

VILLAGE OF EDMORE
Montcalm County

FINANCIAL STATEMENTS

February 29, 2020

VILLAGE OF EDMORE

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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 29, 2020, 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 29, 2020, 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

Change in Accounting Principle and Emphasis of Matter

During the year ended February 29, 2020, the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 8) and budgetary comparison information (pages 36 through 39) 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 June 25, 2020 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
June 25, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF EDMORE

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 29, 2020

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 29, 2020. 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 \$8,990,804 for the fiscal year ended February 29, 2020, compared to \$8,840,974 for the fiscal year ended February 28, 2019.
- In the Village's governmental activities, revenues generated were \$705,498 while expenses totaled \$590,588.
- In the Village's business-type activities, revenues generated were \$480,783 while expenses totaled \$494,713.
- Total net position increased by \$149,830.

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 29, 2020

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 four (4) individual governmental funds. Separate information is presented for the General Fund, Major Street Fund, and Economic Development 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.

VILLAGE OF EDMORE

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 29, 2020

THE VILLAGE OF EDMORE AS A WHOLE:

The Village's total combined net position for the fiscal year ended February 29, 2020 is \$8,990,804, consisting of \$5,703,730 in governmental activities and \$3,287,074 in business-type activities.

Combined unrestricted net position, that part of net position that can be used to finance day-to-day operations, is \$1,965,491. Governmental activities unrestricted total is \$988,350, while business-type activities is \$977,141.

The following table shows comparisons of total assets, total liabilities, and total net position in a condensed format as of February 29, 2020 and February 28, 2019.

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Assets:						
Current and other assets	\$ 2,804,191	\$ 2,739,219	\$ 1,249,051	\$ 1,165,945	\$ 4,053,242	\$ 3,905,164
Capital assets, net	<u>2,934,203</u>	<u>2,987,963</u>	<u>4,234,381</u>	<u>4,383,366</u>	<u>7,168,584</u>	<u>7,371,329</u>
Total assets	<u>5,738,394</u>	<u>5,727,182</u>	<u>5,483,432</u>	<u>5,549,311</u>	<u>11,221,826</u>	<u>11,276,493</u>
Liabilities:						
Current liabilities	26,703	48,231	11,358	20,067	38,061	68,298
Long-term liabilities	<u>7,961</u>	<u>52,594</u>	<u>2,185,000</u>	<u>2,314,627</u>	<u>2,192,961</u>	<u>2,367,221</u>
Total liabilities	<u>34,664</u>	<u>100,825</u>	<u>2,196,358</u>	<u>2,334,694</u>	<u>2,231,022</u>	<u>2,435,519</u>
Net position:						
Net investment in capital assets	2,934,203	2,949,181	2,049,381	2,068,739	4,983,584	5,017,920
Restricted	1,781,177	1,679,643	260,552	234,028	2,041,729	1,913,671
Unrestricted	<u>988,350</u>	<u>997,533</u>	<u>977,141</u>	<u>911,850</u>	<u>1,965,491</u>	<u>1,909,383</u>
Total net position	<u>\$ 5,703,730</u>	<u>\$ 5,626,357</u>	<u>\$ 3,287,074</u>	<u>\$ 3,214,617</u>	<u>\$ 8,990,804</u>	<u>\$ 8,840,974</u>

The Village's combined total net position increased by \$149,830 during the current fiscal year. Governmental activities increased by \$77,373 while business-type activities increased by \$72,457.

Governmental Activities:

The Village's total governmental revenue is reported at \$705,498, a decrease of \$145,969 from the prior year. Total expenses decreased by \$163,129 from the prior year.

Business-type Activities:

The Village's total business-type revenue is reported at \$480,783, a decrease of \$78,666 from the prior year. Total expenses decreased by \$99,287 from the prior year.

VILLAGE OF EDMORE

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 29, 2020

The following table shows the comparison of the change in net position in a condensed format for the years ended February 29, 2020 and February 28, 2019.

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Revenues:						
Program revenues						
Charges for services	\$ 40,298	\$ 36,044	\$ 478,906	\$ 473,288	\$ 519,204	\$ 509,332
Operating grants and contributions	175,160	278,577	-	84,431	175,160	363,008
Capital contributions	26,168	148,451	-	-	26,168	148,451
General revenues						
Property taxes	261,942	227,846	-	-	261,942	227,846
Payment in lieu of property taxes	1,864	1,216	-	-	1,864	1,216
Franchise fees	2,768	811	-	-	2,768	811
Unrestricted grants	162,245	138,804	-	-	162,245	138,804
Investment earnings	21,727	5,767	1,877	1,730	23,604	7,497
Other	13,326	13,951	-	-	13,326	13,951
Total revenues	<u>705,498</u>	<u>851,467</u>	<u>480,783</u>	<u>559,449</u>	<u>1,186,281</u>	<u>1,410,916</u>
Expenses:						
General government	111,573	125,723	-	-	111,573	125,723
Public safety	75,667	75,000	-	-	75,667	75,000
Public works	340,558	517,361	-	-	340,558	517,361
Community and economic development	34,504	9,075	-	-	34,504	9,075
Recreation and culture	28,286	24,609	-	-	28,286	24,609
Interest on long-term debt	-	1,949	-	-	-	1,949
Sewer	-	-	298,061	390,292	298,061	390,292
Water	-	-	196,652	203,708	196,652	203,708
Total expenses	<u>590,588</u>	<u>753,717</u>	<u>494,713</u>	<u>594,000</u>	<u>1,085,301</u>	<u>1,347,717</u>
Excess of revenues over expenses before other	<u>114,910</u>	<u>97,750</u>	<u>(13,930)</u>	<u>(34,551)</u>	<u>100,980</u>	<u>63,199</u>
Other items:						
Sale of capital assets	48,850	5,455	-	-	48,850	5,455
Transfers	(86,387)	(12,070)	86,387	12,070	-	-
Total other items	<u>(37,537)</u>	<u>(6,615)</u>	<u>86,387</u>	<u>12,070</u>	<u>48,850</u>	<u>5,455</u>
Changes in net position	<u>77,373</u>	<u>91,135</u>	<u>72,457</u>	<u>(22,481)</u>	<u>149,830</u>	<u>68,654</u>
Net position, beginning of year	<u>5,626,357</u>	<u>5,535,222</u>	<u>3,214,617</u>	<u>3,237,098</u>	<u>8,840,974</u>	<u>8,772,320</u>
Net position, end of year	<u>\$ 5,703,730</u>	<u>\$ 5,626,357</u>	<u>\$ 3,287,074</u>	<u>\$ 3,214,617</u>	<u>\$ 8,990,804</u>	<u>\$ 8,840,974</u>

VILLAGE OF EDMORE

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 29, 2020

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 29, 2020, General Fund financing uses exceeded its financing sources by \$26,076, decreasing its ending fund balance to \$979,905. The Village's second major governmental fund, the Major Street Fund increased its ending fund balance by \$71,802. The Village's third major governmental fund, the Economic Development Fund, was able to increase its ending fund balance by \$3,462.

General Fund Budgetary Highlights:

The General Fund budget, as originally adopted, projected a net increase in fund balance of \$1,359. During the year, the Village made budget amendments that changed the projection to a net decrease in fund balance to \$83,084 for the fiscal year. The actual results yielded a decrease in fund balance of \$26,076.

Capital Assets and Debt Administration:

At February 29, 2020, the Village of Edmore had \$7,168,584 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, 2019, this total was \$7,371,329. 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 29, 2020, the Village of Edmore's total outstanding indebtedness was \$2,185,000 (not including compensated 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 29, 2020

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Assets:				
Cash and cash equivalents	\$ 2,284,105	\$ 944,319	\$ 3,228,424	\$ 57,972
Receivables	279,903	44,180	324,083	42,266
Restricted cash and cash equivalents	-	260,552	260,552	-
Long-term advance to other government	240,183	-	240,183	-
Capital assets not being depreciated	146,021	23,804	169,825	-
Capital assets being depreciated, net	2,788,182	4,210,577	6,998,759	-
Total assets	<u>5,738,394</u>	<u>5,483,432</u>	<u>11,221,826</u>	<u>100,238</u>
Liabilities:				
Accounts payable and accrued expenses	26,703	11,358	38,061	18,956
Long-term liabilities:				
Due within one year				
Current portion of long-term advance	-	-	-	29,947
Current portion of long-term debt	-	44,000	44,000	-
Due in more than one year				
Long-term advance	-	-	-	210,236
Long-term debt	-	2,141,000	2,141,000	-
Compensated absences payable	7,961	-	7,961	-
Total liabilities	<u>34,664</u>	<u>2,196,358</u>	<u>2,231,022</u>	<u>259,139</u>
Net position:				
Net investment in capital assets	2,934,203	2,049,381	4,983,584	-
Restricted for:				
Debt service	-	260,552	260,552	-
Economic development	782,129	-	782,129	-
Streets	999,048	-	999,048	-
Unrestricted (deficit)	<u>988,350</u>	<u>977,141</u>	<u>1,965,491</u>	<u>(158,901)</u>
Total net position	<u>\$ 5,703,730</u>	<u>\$ 3,287,074</u>	<u>\$ 8,990,804</u>	<u>\$ (158,901)</u>

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

VILLAGE OF EDMORE

STATEMENT OF ACTIVITIES

Year Ended February 29, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
General government	\$ 111,573	\$ 600	\$ -	\$ -	\$ (110,973)
Public safety	75,667	-	-	-	(75,667)
Public works	340,558	37,378	175,160	-	(128,020)
Health and welfare	-	-	-	-	-
Community and economic development	34,504	2,320	-	26,168	(6,016)
Recreation and culture	28,286	-	-	-	(28,286)
Interest on long-term debt	-	-	-	-	-
Total governmental activities	<u>590,588</u>	<u>40,298</u>	<u>175,160</u>	<u>26,168</u>	<u>(348,962)</u>
<i>Business-type activities:</i>					
Sewer	298,061	269,820	-	-	(28,241)
Water	<u>196,652</u>	<u>209,086</u>	<u>-</u>	<u>-</u>	<u>12,434</u>
Total business-type activities	<u>494,713</u>	<u>478,906</u>	<u>-</u>	<u>-</u>	<u>(15,807)</u>
Total primary government	<u>\$ 1,085,301</u>	<u>\$ 519,204</u>	<u>\$ 175,160</u>	<u>\$ 26,168</u>	<u>\$ (364,769)</u>
COMPONENT UNIT:					
Downtown development authority	<u>\$ 106,155</u>	<u>\$ 30,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (75,996)</u>

continued

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

VILLAGE OF EDMORE

STATEMENT OF ACTIVITIES, CONTINUED

Year Ended February 29, 2020

	<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	\$ (348,962)	\$ (15,807)	\$ (364,769)	\$ (75,996)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	261,942	-	261,942	-
Property taxes, levied for rubbish	-	-	-	-
Property taxes captured by component unit	-	-	-	82,743
Payment in lieu of property taxes	1,864	-	1,864	-
Franchise fees	2,768	-	2,768	-
Grants and contributions not restricted to specific programs	162,245	-	162,245	-
Unrestricted investment earnings	21,727	1,877	23,604	-
Other	13,326	-	13,326	131
Special item:				
Sale of capital assets	48,850	-	48,850	-
Transfers	(86,387)	86,387	-	-
Total general revenues, special item and transfers	426,335	88,264	514,599	82,874
Changes in net position	77,373	72,457	149,830	6,878
Net position (deficit), beginning of year	5,626,357	3,214,617	8,840,974	(165,779)
Net position (deficit), end of year	\$ 5,703,730	\$ 3,287,074	\$ 8,990,804	\$ (158,901)

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

VILLAGE OF EDMORE

GOVERNMENTAL FUNDS

BALANCE SHEET

February 29, 2020

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Economic Development Fund</u>	<u>Nonmajor Fund Local Street Fund</u>	<u>Total</u>
Assets:					
Cash and cash equivalents	\$ 970,576	\$ 576,065	\$ 329,950	\$ 399,686	\$ 2,267,277
Notes receivable	-	-	211,996	-	211,996
Due from other governments	35,275	23,453	-	9,179	67,907
Long-term advance to other government	-	-	240,183	-	240,183
Total assets	<u>\$ 1,005,851</u>	<u>\$ 599,518</u>	<u>\$ 782,129</u>	<u>\$ 399,865</u>	<u>\$ 2,787,363</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 7,703	\$ -	\$ -	\$ -	\$ 7,703
Accrued expenses	8,742	-	-	-	8,742
Due to other governments	7,446	-	-	-	7,446
Accrued wages payable	2,055	148	-	187	2,390
Total liabilities	<u>25,946</u>	<u>148</u>	<u>-</u>	<u>187</u>	<u>26,281</u>
Fund balances:					
Nonspendable:					
Long-term receivables	-	-	452,179	-	452,179
Restricted for:					
Economic development	-	-	329,950	-	329,950
Streets	-	599,370	-	399,678	999,048
Unassigned	<u>979,905</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>979,905</u>
Total fund balances	<u>979,905</u>	<u>599,370</u>	<u>782,129</u>	<u>399,678</u>	<u>2,761,082</u>
Total liabilities and fund balances	<u>\$ 1,005,851</u>	<u>\$ 599,518</u>	<u>\$ 782,129</u>	<u>\$ 399,865</u>	<u>\$ 2,787,363</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 29, 2020

Fund balances of governmental funds	\$ 2,761,082
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	146,021
Capital assets being depreciated, net	2,788,182
Capital assets accounted for in the internal service fund	(136,062)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.	
Compensated absences payable	(7,961)
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 are included in governmental activities.	
	<u>152,468</u>
Net position of governmental activities	<u><u>\$ 5,703,730</u></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 29, 2020

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Economic Development Fund</u>	<u>Nonmajor Fund Local Street Fund</u>	<u>Total</u>
Revenues:					
Property taxes	\$ 263,806	\$ -	\$ -	\$ -	\$ 263,806
Licenses and permits	2,768	-	-	-	2,768
State grants	162,245	125,893	-	49,267	337,405
Contributions from other units	26,168	-	-	-	26,168
Charges for services	8,708	-	-	-	8,708
Interest and rents	20,380	380	894	673	22,327
Other revenue	10,358	-	2,968	-	13,326
Total revenues	<u>494,433</u>	<u>126,273</u>	<u>3,862</u>	<u>49,940</u>	<u>674,508</u>
Expenditures:					
Current					
General government	108,592	-	-	-	108,592
Public safety	75,667	-	-	-	75,667
Public works	249,160	26,306	-	33,295	308,761
Community and economic development	218	-	400	-	618
Recreation and culture	17,922	-	-	-	17,922
Other	5,245	-	-	-	5,245
Capital outlay	26,168	-	-	18,540	44,708
Total expenditures	<u>482,972</u>	<u>26,306</u>	<u>400</u>	<u>51,835</u>	<u>561,513</u>
Excess (deficiency) of revenues over expenditures	<u>11,461</u>	<u>99,967</u>	<u>3,462</u>	<u>(1,895)</u>	<u>112,995</u>
Other financing sources (uses):					
Sale of capital assets	48,850	-	-	-	48,850
Interfund transfers in	-	-	-	28,165	28,165
Interfund transfers out	(86,387)	(28,165)	-	-	(114,552)
Net other financing sources (uses)	<u>(37,537)</u>	<u>(28,165)</u>	<u>-</u>	<u>28,165</u>	<u>(37,537)</u>
Changes in fund balances	(26,076)	71,802	3,462	26,270	75,458
Fund balances, beginning of year	<u>1,005,981</u>	<u>527,568</u>	<u>778,667</u>	<u>373,408</u>	<u>2,685,624</u>
Fund balances, end of year	<u>\$ 979,905</u>	<u>\$ 599,370</u>	<u>\$ 782,129</u>	<u>\$ 399,678</u>	<u>\$ 2,761,082</u>

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

VILLAGE OF EDMORE

RECONCILIATION OF CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

Year Ended February 29, 2020

Changes in fund balances of governmental funds	\$ 75,458
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	44,708
Depreciation expense	(98,468)
Depreciation expense accounted for in the internal service fund	22,985
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 the governmental funds.	
Change in compensated absences payable	5,851
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	27,376
Interest expense from governmental activities in the internal service fund	<u>(537)</u>
Change in net position of governmental activities	<u>\$ 77,373</u>

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

VILLAGE OF EDMORE

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
February 29, 2020

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 700,816	\$ 243,503	\$ 944,319	\$ 16,828
Accounts receivable	25,203	18,977	44,180	-
Total current assets	<u>726,019</u>	<u>262,480</u>	<u>988,499</u>	<u>16,828</u>
Noncurrent assets:				
Restricted cash and cash equivalents				
USDA bond reserve	81,600	-	81,600	-
USDA RRI reserve	104,000	-	104,000	-
Bond and interest redemption	74,952	-	74,952	-
Capital assets not being depreciated	21,050	2,754	23,804	-
Capital assets being depreciated, net	<u>3,412,527</u>	<u>798,050</u>	<u>4,210,577</u>	<u>136,062</u>
Total noncurrent assets	<u>3,694,129</u>	<u>800,804</u>	<u>4,494,933</u>	<u>136,062</u>
Total assets	<u>4,420,148</u>	<u>1,063,284</u>	<u>5,483,432</u>	<u>152,890</u>
Liabilities:				
Current liabilities:				
Accrued interest payable	9,104	-	9,104	-
Accrued wages payable	1,037	1,217	2,254	422
Current long-term debt	<u>44,000</u>	<u>-</u>	<u>44,000</u>	<u>-</u>
Total current liabilities	<u>54,141</u>	<u>1,217</u>	<u>55,358</u>	<u>422</u>
Noncurrent liabilities:				
Long-term debt	<u>2,141,000</u>	<u>-</u>	<u>2,141,000</u>	<u>-</u>
Total liabilities	<u>2,195,141</u>	<u>1,217</u>	<u>2,196,358</u>	<u>422</u>
Net position:				
Net investment in capital assets	1,248,577	800,804	2,049,381	136,062
Restricted for:				
Debt service	260,552	-	260,552	-
Unrestricted	<u>715,878</u>	<u>261,263</u>	<u>977,141</u>	<u>16,406</u>
Total net position	<u>\$ 2,225,007</u>	<u>\$ 1,062,067</u>	<u>\$ 3,287,074</u>	<u>\$ 152,468</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 29, 2020

	<i>Enterprise Funds</i>			<i>Internal Service Fund</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>	
Operating revenues:				
Charges for services				
Sales	\$ 265,370	\$ 204,608	\$ 469,978	\$ -
Penalties	4,450	3,355	7,805	-
Other	-	1,123	1,123	-
Equipment rental	-	-	-	112,699
Total operating revenues	<u>269,820</u>	<u>209,086</u>	<u>478,906</u>	<u>112,699</u>
Operating expenses:				
Personnel services	80,084	90,360	170,444	31,589
Supplies	1,296	4,444	5,740	8,676
Contracted services	24,030	12,561	36,591	680
Other services and charges	26,692	37,336	64,028	21,393
Depreciation	<u>110,976</u>	<u>51,951</u>	<u>162,927</u>	<u>22,985</u>
Total operating expenses	<u>243,078</u>	<u>196,652</u>	<u>439,730</u>	<u>85,323</u>
Operating income (loss)	<u>26,742</u>	<u>12,434</u>	<u>39,176</u>	<u>27,376</u>
Non-operating revenues (expenses):				
Interest income	1,243	634	1,877	-
Interest expense	<u>(54,983)</u>	<u>-</u>	<u>(54,983)</u>	<u>(537)</u>
Net non-operating revenues (expenses)	<u>(53,740)</u>	<u>634</u>	<u>(53,106)</u>	<u>(537)</u>
Change in net position before transfers	(26,998)	13,068	(13,930)	26,839
Transfer from General Fund	<u>-</u>	<u>86,387</u>	<u>86,387</u>	<u>-</u>
Changes in net position	(26,998)	99,455	72,457	26,839
Net position, beginning of year	<u>2,252,005</u>	<u>962,612</u>	<u>3,214,617</u>	<u>125,629</u>
Net position, end of year	<u>\$ 2,225,007</u>	<u>\$ 1,062,067</u>	<u>\$ 3,287,074</u>	<u>\$ 152,468</u>

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

VILLAGE OF EDMORE

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
 Year Ended February 29, 2020

	<i>Enterprise Funds</i>			<i>Internal Service Fund</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>	
Cash flows from operating activities:				
Cash received from customers	\$ 271,124	\$ 209,469	\$ 480,593	\$ -
Cash received (payments) for interfund services	(14,163)	(15,669)	(29,832)	112,699
Cash payments to employees and on behalf of employees	(79,792)	(89,967)	(169,759)	(31,980)
Cash payments to suppliers for goods and services	(44,875)	(40,867)	(85,742)	(31,964)
Net cash provided (used) by operating activities	132,294	62,966	195,260	48,755
Cash flows from non-capital financing activities:				
Transfer from General Fund	-	86,387	86,387	-
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(5,980)	(7,962)	(13,942)	-
Principal paid on debt	(43,000)	(86,627)	(129,627)	(38,782)
Interest paid on debt	(55,162)	-	(55,162)	(1,430)
Net cash used by capital and related financing activities	(104,142)	(94,589)	(198,731)	(40,212)
Cash flows from investing activities:				
Interest received	1,243	634	1,877	-
Net change in cash and cash equivalents	29,395	55,398	84,793	8,543
Cash and cash equivalents, beginning of year	931,973	188,105	1,120,078	8,285
Cash and cash equivalents, end of year	\$ 961,368	\$ 243,503	\$ 1,204,871	\$ 16,828
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 26,742	\$ 12,434	\$ 39,176	\$ 27,376
Adjustments:				
Depreciation	110,976	51,951	162,927	22,985
Change in assets and liabilities:				
Accounts receivable	1,304	383	1,687	-
Accounts payable	(7,020)	(2,195)	(9,215)	(1,215)
Accrued wages payable	292	393	685	(391)
Net cash provided (used) by operating activities	\$ 132,294	\$ 62,966	\$ 195,260	\$ 48,755

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

VILLAGE OF EDMORE

FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
February 29, 2020

	<u><i>Custodial Fund</i></u>
Assets:	
Cash and cash equivalents	\$ 5,892
Total assets	<u>5,892</u>
Net position:	
Restricted for:	
Individuals, organizations and other governments	<u>5,892</u>
Total net position	<u>\$ 5,892</u>

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

VILLAGE OF EDMORE

FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended February 29, 2020

	<u><i>Custodial Fund</i></u>
Additions:	
Contributions	
Gifts and bequests	\$ 82,599
Investment earnings	
Interest	435
Total additions	<u>83,034</u>
Deductions:	
Payments to other organizations	<u>102,655</u>
Net increase (decrease)	(19,621)
Net position, beginning of year	<u>25,513</u>
Net position, end of year	<u><u>\$ 5,892</u></u>

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

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 29, 2020

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 29, 2020

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 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 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 accounts for loans and repayments (revolving loans) to local businesses to encourage economic growth in the Village.

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 29, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Additionally, the Village reports the following fund types:

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 – Custodial Fund – Custodial funds account for resources held by the Village in a purely custodial capacity. Custodial funds typically involve the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

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.

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.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 29, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 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.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 29, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 2019 taxable valuation of the Village totaled \$23,586,307 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments), on which ad valorem taxes levied consisted of 10.9387 mills for operating purposes and 2.2520 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 hours (max 280). 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.

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.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 29, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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>
General Fund:			
Public safety			
Police	\$ 75,000	\$ 75,667	\$ 667
Community and economic development			
Economic development	-	80	80

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 29, 2020

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 \$3,614,713 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$905,333 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.

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. The Village's required set aside was \$33,000 and the Village has \$74,952 set aside.

Sewer Bond Reserve Account – Annually \$10,200 is to be transferred to this account until \$102,000 is accumulated. The Village's required reserve is \$81,600 which has been met.

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. The Village's required reserve is \$104,000 which has been met.

At February 29, 2020 the Village has a total of \$260,552 restricted cash for the above reserves.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 29, 2020

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 29, 2020 was \$211,996. This balance was recorded on the governmental activities statement of net position and the Economic Development Fund balance sheet as a receivable. No allowance has been made for uncollectible amounts because the Village believes all are currently collectible.

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended February 29, 2020 was as follows:

	<u>March 1,</u> <u>2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>February 29,</u> <u>2020</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 146,021	\$ -	\$ -	\$ 146,021
Capital assets being depreciated:				
Buildings and improvements	2,198,368	26,168	-	2,224,536
Infrastructure	526,400	-	-	526,400
Land improvements	176,857	18,540	-	195,397
Machinery and equipment	437,410	-	-	437,410
Vehicles	183,756	-	-	183,756
Total capital assets being depreciated	<u>3,522,791</u>	<u>44,708</u>	<u>-</u>	<u>3,567,499</u>
Less accumulated depreciation for:				
Buildings and improvements	(82,843)	(44,061)	-	(126,904)
Infrastructure	(85,531)	(20,525)	-	(106,056)
Land improvements	(87,270)	(6,085)	-	(93,355)
Machinery and equipment	(272,445)	(22,838)	-	(295,283)
Vehicles	(152,760)	(4,959)	-	(157,719)
Total accumulated depreciation	<u>(680,849)</u>	<u>(98,468)</u>	<u>-</u>	<u>(779,317)</u>
Capital assets being depreciated, net	<u>2,841,942</u>	<u>(53,760)</u>	<u>-</u>	<u>2,788,182</u>
Governmental activities, capital assets, net	<u>\$ 2,987,963</u>	<u>\$ (53,760)</u>	<u>\$ -</u>	<u>\$ 2,934,203</u>

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 29, 2020

NOTE 6: CAPITAL ASSETS, CONTINUED

	<i>March 1, 2019</i>	<i>Additions</i>	<i>Retirements</i>	<i>February 29, 2020</i>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 23,804	\$ -	\$ -	\$ 23,804
Capital assets being depreciated:				
Equipment	235,240	5,980	-	241,220
Sewer system	4,684,061	-	-	4,684,061
Water system	1,926,177	7,962	-	1,934,139
Total capital assets being depreciated	<u>6,845,478</u>	<u>13,942</u>	<u>-</u>	<u>6,859,420</u>
Less accumulated depreciation for:				
Equipment	(133,046)	(11,126)	-	(144,172)
Sewer system	(1,211,285)	(103,347)	-	(1,314,632)
Water system	(1,141,585)	(48,454)	-	(1,190,039)
Total accumulated depreciation	<u>(2,485,916)</u>	<u>(162,927)</u>	<u>-</u>	<u>(2,648,843)</u>
Capital assets being depreciated, net	<u>4,359,562</u>	<u>(148,985)</u>	<u>-</u>	<u>4,210,577</u>
Business-type activities, capital assets, net	<u>\$ 4,383,366</u>	<u>\$ (148,985)</u>	<u>\$ -</u>	<u>\$ 4,234,381</u>

Depreciation expense was charged to various functions as follows:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>
General government	\$ 743	\$ -
Public works	53,475	-
Community and economic development	33,886	-
Recreation and culture	10,364	-
Sewer	-	110,976
Water	-	51,951
	<u>\$ 98,468</u>	<u>\$ 162,927</u>

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 29, 2020

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables in the aggregate for the year ended February 29, 2020 were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit</u>
Receivables:			
Property taxes	\$ -	\$ -	\$ 42,266
Accounts	-	44,180	-
Notes	211,996	-	-
Intergovernmental	<u>67,907</u>	<u>-</u>	<u>-</u>
Total receivables	<u>\$ 279,903</u>	<u>\$ 44,180</u>	<u>42,266</u>
Accounts payable and accrued expenses:			
Accounts	\$ 7,703	\$ -	\$ 13,083
Payroll and related liabilities	11,554	2,254	623
Deposits payable	-	-	5,250
Accrued interest	-	9,104	-
Intergovernmental	<u>7,446</u>	<u>-</u>	<u>-</u>
Total accounts payable and accrued expenses	<u>\$ 26,703</u>	<u>\$ 11,358</u>	<u>\$ 18,956</u>

The notes receivable balance includes \$188,914, which is considered long-term and not expected to be received within one year.

NOTE 8: LONG-TERM LIABILITIES

The Village may issue bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. The following is a summary of long-term liabilities transactions for the year ended February 29, 2020:

	<u>March 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>February 29, 2020</u>	<u>Due Due Within One Year</u>
Governmental activities:					
<i>General obligations:</i>					
2015 Lease Purchase Agreement, paid off.	\$ 10,430	\$ -	\$ (10,430)	\$ -	\$ -
2015 Lease Purchase Agreement, paid off.	28,352	-	(28,352)	-	-
<i>Other liabilities:</i>					
Compensated absences	<u>13,812</u>	<u>-</u>	<u>(5,851)</u>	<u>7,961</u>	<u>-</u>
Total long-term liabilities	<u>\$ 52,594</u>	<u>\$ -</u>	<u>\$ (44,633)</u>	<u>\$ 7,961</u>	<u>\$ -</u>

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 29, 2020

NOTE 8: LONG-TERM LIABILITIES, CONTINUED

	<i>March 1, 2019</i>	<i>Additions</i>	<i>Retirements</i>	<i>February 29, 2020</i>	<i>Due Due Within One Year</i>
Business-type activities:					
<i>Revenue bonds:</i>					
2011 Sewage Disposal System					
Revenue Bond, due in annual amounts ranging from \$44,000 to \$100,000 at an interest rate of 2.50% through 2051.	\$ 2,228,000	\$ -	\$ (43,000)	\$ 2,185,000	\$ 44,000
<i>Contract payable:</i>					
2016 Contract payable, paid off.	86,627	-	(86,627)	-	-
	<u>\$ 2,314,627</u>	<u>\$ -</u>	<u>\$ (129,627)</u>	<u>\$ 2,185,000</u>	<u>\$ 44,000</u>

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>
2021	\$ 44,000	\$ 54,076	\$ 98,076
2022	46,000	52,951	98,951
2023	47,000	51,788	98,788
2024	48,000	50,600	98,600
2025	49,000	49,388	98,388
2026-2030	267,000	227,514	494,514
2031-2035	303,000	191,991	494,991
2036-2040	345,000	125,565	470,565
2041-2045	392,000	105,576	497,576
2046-2050	447,000	53,141	500,141
2051-2052	197,000	4,963	201,963
	<u>\$ 2,185,000</u>	<u>\$ 967,553</u>	<u>\$ 3,152,553</u>

NOTE 9: INTERFUND TRANSFERS

Interfund transfers reported in the fund statements were as follows:

<i>Funds Transferred From</i>	<i>Funds Transferred To</i>	<i>Amount</i>
General Fund	Water Fund	\$ 86,387
Major Street Fund	Local Street Fund	<u>28,165</u>
		<u>\$ 114,552</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 29, 2020

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 29, 2020, the Village made contributions of \$22,073 into the pension plan.

NOTE 12: CONTRACTUAL COMMITMENT

On April 15, 2015, the Village entered into a long-term contract with Utility Service Co., Inc. for professional services to maintain the Village's 200,000-gallon water storage tank. Terms of the contract state the first five (5) years the annual fees shall be \$86,627 per contract year. The annual fee for contract year six (6) and each subsequent annual fee shall be \$18,258 per contract year; however, in contract year nine (9) and each third anniversary thereafter, the annual fee shall be adjusted to reflect the current cost of service. The Village is only obligated for the first five (5) years of the contract and paid the final amount in the current fiscal year.

NOTE 13: TRANSACTIONS BETWEEN GOVERNMENTAL FUND AND COMPONENT UNIT

Long-term Advances:

During the prior fiscal year, the Village Council approved a loan in the amount of \$300,000 from the Edmore Economic Development Fund to the Edmore Downtown Development Authority for costs associated with improvements of the building/project referred to as the Edmore Marketplace. The loan shall be repaid by December 31, 2026 and bears interest at .05%. Annual payments of \$30,083 are required and began November 1, 2018 and will continue until the loan is repaid. The balance at February 29, 2020 is \$240,183.

NOTE 14: DEFICIT NET POSITION

Downtown Development Authority Deficit – At February 29, 2020, the DDA is reporting a deficit net position of \$158,901. The DDA is planning to use future property tax captures and any other funds it receives to eliminate this deficit.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF EDMORE

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
 Year Ended February 29, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
Revenues:				
Property taxes	\$ 233,585	\$ 263,623	\$ 263,806	\$ 183
Licenses and permits	1,500	2,768	2,768	-
State grants	133,000	149,581	162,245	12,664
Contributions from other units	-	26,168	26,168	-
Charges for services	7,200	6,526	8,708	2,182
Interest and rents	6,000	14,800	20,380	5,580
Other revenue	<u>12,100</u>	<u>10,358</u>	<u>10,358</u>	<u>-</u>
Total revenues	<u>393,385</u>	<u>473,824</u>	<u>494,433</u>	<u>20,609</u>
Expenditures:				
Current				
General government				
Council	14,839	67,438	44,857	22,581
Manager	5,536	26,314	25,761	553
Administration	27,394	27,394	23,604	3,790
Clerk	2,277	2,277	1,872	405
Audit	1,800	2,674	2,674	-
Treasurer	2,568	2,614	2,614	-
Elections	500	500	-	500
Hall and grounds	3,700	3,700	3,682	18
Other	<u>3,700</u>	<u>3,700</u>	<u>3,528</u>	<u>172</u>
Total general government	<u>62,314</u>	<u>136,611</u>	<u>108,592</u>	<u>28,019</u>
Public safety				
Police	<u>75,000</u>	<u>75,000</u>	<u>75,667</u>	<u>(667)</u>
Public works				
Department of public works	59,609	77,952	75,969	1,983
Street lighting	18,000	18,144	17,453	691
Refuse collection	92,617	94,807	94,335	472
Cemetery	<u>66,537</u>	<u>66,629</u>	<u>61,403</u>	<u>5,226</u>
Total public works	<u>236,763</u>	<u>257,532</u>	<u>249,160</u>	<u>8,372</u>
Community and economic development				
Planning	-	138	138	-
Economic development	<u>-</u>	<u>-</u>	<u>80</u>	<u>(80)</u>
Total community and economic development	<u>-</u>	<u>138</u>	<u>218</u>	<u>(80)</u>
Recreation				
Parks and recreation	<u>12,686</u>	<u>18,659</u>	<u>17,922</u>	<u>737</u>
Other				
Insurance and bonds	<u>5,263</u>	<u>5,263</u>	<u>5,245</u>	<u>18</u>
Capital outlay	<u>-</u>	<u>26,168</u>	<u>26,168</u>	<u>-</u>
Total expenditures	<u>392,026</u>	<u>519,371</u>	<u>482,972</u>	<u>36,399</u>

continued

VILLAGE OF EDMORE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE, CONTINUED

Year Ended February 29, 2020

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with</i>
	<i>Original</i>	<i>Final</i>		<i>Final Budget</i>
				<i>Favorable</i>
				<i>(Unfavorable)</i>
Excess (deficiency) of revenues over expenditures	1,359	(45,547)	11,461	57,008
Other financing sources (uses):				
Sale of capital assets	-	48,850	48,850	-
Interfund transfers out	-	(86,387)	(86,387)	-
Net other financing sources (uses)	-	(37,537)	(37,537)	-
Change in fund balance	1,359	(83,084)	(26,076)	57,008
Fund balance, beginning of year	1,005,981	1,005,981	1,005,981	-
Fund balance, end of year	\$ 1,007,340	\$ 922,897	\$ 979,905	\$ 57,008

VILLAGE OF EDMORE

SPECIAL REVENUE FUND – MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 29, 2020

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
Revenues:				
State grants	\$ 111,000	\$ 121,739	\$ 125,893	\$ 4,154
Interest and rents	120	381	380	(1)
Total revenues	<u>111,120</u>	<u>122,120</u>	<u>126,273</u>	<u>4,153</u>
Expenditures:				
Current				
Public works	<u>61,743</u>	<u>42,172</u>	<u>26,306</u>	<u>15,866</u>
Excess (deficiency) of revenues over expenditures	<u>49,377</u>	<u>79,948</u>	<u>99,967</u>	<u>20,019</u>
Other financing sources (uses):				
Interfund transfers out	<u>(27,500)</u>	<u>(28,500)</u>	<u>(28,165)</u>	<u>(335)</u>
Change in fund balance	21,877	51,448	71,802	20,354
Fund balance, beginning of year	<u>527,568</u>	<u>527,568</u>	<u>527,568</u>	<u>-</u>
Fund balance, end of year	<u>\$ 549,445</u>	<u>\$ 579,016</u>	<u>\$ 599,370</u>	<u>\$ 20,354</u>

VILLAGE OF EDMORE

SPECIAL REVENUE FUND – ECONOMIC DEVELOPMENT FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 29, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest and rents	\$ 435	\$ 894	\$ 894	\$ -
Other revenue	<u>3,082</u>	<u>2,968</u>	<u>2,968</u>	<u>-</u>
Total revenues	<u>3,517</u>	<u>3,862</u>	<u>3,862</u>	<u>-</u>
Expenditures:				
Current				
Community and economic development	<u>400</u>	<u>400</u>	<u>400</u>	<u>-</u>
Change in fund balance	3,117	3,462	3,462	-
Fund balance, beginning of year	<u>778,667</u>	<u>778,667</u>	<u>778,667</u>	<u>-</u>
Fund balance, end of year	<u>\$ 781,784</u>	<u>\$ 782,129</u>	<u>\$ 782,129</u>	<u>\$ -</u>

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF EDMORE

COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

BALANCE SHEET

February 29, 2020

Assets:

Cash and cash equivalents	\$	57,972
Taxes receivable		<u>42,266</u>
Total assets	\$	<u><u>100,238</u></u>

Liabilities and Fund Balance:

Liabilities:

Accounts payable	\$	13,083
Deposits payable		5,250
Accrued wages payable		623
Long-term advances from primary government		<u>240,183</u>
Total liabilities		<u>259,139</u>

Fund balance:

Unassigned		<u>(158,901)</u>
Total liabilities and fund balance	\$	<u><u>100,238</u></u>

VILLAGE OF EDMORE

COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE**

Year Ended February 29, 2020

Revenues:

Property taxes	\$ 82,743
Interest and rents	30,160
Other revenue	<u>130</u>
Total revenues	<u>113,033</u>

Expenditures:

Current	
Community and economic development	79,852
Contribution to primary government for Edmore Marketplace	26,168
Debt service	
Interest	<u>135</u>
Total expenditures	<u>106,155</u>
Change in fund balance	6,878
Fund balance (deficit), beginning of year	<u>(165,779)</u>
Fund balance (deficit), end of year	<u>\$ (158,901)</u>

VILLAGE OF EDMORE

GOVERNMENTAL ACTIVITIES
SCHEDULE OF INDEBTEDNESS
Year Ended February 29, 2020

2015 LEASE PURCHASE AGREEMENT

Issue dated June 5, 2015 in the amount of	\$ 49,595
Less: Principal paid in prior years	(39,165)
Less: Principal paid in current year	<u>(10,430)</u>
Balance payable as of February 29, 2020	<u>\$ -</u>

2015 LEASE PURCHASE AGREEMENT

Issue dated August 12, 2015 in the amount of	\$ 137,694
Less: Principal paid in prior years	(109,342)
Less: Principal paid in current year	<u>(28,352)</u>
Balance payable as of February 29, 2020	<u>\$ -</u>

VILLAGE OF EDMORE

BUSINESS-TYPE ACTIVITIES
SCHEDULE OF INDEBTEDNESS
 Year Ended February 29, 2020

2011 SEWAGE DISPOSAL SYSTEM REVENUE BOND

Issue dated June 27, 2011 in the amount of	\$ 2,501,000
Less: Principal paid in prior years	(273,000)
Less: Principal paid in current year	<u>(43,000)</u>
Balance payable as of February 29, 2020	<u>\$ 2,185,000</u>

Balance payable as follows:

<i><u>Fiscal Year</u></i> <i><u>Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>July 1,</u></i>	<i><u>Interest due</u></i> <i><u>July 1,</u></i>	<i><u>Interest due</u></i> <i><u>January 1,</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2021	2.50%	\$ 44,000	\$ 27,313	\$ 26,763	\$ 98,076
2022	2.50%	46,000	26,763	26,188	98,951
2023	2.50%	47,000	26,188	25,600	98,788
2024	2.50%	48,000	25,600	25,000	98,600
2025	2.50%	49,000	25,000	24,388	98,388
2026	2.50%	51,000	24,388	23,750	99,138
2027	2.50%	52,000	23,750	23,100	98,850
2028	2.50%	53,000	23,100	22,438	98,538
2029	2.50%	55,000	22,438	21,750	99,188
2030	2.50%	56,000	21,750	21,050	98,800
2031	2.50%	57,000	21,050	20,338	98,388
2032	2.50%	59,000	20,338	19,600	98,938
2033	2.50%	61,000	19,600	18,838	99,438
2034	2.50%	62,000	18,838	18,063	98,901
2035	2.50%	64,000	18,063	17,263	99,326
2036	2.50%	65,000	17,263	16,450	98,713
2037	2.50%	67,000	16,450	15,613	99,063
2038	2.50%	69,000	15,613	1,750	86,363
2039	2.50%	71,000	1,750	13,863	86,613
2040	2.50%	73,000	13,863	12,950	99,813
2041	2.50%	74,000	12,950	12,025	98,975
2042	2.50%	76,000	12,025	11,075	99,100
2043	2.50%	78,000	11,075	10,100	99,175
2044	2.50%	81,000	10,100	9,088	100,188
2045	2.50%	83,000	9,088	8,050	100,138
2046	2.50%	85,000	8,050	6,988	100,038
2047	2.50%	87,000	6,988	5,900	99,888
2048	2.50%	89,000	5,900	4,788	99,688
2049	2.50%	92,000	4,788	3,638	100,426
2050	2.50%	94,000	3,638	2,463	100,101
2051	2.50%	97,000	2,463	1,250	100,713
2052	2.50%	<u>100,000</u>	<u>1,250</u>	<u>-</u>	<u>101,250</u>
		<u>\$ 2,185,000</u>	<u>\$ 497,433</u>	<u>\$ 470,120</u>	<u>\$ 3,152,553</u>

VILLAGE OF EDMORE

BUSINESS-TYPE ACTIVITIES
SCHEDULE OF INDEBTEDNESS
Year Ended February 29, 2020

2016 CONTRACT PAYABLE FOR WATER TOWER

Issue dated April 15, 2015 in the amount of	\$	433,135
Less: Principal paid in prior years		(346,508)
Less: Principal paid in current year		<u>(86,627)</u>
Balance payable as of February 29, 2020	\$	<u><u>-</u></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 the 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 29, 2020, 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 June 25, 2020.

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, 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.

To the Members of the Village Council
Village of Edmore, Michigan

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.

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
June 25, 2020