>-</u>	<u>2,351,000</u>	<u>-</u>
Total liabilities	<u>2,401,287</u>	<u>1,771</u>	<u>2,403,058</u>	<u>1,159</u>
<b>Net position:</b>				
Net investment in capital assets	1,510,960	561,675	2,072,635	40,659
Restricted for:				
Debt service	106,056	-	106,056	-
Unrestricted	<u>731,107</u>	<u>611,992</u>	<u>1,343,099</u>	<u>141,062</u>
Total net position	<u>\$ 2,348,123</u>	<u>\$ 1,173,667</u>	<u>\$ 3,521,790</u>	<u>\$ 181,721</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF EDMORE

## PROPRIETARY FUNDS

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Year Ended February 28, 2015

	<i>Enterprise Funds</i>			<i>Internal Service Fund</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>	
<b>Operating revenues:</b>				
Charges for services	\$ 273,303	\$ 147,571	\$ 420,874	\$ -
Penalties	3,334	1,844	5,178	-
Equipment rental	-	-	-	67,081
Other	-	450	450	-
Total operating revenues	<u>276,637</u>	<u>149,865</u>	<u>426,502</u>	<u>67,081</u>
<b>Operating expenses:</b>				
Personal services	63,601	76,115	139,716	49,937
Supplies	797	5,943	6,740	10,187
Other services and charges	42,493	49,501	91,994	29,755
Depreciation	<u>111,946</u>	<u>32,969</u>	<u>144,915</u>	<u>15,060</u>
Total operating expenses	<u>218,837</u>	<u>164,528</u>	<u>383,365</u>	<u>104,939</u>
Operating income (loss)	<u>57,800</u>	<u>(14,663)</u>	<u>43,137</u>	<u>(37,858)</u>
<b>Non-operating revenues (expenses):</b>				
Interest income	664	1,466	2,130	60
Interest expense	<u>(60,066)</u>	<u>-</u>	<u>(60,066)</u>	<u>-</u>
Net non-operating revenues (expenses)	<u>(59,402)</u>	<u>1,466</u>	<u>(57,936)</u>	<u>60</u>
Changes in net position	(1,602)	(13,197)	(14,799)	(37,798)
Net position, beginning of year	<u>2,349,725</u>	<u>1,186,864</u>	<u>3,536,589</u>	<u>219,519</u>
Net position, end of year	<u>\$ 2,348,123</u>	<u>\$ 1,173,667</u>	<u>\$ 3,521,790</u>	<u>\$ 181,721</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF EDMORE

## PROPRIETARY FUNDS

### STATEMENT OF CASH FLOWS

Year Ended February 28, 2015

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>	
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 261,721	\$ 142,297	\$ 404,018	\$ -
Cash received (payments) for interfund services	(9,447)	(8,624)	(18,071)	67,081
Cash payments to employees and on behalf of employees	(63,665)	(75,802)	(139,467)	(50,225)
Cash payments to suppliers for goods and services	<u>(34,617)</u>	<u>(48,606)</u>	<u>(83,223)</u>	<u>(41,919)</u>
Net cash provided (used) by operating activities	<u>153,992</u>	<u>9,265</u>	<u>163,257</u>	<u>(25,063)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	-	(28,771)	(28,771)	-
Principal paid on debt	(38,000)	-	(38,000)	-
Interest paid on debt	<u>(60,225)</u>	<u>-</u>	<u>(60,225)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(98,225)</u>	<u>(28,771)</u>	<u>(126,996)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Interest received	<u>664</u>	<u>1,466</u>	<u>2,130</u>	<u>60</u>
Net increase (decrease) in cash and cash equivalents	56,431	(18,040)	38,391	(25,003)
Cash and cash equivalents, beginning of year	<u>740,541</u>	<u>605,500</u>	<u>1,346,041</u>	<u>167,224</u>
Cash and cash equivalents, end of year	<u>\$ 796,972</u>	<u>\$ 587,460</u>	<u>\$ 1,384,432</u>	<u>\$ 142,221</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 57,800	\$ (14,663)	\$ 43,137	\$ (37,858)
Adjustments:				
Depreciation	111,946	32,969	144,915	15,060
Change in assets and liabilities:				
Accounts receivable	(14,916)	(7,568)	(22,484)	-
Accounts payable	(774)	(1,786)	(2,560)	(1,977)
Accrued expenses	<u>(64)</u>	<u>313</u>	<u>249</u>	<u>(288)</u>
Net cash provided (used) by operating activities	<u>\$ 153,992</u>	<u>\$ 9,265</u>	<u>\$ 163,257</u>	<u>\$ (25,063)</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF EDMORE

---

## *FIDUCIARY FUND*

### STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

February 28, 2015

	<u><i>Agency Funds</i></u>
<b>Assets:</b>	
Cash and cash equivalents	\$ <u>59,516</u>
<b>Liabilities:</b>	
Accounts payable and accrued expenses	\$ <u>59,516</u>

*The accompanying notes are an integral part of these financial statements.*



***NOTES TO FINANCIAL STATEMENTS***

# VILLAGE OF EDMORE

---

## NOTES TO FINANCIAL STATEMENTS

February 28, 2015

---

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

The following is a summary of the significant accounting policies used by the Village of Edmore, (the "Village"):

#### **Reporting Entity:**

The Village of Edmore is governed by a seven-member Council. The Village provides the following services: general administrative services, police protection, highway and street maintenance, recreation and other governmental functions.

The accompanying financial statements present the Village as the primary government. Component units are separate legal entities for which the Village is financially accountable. Blended component units are, in substance, part of the primary government's operations, and presented as funds of the primary government. Discretely presented component units are reported in separate columns in the government-wide financial statements. The Village has determined that it has one component unit and that it should be discretely presented.

#### **Discretely Presented Component Unit:**

**Downtown Development Authority** – The members of the governing board of the Downtown Development Authority (DDA) are appointed by the Village Council. The budgets and expenditures of the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority. Separate financial statements of the Downtown Development Authority are not prepared.

#### **Accounting and Reporting Principles:**

The Village follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board.

#### **Report Presentation:**

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenues 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. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

# VILLAGE OF EDMORE

---

## NOTES TO FINANCIAL STATEMENTS

February 28, 2015

---

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

---

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the Village's enterprise functions and various other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are not included in the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### **Fund Accounting:**

The Village accounts for its various activities in several different funds in order to demonstrate accountability for how it has spent certain resources - separate funds allow the Village to show the particular expenditures that specific revenues were used for. The various funds are aggregated into three broad fund types:

**Governmental funds** include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, and capital project funds.

**Proprietary funds** provide goods or services to users in exchange for charges or fees.

**Fiduciary funds** account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the Village's own programs

The Village reports the following major governmental funds:

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

**Special Revenue Fund – Major Street Fund** – The Major Street Fund accounts for the maintenance and construction of streets designated by the Michigan Department of Transportation as major streets in the Village.

**Special Revenue Fund – Economic Development Fund** – The Economic Development Fund accounts for loans and repayments (revolving loans) to local businesses to encourage economic growth in the Village.

**Capital Project Fund – Sunrise Project Fund** – The Sunrise Project Fund accounts for the revenues and expenditures in connection with the development, operation and/or sale of the former Hitachi Magnetics Corporation manufacturing facility.

The Village reports the following major proprietary funds:

**Enterprise Fund – Sewer Fund** – The Sewer Fund accounts for the operation and maintenance of the Village's sewage disposal system.

**Enterprise Fund – Water Fund** – The Water Fund account for the operation and maintenance of the Village's water supply system.

# VILLAGE OF EDMORE

---

## NOTES TO FINANCIAL STATEMENTS

February 28, 2015

---

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

---

Additionally, the Village reports the following fund types:

***Special Revenue Funds*** – Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

***Capital Project Funds*** – Capital project funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds).

***Internal Service Funds*** – Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, on a cost-reimbursement basis. The Village reports on one internal service fund: 1) the motor pool fund is used for the purchase and maintenance of the Village's fleet through rental charges for equipment to other funds.

***Fiduciary Funds – Agency Funds*** – Agency funds account for assets held by the Village in a trustee capacity. These funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results in operations.

#### **Basis of Accounting:**

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources. Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the Village considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: most state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period.

Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### **Specific Balances and Transactions:**

***Deposits and Investments*** – Cash includes cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the Village considers all investments (including restricted assets) to be cash equivalents.

# VILLAGE OF EDMORE

---

## NOTES TO FINANCIAL STATEMENTS

February 28, 2015

---

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

---

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** – Restricted assets consist of cash and cash equivalents held for wastewater system debt service.

**Capital Assets** – Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are defined by the Village as assets with an individual cost in excess of \$5,000 and an estimated useful life in excess of one year. 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. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Land improvements	15-20 years
Vehicles	5-10 years
Equipment	5-20 years
Distribution systems	25-80 years

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

**Deferred Outflows/Inflows of Resources** – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting.

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

**Fund Balance Flow Assumption** – Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be

# VILLAGE OF EDMORE

---

## NOTES TO FINANCIAL STATEMENTS

February 28, 2015

---

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

---

made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policies** – In the fund financial statements, fund balance may be presented in five possible categories, each of which identifies the extent to which the Village is bound to honor constraints on the specific purpose for which amounts can be spent:

*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 Village Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Village Council.

*Assigned* – Amounts that are intended to be used for specific purposes expressed by the Village Council.

*Unassigned* – Amounts that do not fall into any category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

**Property Taxes** – Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14. The 2014 taxable valuation of the Village totaled \$22,002,862 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments), on which ad valorem taxes levied consisted of 12.4907 mills. The Village allocates 10.9387 mills for operating purposes and 1.5520 mills for rubbish collection. The delinquent real property taxes of the Village are purchased by Montcalm County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

**Compensated Absences (Vacation and Sick Leave)** – Individual employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in Village policies. In addition, the Village's policy is to pay terminated or resigned employees for any accumulated unused sick (max 280) hours. Accumulated benefits of governmental funds are recorded on the statement of net position and not on the governmental fund balance sheets because they are not expected to be liquidated with expendable available financial resources.

# VILLAGE OF EDMORE

---

## NOTES TO FINANCIAL STATEMENTS

February 28, 2015

---

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

---

***Proprietary Funds Operating Classification*** – Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. The proprietary funds recognize as capital contributions the tap fees intended to recover the cost of connecting new customers to the system and as nonoperating revenues rental income and investment income. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not included in these classifications are reported as nonoperating expenses.

#### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Interfund Activity:**

During the course of operations, the Village has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

---

### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

---

#### **Budgetary Information:**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all special revenue funds. Before the beginning of the next fiscal year, a proposed operating budget is submitted to the Village Council by fund. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayer comments. Prior to March 1, the budget is legally enacted by adoption of the Village Council. Any revision that alters the total expenditures of any fund must be approved by the Village Council. Formal budgetary integration is employed as a management control device during the year for all funds. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the budgeted amounts for the General Fund as well as any other major funds is included in the required supplementary information. All annual appropriations lapse at fiscal year end.

# VILLAGE OF EDMORE

---

## NOTES TO FINANCIAL STATEMENTS

February 28, 2015

---

### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

---

#### Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Village incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess</u>
<b>General Fund:</b>			
General government:			
Council	\$ 16,093	\$ 16,454	\$ 361
Clerk	2,509	2,564	55
Treasurer	2,709	2,723	14
Hall and grounds	4,200	4,422	222
Capital outlay	63,560	73,996	10,436
<b>Economic Development Fund:</b>			
Community and economic development	400	461	61
Other financing uses:			
Write down portion of note receivable	-	37,085	37,085

---

### NOTE 3: DEPOSITS AND INVESTMENTS

---

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Village Council is in accordance with Public Act 196 of 1997. The Village's deposits and investments have been made in accordance with statutory authority.

The Village's deposits are subject to several types of risk, which are presented in more detail as follows:

#### Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had \$4,335,653, of bank deposits (certificates of deposit, checking, and savings accounts), of which \$1,040,208 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.



# VILLAGE OF EDMORE

---

## NOTES TO FINANCIAL STATEMENTS

February 28, 2015

---

### NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

---

#### Sewer Fund Reserves:

The Village is required to have these specific accounts established and monies deposited as follows:

**Bond and Interest Redemption Account** – Monthly transfers are to be made equal to 1/6 of the next interest payment due plus 1/12 of the next principal payment due.

**Sewer Bond Reserve Account** – Annually \$10,200 is to be transferred to this account until \$102,000 is accumulated.

**Repair, Replacement, and Improvement Fund** – Annually \$13,000 is to be deposited into this account until the Bond Reserve Account is fully funded. From that time on, annual installments of \$23,200 are to be deposited for the life of the loan.

At February 28, 2015 the Village had \$106,056 restricted cash for bond and interest redemption.

---

### NOTE 5: NOTES RECEIVABLE

---

The Economic Development Fund makes low and non-interest bearing loans to businesses located within the Village's Downtown Development District. The balance of these notes at February 28, 2015 was \$288,442. This balance was recorded on the statement of net position as a receivable. No allowance has been made for uncollectible amounts because the Village believes all are currently collectible. During the current year, the Village Council approved rewriting one of the notes receivable. This resulted in a write off of \$37,085 in the receivable balance.

---

### NOTE 6: CAPITAL ASSETS

---

Capital asset activity for the year ended February 28, 2015 was as follows:

	<u>March 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>February 28, 2015</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 146,022	\$ -	\$ -	\$ 146,022
Capital assets being depreciated:				
Buildings and improvements	539,232	29,304	(3,024)	565,512
Infrastructure	53,564	247,694	-	301,258
Land improvements	184,396	-	(7,539)	176,857
Machinery and equipment	243,950	44,692	(20,677)	267,965
Vehicles	201,267	-	-	201,267
Total capital assets being depreciated	<u>1,222,409</u>	<u>321,690</u>	<u>(31,240)</u>	<u>1,512,859</u>

continued

# VILLAGE OF EDMORE

## NOTES TO FINANCIAL STATEMENTS

February 28, 2015

### NOTE 6: CAPITAL ASSETS, CONTINUED

	<i>March 1, 2014</i>	<i>Additions</i>	<i>Retirements</i>	<i>February 28, 2015</i>
Less accumulated depreciation for:				
Buildings and improvements	(53,013)	(5,374)	1,572	(56,815)
Infrastructure	(31,311)	(7,391)	-	(38,702)
Land improvements	(61,403)	(5,927)	3,166	(64,164)
Machinery and equipment	(188,836)	(16,347)	17,740	(187,443)
Vehicles	(176,188)	(6,277)	-	(182,465)
Total accumulated depreciation	<u>(510,751)</u>	<u>(41,316)</u>	<u>22,478</u>	<u>(529,589)</u>
Capital assets being depreciated, net	<u>711,658</u>	<u>280,374</u>	<u>(8,762)</u>	<u>983,270</u>
Governmental activities, capital assets, net	<u>\$ 857,680</u>	<u>\$ 280,374</u>	<u>\$ (8,762)</u>	<u>\$ 1,129,292</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 15,804	\$ -	\$ -	\$ 15,804
Capital assets being depreciated:				
Equipment	156,203	28,771	-	184,974
Sewer system	4,640,347	-	-	4,640,347
Water system	1,521,015	-	-	1,521,015
Total capital assets being depreciated	<u>6,317,565</u>	<u>28,771</u>	<u>-</u>	<u>6,346,336</u>
Less accumulated depreciation for:				
Equipment	(80,095)	(9,820)	-	(89,915)
Sewer system	(716,378)	(103,265)	-	(819,643)
Water system	(958,117)	(31,830)	-	(989,947)
Total accumulated depreciation	<u>(1,754,590)</u>	<u>(144,915)</u>	<u>-</u>	<u>(1,899,505)</u>
Capital assets being depreciated, net	<u>4,562,975</u>	<u>(116,144)</u>	<u>-</u>	<u>4,446,831</u>
Business-type activities, capital assets, net	<u>\$ 4,578,779</u>	<u>\$ (116,144)</u>	<u>\$ -</u>	<u>\$ 4,462,635</u>

Depreciation expense was charged to functions as follows:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>
General government	\$ 1,843	\$ -
Public safety	4,468	-
Public works	20,528	-
Community and economic development	5,780	-
Recreation and culture	8,697	-
Sewer	-	111,946
Water	-	32,969
	<u>\$ 41,316</u>	<u>\$ 144,915</u>

# VILLAGE OF EDMORE

## NOTES TO FINANCIAL STATEMENTS

February 28, 2015

### NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables in the aggregate for the year ended February 28, 2015 were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit</u>
<b>Receivables:</b>			
Property taxes	\$ -	\$ -	\$ 37,595
Accounts	1,608	77,781	-
Notes	288,442	-	-
Intergovernmental	66,972	-	-
Total receivables	<u>\$ 357,022</u>	<u>\$ 77,781</u>	<u>\$ 37,595</u>
<b>Accounts payable and accrued expenses:</b>			
Payroll and related liabilities	\$ 6,886	\$ 3,100	\$ 43
Accrued interest	-	9,958	-
Total accounts payable and accrued expenses	<u>\$ 6,886</u>	<u>\$ 13,058</u>	<u>\$ 43</u>

The above balance of \$288,442 in notes receivable is considered long-term and not expected to be received within one year.

### NOTE 8: LONG-TERM LIABILITIES

The Village may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment.

The following is a summary of long-term liabilities transactions for the year ended February 28, 2015:

	<u>March 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>February 28, 2015</u>	<u>Due Due Within One Year</u>
<b>Governmental activities:</b>					
Compensated absences	\$ 5,606	\$ 4,568	\$ -	\$ 10,174	\$ -
<b>Business-type activities:</b>					
2011 Sewage Disposal System Revenue Bond, due in annual amounts ranging from \$38,000 to \$100,000 at an interest rate of 2.50% through 2051.	<u>\$ 2,428,000</u>	<u>\$ -</u>	<u>\$ (38,000)</u>	<u>\$ 2,390,000</u>	<u>\$ 39,000</u>

# VILLAGE OF EDMORE

## NOTES TO FINANCIAL STATEMENTS

February 28, 2015

### NOTE 8: LONG-TERM LIABILITIES, CONTINUED

Annual debt service requirements to maturity for the above bond obligations is as follows:

<i>Fiscal Year Ended</i>	<i>Business-type Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2016	\$ 39,000	\$ 62,226	\$ 101,226
2017	40,000	61,189	101,189
2018	41,000	60,126	101,126
2019	42,000	59,037	101,037
2020	43,000	57,921	100,921
2021-2025	234,000	271,741	505,741
2026-2030	267,000	238,890	505,890
2031-2035	303,000	201,587	504,587
2036-2040	345,000	159,144	504,144
2041-2045	392,000	110,855	502,855
2046-2050	447,000	55,795	502,795
2051-2052	197,000	5,212	202,212
	<u>\$ 2,390,000</u>	<u>\$ 1,343,723</u>	<u>\$ 3,733,723</u>

### NOTE 9: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at February 28, 2015 is as follows:

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
Local Street Fund	Major Street Fund	<u>\$ 3,028</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers reported in the fund statements were as follows:

<i>Funds Transferred From</i>	<i>Funds Transferred To</i>	<i>Amount</i>
Sunrise Project Fund	General Fund	\$ 50,000
Major Street Fund	Local Street Fund	<u>19,576</u>
		<u>\$ 69,576</u>

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

# VILLAGE OF EDMORE

---

## NOTES TO FINANCIAL STATEMENTS

February 28, 2015

---

### NOTE 10: RISK MANAGEMENT

---

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; injuries to employees (workers' compensation); and certain medical benefits provided to employees. The Village manages its risk liability with products administered through the Michigan Municipal League. Liability and property risk, by participating in Liability and Property Pool, workers compensation, by participating in the Worker's Compensation Fund, health insurance, by participating in Municipal Benefit Services, and unemployment, by participating in the Unemployment Compensation Fund. All these plans are self-sustaining through member premiums and provide, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

---

### NOTE 11: BENEFIT PLANS

---

The Village has a defined contribution pension plan administered by The Equitable Life Assurance Society of the United States. All employees that have reached age 18, worked at least six months in the last five plan years, and made more than \$450 in the plan year are eligible for benefits.

The Village contributes 10% of each eligible employee's pay to the plan. For the fiscal year ended February 28, 2015, the Village made contributions of \$26,465 into the pension plan.

The Village provides no other benefit plans to its employees and/or retirees.

---

### NOTE 12: CONTRIBUTION FROM HITACHI MAGNETICS CORPORATION/ SUNRISE CAPITAL PROJECT FUND

---

During the year ended February 29, 2008 the Village of Edmore entered into a Property Donation Agreement with Hitachi Magnetics Corporation (HMC). The agreement dated August 27, 2007 sets forth certain obligations and conditions for the donation and conveyance of a former Hitachi manufacturing facility, buildings and property (approximately 62 acres) to the Village of Edmore. As part of this agreement, HMC also gave the Village \$2,400,000 which must be used exclusively to help the Village defray the cost of future upgrades, demolition, remodeling, new structures, operation and maintenance of the donated property. The agreement required that the Village enter into a lease with HMC for a term of five (5) years to provide HMC with office space. The Village will receive rent from HMC of \$1,000 per month. On August 27, 2012, the rental/lease agreement was extended to August 26, 2017 on the same terms. The agreement also addresses various environmental matters and restrictions for the future use of the property.

The Village accounts for this donation as an economic development activity in a capital project fund entitled the Sunrise Project Fund. Because of the various restrictions, conditions and obligations connected with the property the Village had, in 2008, determined that no value for the property should be recorded. It is the Village's intent to prepare, dispose or sell the property for future commercial and business use. During the year ended February 28, 2009 the Village sold a service building and 8.2 acres to Orchard Forklift, Inc. The Village has had no property sales since that date.

# **VILLAGE OF EDMORE**

---

## **NOTES TO FINANCIAL STATEMENTS**

February 28, 2015

---

### **NOTE 13: RESTRICTED NET POSITION**

---

The governmental activities statement of net position reports \$2,064,840 of restricted net position, of which \$819,529 is restricted by Act 51 enabling legislation.

***REQUIRED SUPPLEMENTARY INFORMATION***

# VILLAGE OF EDMORE

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2015

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 240,405	\$ 244,283	\$ 243,229	\$ (1,054)
Licenses and permits	2,000	1,344	1,344	-
State grants	105,300	110,596	110,498	(98)
Contributions from other units	5,500	6,002	6,002	-
Charges for services	13,850	8,361	9,687	1,326
Interest and rents	9,300	6,481	6,920	439
Other revenue	12,510	41,213	41,718	505
Total revenues	388,865	418,280	419,398	1,118
<b>Expenditures:</b>				
Current				
General government				
Council	15,149	16,093	16,454	361
Manager	19,810	20,066	19,675	(391)
Administration	35,100	24,602	22,981	(1,621)
Clerk	2,509	2,509	2,564	55
Audit	1,375	1,375	1,375	-
Treasurer	2,709	2,709	2,723	14
Elections	500	500	495	(5)
Hall and grounds	4,200	4,200	4,422	222
Attorney	400	2,562	2,562	-
Cemetery	58,059	58,059	56,476	(1,583)
Other	2,100	2,100	2,052	(48)
Total general government	141,911	134,775	131,779	(2,996)
Public safety				
Police	105,337	99,837	96,067	(3,770)
Public works				
Department of public works	67,748	69,875	69,070	(805)
Street lighting	32,000	29,873	26,814	(3,059)
Refuse collection	68,426	79,135	76,757	(2,378)
Total public works	168,174	178,883	172,641	(6,242)
Community and economic development				
Planning	2,000	2,000	1,210	(790)
Recreation				
Parks and recreation	15,301	26,201	20,154	(6,047)
Other				
Insurance and bonds	4,535	4,535	4,533	(2)
Capital outlay	-	63,560	73,996	10,436
Total expenditures	437,258	509,791	500,380	(9,411)

continued



# VILLAGE OF EDMORE

---

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE, CONTINUED

Year Ended February 28, 2015

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>		
Excess (deficiency) of revenues over expenditures	<u>(48,393)</u>	<u>(91,511)</u>	<u>(80,982)</u>	<u>10,529</u>
<b>Other financing sources (uses):</b>				
Transfers from (to) other funds	<u>50,000</u>	<u>49,100</u>	<u>50,000</u>	<u>900</u>
Change in fund balance	<u>1,607</u>	<u>(42,411)</u>	<u>(30,982)</u>	<u>11,429</u>
Fund balance, beginning of year	<u>815,826</u>	<u>815,826</u>	<u>815,826</u>	<u>-</u>
Fund balance, end of year	<u>\$ 817,433</u>	<u>\$ 773,415</u>	<u>\$ 784,844</u>	<u>\$ 11,429</u>

# VILLAGE OF EDMORE

---

## SPECIAL REVENUE FUND – MAJOR STREET FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2015

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
<b>Revenues:</b>				
State grants	\$ 71,100	\$ 77,089	\$ 75,238	\$ (1,851)
Interest and rents	<u>300</u>	<u>230</u>	<u>227</u>	<u>(3)</u>
Total revenues	<u>71,400</u>	<u>77,319</u>	<u>75,465</u>	<u>(1,854)</u>
<b>Expenditures:</b>				
Current				
Public works	<u>53,653</u>	<u>45,653</u>	<u>23,898</u>	<u>(21,755)</u>
Excess (deficiency) of revenues over expenditures	<u>17,747</u>	<u>31,666</u>	<u>51,567</u>	<u>19,901</u>
<b>Other financing sources (uses):</b>				
Transfers from (to) other funds	<u>(17,500)</u>	<u>(17,500)</u>	<u>(19,576)</u>	<u>(2,076)</u>
Change in fund balance	247	14,166	31,991	17,825
Fund balance, beginning of year	<u>394,201</u>	<u>394,201</u>	<u>394,201</u>	<u>-</u>
Fund balance, end of year	<u>\$ 394,448</u>	<u>\$ 408,367</u>	<u>\$ 426,192</u>	<u>\$ 17,825</u>

# VILLAGE OF EDMORE

---

## SPECIAL REVENUE FUND – ECONOMIC DEVELOPMENT FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2015

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
<b>Revenues:</b>				
Charges for services	\$ 250	\$ 250	\$ 250	\$ -
Interest and rents	<u>3,200</u>	<u>3,200</u>	<u>3,757</u>	<u>557</u>
Total revenues	<u>3,450</u>	<u>3,450</u>	<u>4,007</u>	<u>557</u>
<b>Expenditures:</b>				
Current				
Community and economic development	<u>400</u>	<u>400</u>	<u>461</u>	<u>61</u>
Excess (deficiency) of revenues over expenditures	<u>3,050</u>	<u>3,050</u>	<u>3,546</u>	<u>496</u>
<b>Other financing sources (uses):</b>				
Write down portion of note receivable	<u>-</u>	<u>-</u>	<u>(37,085)</u>	<u>(37,085)</u>
Change in fund balance	3,050	3,050	(33,539)	(36,589)
Fund balance, beginning of year	<u>794,034</u>	<u>794,034</u>	<u>794,034</u>	<u>-</u>
Fund balance, end of year	<u>\$ 797,084</u>	<u>\$ 797,084</u>	<u>\$ 760,495</u>	<u>\$ (36,589)</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

To the Members of Village Council  
Village of Edmore, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Edmore, as of and for the year ended February 28, 2015, and the related notes to the financial statements, which collectively comprise the Village of Edmore's basic financial statements, and have issued our report thereon dated April 1, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village of Edmore's internal control over financial reporting (internal controls) to determine the 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 Edmore's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Edmore's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given those limitations, we identified, and noted below, deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Other material weaknesses may exist that have not been identified.

**Recording, Processing and Summarizing Accounting Data**

**Criteria:** All governments are required to have in place internal controls over recording, processing and summarizing accounting data and preparing financial statements.

**Conditions:** As is the case with many smaller and medium-sized entities, the Village has historically relied on its independent external auditors to assist in the recording, processing and summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the Village has placed reliance on its external auditors, who cannot by definition, be considered a part of the Village's internal controls.

To the Honorable President and  
Members of the Village Council  
Village of Edmore, Michigan

**Cause:** This condition was caused by the Village's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the Village to perform these tasks internally.

**Effect:** As a result of this condition, the Village lacks internal controls over the recording, processing and summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

**View of Responsible Officials:** The Village has evaluated the cost versus benefit of establishing internal controls over the recording, processing and summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the Village to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Berthiaume & Co.*

Saginaw, Michigan  
April 1, 2015



**REQUIRED COMMUNICATION TO THE VILLAGE OF EDMORE  
IN ACCORDANCE WITH PROFESSIONAL STANDARDS**

To the Village Council  
Village of Edmore

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Edmore for the year ended February 28, 2015, and we have issued our report thereon dated April 1, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our Engagement Letter to you, dated September 26, 2012. Professional standards also require that we communicate to you the following information related to our audit.

**Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Edmore are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### **Accounting Estimates**

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 financial statements are:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

### **Disclosures**

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

### **Difficulties Encountered in Performing the Audit**

We encountered no difficulties 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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The Village office manager has been provided with seventeen (17) recommended adjusting journal entries.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as 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 April 1, 2015.

### **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 governmental unit'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 the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



### **Supplementary Information**

With respect to the supplementary information accompanying the financial statements, 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 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.

### **Communication of Internal Control Matters Identified in the Audit**

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Edmore as of and for the year ended February 28, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Edmore's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did identify deficiencies in internal control that we are required to consider material weaknesses, as noted below. However, other material weaknesses may exist that have not been identified.

#### **Recording, Processing and Summarizing Accounting Data**

Criteria: All governments are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements.

Conditions: As is the case with many smaller and medium-sized entities, the Village has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the Village has placed reliance on its external auditors, who cannot by definition be considered a part of the internal controls.

Cause: This condition was caused by the decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the Village to perform these tasks internally.





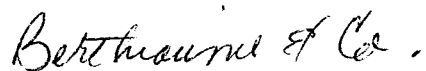
Effect: As a result of this condition, the Village lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The Village Council has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the Village to outsource this task to its external auditors and to carefully review, approve, and accept responsibility for all non-attest work performed by the external auditors.

\*\*\*\*\*

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

Sincerely,



Berthiaume & Company  
Certified Public Accountants

Saginaw, Michigan  
April 1, 2015

