

VILLAGE OF EDMORE

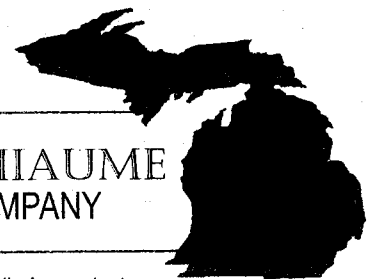
Montcalm County

FINANCIAL STATEMENTS

February 28, 2013

**BERTHIAUME
& COMPANY**

Certified Public Accountants



VILLAGE OF EDMORE

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INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Edmore
Montcalm County, Michigan

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2013, 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 Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 7) and budgetary comparison information (pages 32 and 33) 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 supplemental 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 supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the 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 23, 2013 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.



Saginaw, Michigan
April 23, 2013



MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF EDMORE

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2013

Overview of the Financial Statements:

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, 2013. 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.

Government-wide Financial Statements:

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide financial statements report the Village's net position and how they have changed. Net position – the difference between the Village's assets and liabilities – are one way to measure the Village's financial health.

The government-wide financial statements of the Village are divided into three categories:

Governmental Activities – Most of the Village's basic services are included here, such as the public safety, public works, and recreation departments, and general administration. Property taxes, State-shared revenue, charges for services, grants, and transfers provide much of the funding.

Business-type Activities – The Village charges fees to customers to help it cover the costs of certain services it provides.

Component Unit – The Village includes the Downtown Development Authority in its report.

Fund Financial Statements:

The fund financial statements provide more detailed information about the Village's most significant funds – not the Village as a whole. Funds are accounting tools that the Village uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The Village Council establishes other funds to control and manage money for particular purposes.

The Village has three kinds 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, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs.

Proprietary Funds – Services to which the Village charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like government-wide statements, provide both short- and long-term financial information.

Fiduciary Funds – The Village is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the Village cannot use these assets to finance its operations.

VILLAGE OF EDMORE

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2013

Government-Wide Financial Analysis:

The following table shows, in a condensed format, the statement of net position at February 28, 2013 and 2012:

| | <i>Governmental Activities</i> | | <i>Business-type Activities</i> | | <i>Total</i> | |
|----------------------------------|------------------------------------|---------------------|-------------------------------------|---------------------|---------------------|---------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Assets: | | | | | | |
| Current and other assets | \$ 3,495,582 | \$ 3,433,559 | \$ 1,306,891 | \$ 1,249,838 | \$ 4,802,473 | \$ 4,683,397 |
| Capital assets | <u>802,327</u> | <u>752,535</u> | <u>4,081,113</u> | <u>2,672,786</u> | <u>4,883,440</u> | <u>3,425,321</u> |
| Total assets | <u>4,297,909</u> | <u>4,186,094</u> | <u>5,388,004</u> | <u>3,922,624</u> | <u>9,685,913</u> | <u>8,108,718</u> |
| Liabilities: | | | | | | |
| Other liabilities | 76,316 | 9,612 | 104,243 | 43,558 | 180,559 | 53,170 |
| Long-term liabilities | <u>10,324</u> | <u>12,881</u> | <u>2,465,000</u> | <u>2,079,000</u> | <u>2,475,324</u> | <u>2,091,881</u> |
| Total liabilities | <u>86,640</u> | <u>22,493</u> | <u>2,569,243</u> | <u>2,122,558</u> | <u>2,655,883</u> | <u>2,145,051</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 802,327 | 752,535 | 1,616,113 | 593,786 | 2,418,440 | 1,346,321 |
| Restricted | 2,079,854 | 2,112,827 | 74,354 | 42,001 | 2,154,208 | 2,154,828 |
| Unrestricted | <u>1,329,088</u> | <u>1,298,239</u> | <u>1,128,294</u> | <u>1,164,279</u> | <u>2,457,382</u> | <u>2,462,518</u> |
| Total net position | <u>\$ 4,211,269</u> | <u>\$ 4,163,601</u> | <u>\$ 2,818,761</u> | <u>\$ 1,800,066</u> | <u>\$ 7,030,030</u> | <u>\$ 5,963,667</u> |

VILLAGE OF EDMORE

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2013

The following table shows, in a condensed format, the changes in net position for fiscal years 2013 and 2012:

| | <i>Governmental Activities</i> | | <i>Business-type Activities</i> | | <i>Total</i> | |
|--|------------------------------------|---------------------|-------------------------------------|---------------------|---------------------|---------------------|
| | <i>2013</i> | <i>2012</i> | <i>2013</i> | <i>2012</i> | <i>2013</i> | <i>2012</i> |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 65,676 | \$ 66,528 | \$ 410,137 | \$ 403,887 | \$ 475,813 | \$ 470,415 |
| Operating grants | 103,245 | 114,225 | - | - | 103,245 | 114,225 |
| Capital grants | 79,679 | 139,017 | 975,893 | - | 1,055,572 | 139,017 |
| General revenues | | | | | | |
| Property taxes | 236,294 | 242,287 | - | - | 236,294 | 242,287 |
| Payment in lieu of property taxes | 1,646 | 1,342 | - | - | 1,646 | 1,342 |
| Franchise fees | 2,319 | 2,312 | - | - | 2,319 | 2,312 |
| State revenue sharing | 104,098 | 102,310 | - | - | 104,098 | 102,310 |
| Investment earnings | 12,367 | 14,015 | 1,856 | 3,060 | 14,223 | 17,075 |
| Other | 10,539 | 17,120 | - | - | 10,539 | 17,120 |
| Total revenues | 615,863 | 699,156 | 1,387,886 | 406,947 | 2,003,749 | 1,106,103 |
| Expenses: | | | | | | |
| General government | 135,673 | 231,319 | - | - | 135,673 | 231,319 |
| Public safety | 59,826 | 44,977 | - | - | 59,826 | 44,977 |
| Public works | 255,286 | 166,661 | - | - | 255,286 | 166,661 |
| Community and economic development | 95,668 | 23,885 | - | - | 95,668 | 23,885 |
| Recreation and culture | 21,742 | 36,813 | - | - | 21,742 | 36,813 |
| Sewer | - | - | 192,420 | 134,593 | 192,420 | 134,593 |
| Water | - | - | 176,771 | 165,922 | 176,771 | 165,922 |
| Total expenses | 568,195 | 503,655 | 369,191 | 300,515 | 937,386 | 804,170 |
| Excess of revenues over expenses before other | 47,668 | 195,501 | 1,018,695 | 106,432 | 1,066,363 | 301,933 |
| Other items: | | | | | | |
| Sale of capital assets | - | (100) | - | - | - | (100) |
| Changes in net position | 47,668 | 195,401 | 1,018,695 | 106,432 | 1,066,363 | 301,833 |
| Net position, beginning of year | 4,163,601 | 3,968,200 | 1,800,066 | 1,693,634 | 5,963,667 | 5,661,834 |
| Net position, end of year | \$ 4,211,269 | \$ 4,163,601 | \$ 2,818,761 | \$ 1,800,066 | \$ 7,030,030 | \$ 5,963,667 |

VILLAGE OF EDMORE

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2013

The Village's Funds:

The fund financial statements begin on page 11 and provide detailed information on the most significant governmental funds – not the Village as a whole. The Village Council creates funds to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The Village's major governmental funds for the 2012-2013 fiscal year are the General Fund, Economic Development Fund and the Sunrise Project Fund.

Other major funds are the Sewer and Water Funds, which are categorized as Enterprise or business-type funds. These funds operate on revenues received from the customers (users) of the sewer and water systems.

General Fund Budgetary Highlights:

Over the course of the year, the Village amended the budget to take into account various expenditures or revenue changes. These amendments were relatively minor except for the increase needed to account for the contribution from the DDA for capital asset additions.

Capital Assets and Debt Administration:

Capital Assets – During the 2012-2013 fiscal year, the Village invested \$79,679 in governmental capital assets which consisted of the purchase of one parcel of land and various construction costs for the bag building restoration. The Village also invested \$1,450,817 in business-type capital assets which included improvements to the sewer lagoon and a watermain extension.

Debt – At the end of the current year, the Village had total long-term debt outstanding, excluding compensated absences, of \$2,465,000, which is backed solely by specified revenue sources. During the year, the Village received the remaining \$422,000 from the 2011 Sewage Disposal System Revenue Bond, which was in the amount of \$2,501,000.

Economic Factors:

The Village continues to maintain positive fund balances in each of its funds. However, concerns arise when considering the revenues and expenses that the Village is facing in upcoming years. The major sources of revenue for the Village are property taxes, State-shared revenues, and charges for services. These sources have certain limitations outside of the Village's control – taxable value of property in the Village has remained relatively flat, resulting in small increases in property taxes; the State of Michigan has experienced budget deficits and has reduced revenue-sharing payments to local governments to help in reducing their deficit; and the economy has restricted the Village in what it can charge its customers. In comparison, certain expenses continue to rise at a rate higher than inflation, such as insurance, utility costs, and gasoline expenses.

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, 2013

| | <i>Primary Government</i> | | | <i>Component</i> |
|---------------------------------------|---------------------------|----------------------|---------------------|---|
| | <i>Governmental</i> | <i>Business-type</i> | <i>Total</i> | <i>Unit</i> |
| | <i>Activities</i> | <i>Activities</i> | | <i>Downtown Development Authority</i> |
| Assets: | | | | |
| Cash and cash equivalents | \$ 3,075,058 | \$ 1,263,552 | \$ 4,338,610 | \$ 111,696 |
| Receivables | 420,524 | 43,339 | 463,863 | 40,914 |
| Capital assets: | | | | |
| Nondepreciable capital assets | 145,722 | 15,804 | 161,526 | - |
| Depreciable capital assets, net | <u>656,605</u> | <u>4,065,309</u> | <u>4,721,914</u> | <u>-</u> |
| Total assets | <u>4,297,909</u> | <u>5,388,004</u> | <u>9,685,913</u> | <u>152,610</u> |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | 76,316 | 104,243 | 180,559 | 870 |
| Long-term liabilities: | | | | |
| Due within one year | - | 37,000 | 37,000 | - |
| Due in more than one year | <u>10,324</u> | <u>2,428,000</u> | <u>2,438,324</u> | <u>-</u> |
| Total liabilities | <u>86,640</u> | <u>2,569,243</u> | <u>2,655,883</u> | <u>870</u> |
| Net position: | | | | |
| Net investment in capital assets | 802,327 | 1,616,113 | 2,418,440 | - |
| Restricted for: | | | | |
| Debt service | - | 74,325 | 74,325 | - |
| Economic development | 435,361 | - | 435,361 | - |
| Future construction | - | 29 | 29 | - |
| Streets | 744,228 | - | 744,228 | - |
| Sunrise capital projects | 900,265 | - | 900,265 | - |
| Unrestricted | <u>1,329,088</u> | <u>1,128,294</u> | <u>2,457,382</u> | <u>151,740</u> |
| Total net position | <u>\$ 4,211,269</u> | <u>\$ 2,818,761</u> | <u>\$ 7,030,030</u> | <u>\$ 151,740</u> |

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

VILLAGE OF EDMORE

STATEMENT OF ACTIVITIES

Year Ended February 28, 2013

| | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue</u> |
|------------------------------------|-------------------|-------------------------------------|---|---|--------------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| Functions/Programs | | | | | |
| PRIMARY GOVERNMENT: | | | | | |
| <i>Governmental activities:</i> | | | | | |
| General government | \$ 135,673 | \$ 12,727 | \$ - | \$ - | \$ (122,946) |
| Public safety | 59,826 | 2,708 | - | - | (57,118) |
| Public works | 255,286 | 38,221 | 103,245 | - | (113,820) |
| Community and economic development | 95,668 | 12,020 | - | 79,679 | (3,969) |
| Recreation and culture | 21,742 | - | - | - | (21,742) |
| Total governmental activities | <u>568,195</u> | <u>65,676</u> | <u>103,245</u> | <u>79,679</u> | <u>(319,595)</u> |
| <i>Business-type activities:</i> | | | | | |
| Sewer | 192,420 | 268,562 | - | 897,400 | 973,542 |
| Water | 176,771 | 141,575 | - | 78,493 | 43,297 |
| Total business-type activities | <u>369,191</u> | <u>410,137</u> | <u>-</u> | <u>975,893</u> | <u>1,016,839</u> |
| Total primary government | <u>\$ 937,386</u> | <u>\$ 475,813</u> | <u>\$ 103,245</u> | <u>\$ 1,055,572</u> | <u>\$ 697,244</u> |
| COMPONENT UNIT: | | | | | |
| Downtown development authority | <u>\$ 100,643</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,164</u> | <u>\$ (91,479)</u> |

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

| | <i>Primary Government</i> | | | <i>Component</i> |
|--|---------------------------|-------------------|--------------|--------------------|
| | <i>Governmental</i> | <i>Business-</i> | <i>Total</i> | <i>Unit</i> |
| | <i>Activities</i> | <i>type</i> | | <i>Downtown</i> |
| | | <i>Activities</i> | | <i>Development</i> |
| | | | | <i>Authority</i> |
| <i>Changes in net assets:</i> | | | | |
| Net (Expense) Revenue | \$ (319,595) | \$ 1,016,839 | \$ 697,244 | \$ (91,479) |
| <i>General revenues:</i> | | | | |
| Taxes: | | | | |
| Property taxes, levied for general purpose | 236,294 | - | 236,294 | - |
| Property taxes captured by component unit | - | - | - | 79,479 |
| Payment in lieu of property taxes | 1,646 | - | 1,646 | - |
| Franchise fees | 2,319 | - | 2,319 | - |
| Grants and contributions not restricted to specific programs | 104,098 | - | 104,098 | - |
| Unrestricted investment earnings | 12,367 | 1,856 | 14,223 | - |
| Other | 10,539 | - | 10,539 | 352 |
| Total general revenues | 367,263 | 1,856 | 369,119 | 79,831 |
| Changes in net position | 47,668 | 1,018,695 | 1,066,363 | (11,648) |
| Net position, beginning of year | 4,163,601 | 1,800,066 | 5,963,667 | 163,388 |
| Net position, end of year | \$ 4,211,269 | \$ 2,818,761 | \$ 7,030,030 | \$ 151,740 |

VILLAGE OF EDMORE

GOVERNMENTAL FUNDS

BALANCE SHEET

February 28, 2013

| | <i>General Fund</i> | <i>Economic Development Fund</i> | <i>Sunrise Project Fund</i> | <i>Nonmajor Governmental Funds</i> | <i>Total</i> |
|--|--------------------------|--|-------------------------------------|--|----------------------------|
| Assets: | | | | | |
| Cash and cash equivalents | \$ 790,146 | \$ 437,093 | \$ 965,572 | \$ 727,487 | \$ 2,920,298 |
| Accounts receivable | 1,608 | - | - | - | 1,608 |
| Notes receivable | - | 358,025 | - | - | 358,025 |
| Due from other governmental units | 42,739 | - | - | 18,152 | 60,891 |
| Due from other funds | - | - | - | 3,028 | 3,028 |
| Total assets | <u>\$ 834,493</u> | <u>\$ 795,118</u> | <u>\$ 965,572</u> | <u>\$ 748,667</u> | <u>\$ 3,343,850</u> |
| Liabilities and Fund Balances: | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 2,015 | \$ 1,732 | \$ 65,307 | \$ - | \$ 69,054 |
| Accrued expenses | 2,872 | - | - | 1,411 | 4,283 |
| Due to other funds | - | - | - | 3,028 | 3,028 |
| Total liabilities | <u>4,887</u> | <u>1,732</u> | <u>65,307</u> | <u>4,439</u> | <u>76,365</u> |
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Long-term receivables | - | 358,025 | - | - | 358,025 |
| Restricted for: | | | | | |
| Economic development | - | 435,361 | - | - | 435,361 |
| Streets | - | - | - | 744,228 | 744,228 |
| Sunrise capital projects | - | - | 900,265 | - | 900,265 |
| Committed for: | | | | | |
| Police protection | 18,247 | - | - | - | 18,247 |
| Unassigned | 811,359 | - | - | - | 811,359 |
| Total fund balances | <u>829,606</u> | <u>793,386</u> | <u>900,265</u> | <u>744,228</u> | <u>3,267,485</u> |
| Total liabilities and fund balances | <u>\$ 834,493</u> | <u>\$ 795,118</u> | <u>\$ 965,572</u> | <u>\$ 748,667</u> | <u>\$ 3,343,850</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, 2013

| | | |
|---|------------------|----------------------------|
| Total fund balances for governmental funds | | \$ 3,267,485 |
| Total net position reported for governmental activities in the statement of 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. | | |
| Governmental capital assets | 979,940 | |
| Less accumulated depreciation | <u>(243,252)</u> | 736,688 |
| Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds: | | |
| Compensated absences payable | | (10,324) |
| The assets and liabilities of internal service funds are included in governmental activities in the statement of net position. | | <u>217,420</u> |
| Net position of governmental activities | | <u>\$ 4,211,269</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, 2013

| | <i>General Fund</i> | <i>Economic Development Fund</i> | <i>Sunrise Project Fund</i> | <i>Nonmajor Governmental Funds</i> | <i>Total</i> |
|----------------------------------|-------------------------|--|-------------------------------------|--|---------------------|
| Revenues: | | | | | |
| Property taxes | \$ 237,940 | \$ - | \$ - | \$ - | \$ 237,940 |
| Licenses and permits | 2,319 | - | - | - | 2,319 |
| State grants | 105,437 | - | - | 103,245 | 208,682 |
| Contributions from other units | 81,041 | - | - | - | 81,041 |
| Charges for services | 20,929 | - | - | - | 20,929 |
| Interest and rents | 10,179 | 3,180 | 16,901 | 1,019 | 31,279 |
| Other revenue | 10,546 | - | - | - | 10,546 |
| Total revenues | 468,391 | 3,180 | 16,901 | 104,264 | 592,736 |
| Expenditures: | | | | | |
| Current | | | | | |
| General government | 127,945 | - | - | - | 127,945 |
| Public safety | 59,061 | - | - | - | 59,061 |
| Public works | 153,478 | - | - | 73,504 | 226,982 |
| Community and development | - | 2,033 | 93,635 | - | 95,668 |
| Recreation and culture | 14,741 | - | - | - | 14,741 |
| Other | 4,353 | - | - | - | 4,353 |
| Capital outlay | 79,679 | - | - | - | 79,679 |
| Total expenditures | 439,257 | 2,033 | 93,635 | 73,504 | 608,429 |
| Changes in fund balances | 29,134 | 1,147 | (76,734) | 30,760 | (15,693) |
| Fund balances, beginning of year | 800,472 | 792,239 | 976,999 | 713,468 | 3,283,178 |
| Fund balances, end of year | <u>\$ 829,606</u> | <u>\$ 793,386</u> | <u>\$ 900,265</u> | <u>\$ 744,228</u> | <u>\$ 3,267,485</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, 2013

Changes in fund balances - total governmental funds \$ (15,693)

Total 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.

| | | |
|---------------------------|-----------------|--------|
| Capital outlay | 79,679 | |
| Less depreciation expense | <u>(13,706)</u> | 65,973 |

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 | 2,557 |
|--|-------|

| | |
|--|----------------|
| The net revenue (expense) of the internal service fund is reported with governmental activities. | <u>(5,169)</u> |
|--|----------------|

Changes in net position of governmental activities \$ 47,668

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

VILLAGE OF EDMORE

PROPRIETARY FUNDS STATEMENT OF NET POSITION

February 28, 2013

| | <i>Business-type Activities</i> | | | <i>Governmental</i> |
|--------------------------------------|---------------------------------|-----------------------|---------------------------------------|--------------------------------------|
| | <i>Sewer Fund</i> | <i>Water Fund</i> | <i>Total Enterprise Funds</i> | <i>Internal Service Fund</i> |
| Assets: | | | | |
| <i>Current assets:</i> | | | | |
| Cash and cash equivalents | \$ 609,062 | \$ 580,136 | \$ 1,189,198 | \$ 154,760 |
| Accounts receivable | 28,753 | 14,586 | 43,339 | - |
| Total current assets | 637,815 | 594,722 | 1,232,537 | 154,760 |
| <i>Noncurrent assets:</i> | | | | |
| Restricted cash and cash equivalents | 74,354 | - | 74,354 | - |
| <i>Capital assets:</i> | | | | |
| Nondepreciable capital assets | 13,050 | 2,754 | 15,804 | - |
| Depreciable capital assets, net | 3,527,954 | 537,355 | 4,065,309 | 65,639 |
| Total noncurrent assets | 3,615,358 | 540,109 | 4,155,467 | 65,639 |
| Total assets | 4,253,173 | 1,134,831 | 5,388,004 | 220,399 |
| Liabilities: | | | | |
| <i>Current liabilities:</i> | | | | |
| Accounts payable | 86,962 | 4,350 | 91,312 | 1,578 |
| Accrued expenses | 1,067 | 1,080 | 2,147 | 1,401 |
| Accrued interest payable | 10,784 | - | 10,784 | - |
| Current long-term debt | 37,000 | - | 37,000 | - |
| Total current liabilities | 135,813 | 5,430 | 141,243 | 2,979 |
| <i>Noncurrent liabilities:</i> | | | | |
| Long-term debt | 2,428,000 | - | 2,428,000 | - |
| Total liabilities | 2,563,813 | 5,430 | 2,569,243 | 2,979 |
| Net position: | | | | |
| Net investment in capital assets | 1,076,004 | 540,109 | 1,616,113 | 65,639 |
| Restricted for: | | | | |
| Debt service | 74,325 | - | 74,325 | - |
| Future construction | 29 | - | 29 | - |
| Unrestricted | 539,002 | 589,292 | 1,128,294 | 151,781 |
| Total net position | \$ 1,689,360 | \$ 1,129,401 | \$ 2,818,761 | \$ 217,420 |

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, 2013

| | <i>Business-type Activities</i> | | | <i>Governmental</i> |
|--|---------------------------------|---------------------|---------------------|---------------------|
| | | | | <i>Activities</i> |
| | <i>Sewer</i> | <i>Water</i> | <i>Total</i> | <i>Internal</i> |
| | <i>Fund</i> | <i>Fund</i> | <i>Enterprise</i> | <i>Service</i> |
| | <i>Fund</i> | <i>Fund</i> | <i>Funds</i> | <i>Fund</i> |
| Operating revenues: | | | | |
| Charges for services | \$ 265,449 | \$ 138,984 | \$ 404,433 | \$ - |
| Penalties | 3,113 | 1,653 | 4,766 | - |
| Equipment rental | - | - | - | 74,944 |
| Other | - | 938 | 938 | - |
| Total operating revenues | 268,562 | 141,575 | 410,137 | 74,944 |
| Operating expenses: | | | | |
| Personnel | 40,584 | 43,038 | 83,622 | 22,421 |
| Fringe benefits | 32,764 | 35,604 | 68,368 | 17,854 |
| Supplies | 1,097 | 6,007 | 7,104 | 9,832 |
| Contracted services | 28,736 | 34,656 | 63,392 | 680 |
| Telephone | 1,534 | 1,547 | 3,081 | - |
| Dues and membership fees | 103 | 291 | 394 | - |
| Education and training | - | 140 | 140 | - |
| Insurance | 1,475 | 1,681 | 3,156 | 4,533 |
| Utilities | 6,445 | 13,025 | 19,470 | - |
| Repairs and maintenance | 375 | 342 | 717 | 8,699 |
| Equipment rental | 9,626 | 10,236 | 19,862 | - |
| Depreciation | 12,286 | 30,204 | 42,490 | 16,182 |
| Total operating expenses | 135,025 | 176,771 | 311,796 | 80,201 |
| Operating income (loss) | 133,537 | (35,196) | 98,341 | (5,257) |
| Non-operating revenues (expenses): | | | | |
| Interest income | 716 | 1,856 | 2,572 | 88 |
| Interest expense | (58,111) | - | (58,111) | - |
| Net non-operating revenues (expenses) | (57,395) | 1,856 | (55,539) | 88 |
| Change in net position before capital contributions | 76,142 | (33,340) | 42,802 | (5,169) |
| Capital contribution - federal grant | 897,400 | - | 897,400 | - |
| Capital contribution - other fund | - | 78,493 | 78,493 | - |
| Changes in net position | 973,542 | 45,153 | 1,018,695 | (5,169) |
| Net position, beginning of year | 715,818 | 1,084,248 | 1,800,066 | 222,589 |
| Net position, end of year | \$ 1,689,360 | \$ 1,129,401 | \$ 2,818,761 | \$ 217,420 |

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

VILLAGE OF EDMORE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended February 28, 2013

| | <i>Business-type Activities</i> | | | <i>Governmental</i> |
|---|---------------------------------|--------------|-------------------|---------------------|
| | | | <i>Total</i> | <i>Activities</i> |
| | <i>Sewer</i> | <i>Water</i> | <i>Enterprise</i> | <i>Internal</i> |
| | <i>Fund</i> | <i>Fund</i> | <i>Funds</i> | <i>Service</i> |
| | <i>Fund</i> | <i>Fund</i> | <i>Funds</i> | <i>Fund</i> |
| Cash flows from operating activities: | | | | |
| Cash received from customers | \$ 267,562 | \$ 141,075 | \$ 408,637 | \$ - |
| Cash received for interfund services | - | - | - | 74,944 |
| Cash payments to employees | (40,584) | (43,038) | (83,622) | (22,421) |
| Cash payments to suppliers for goods and services | (26,600) | (100,520) | (127,120) | (40,048) |
| Net cash provided (used) by operating activities | 200,378 | (2,483) | 197,895 | 12,475 |
| Cash flows from capital and related financing activities: | | | | |
| Proceeds from capital debt | 422,000 | - | 422,000 | - |
| Capital contributions | 897,400 | 78,493 | 975,893 | - |
| Acquisition and construction of capital assets | (1,372,324) | (78,493) | (1,450,817) | - |
| Principal paid on capital debt | (36,000) | - | (36,000) | - |
| Interest paid on capital debt | (55,990) | - | (55,990) | - |
| Net cash used by capital and related financing activities | (144,914) | - | (144,914) | - |
| Cash flows from investing activities: | | | | |
| Interest received | 716 | 1,856 | 2,572 | 88 |
| Net increase (decrease) in cash and cash equivalents | 56,180 | (627) | 55,553 | 12,563 |
| Cash and cash equivalents, beginning of year | 627,236 | 580,763 | 1,207,999 | 142,197 |
| Cash and cash equivalents, end of year | \$ 683,416 | \$ 580,136 | \$ 1,263,552 | \$ 154,760 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ 133,537 | \$ (35,196) | \$ 98,341 | \$ (5,257) |
| Adjustments: | | | | |
| Depreciation | 12,286 | 30,204 | 42,490 | 16,182 |
| Change in assets and liabilities: | | | | |
| Accounts receivable | (1,000) | (500) | (1,500) | - |
| Accounts payable | 55,739 | 3,362 | 59,101 | 950 |
| Accrued expenses | (184) | (353) | (537) | 600 |
| Net cash provided (used) by operating activities | \$ 200,378 | \$ (2,483) | \$ 197,895 | \$ 12,475 |

The accompanying notes are an integral part of this statement.

VILLAGE OF EDMORE

FIDUCIARY FUNDS – AGENCY FUNDS

STATEMENT OF NET POSITION

February 28, 2013

Assets:

Cash and cash equivalents \$ 92,171

Liabilities:

Accounts payable and accrued expenses 92,171

Net Position:

Unrestricted -

Total net position \$ -

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 28, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Edmore conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the Village's reporting entity because of their operational or financial relationship with the Village.

Discretely Presented Component Units - The component unit column in the government-wide financial statements includes the financial data of the Village's one component unit. This unit is reported in a separate column to emphasize that it is legally separate from the Village. The component unit is described as follows:

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2013

The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village’s net position are reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated inter fund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village’s net position resulting from current year activities.

Fund Financial Statements:

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2013

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Economic Development Fund** is used to account for loans and repayments (revolving loans) to local businesses to encourage economic growth in the Village.

The **Sunrise Project Fund** was established to account 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 enterprise funds:

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

Additionally, the Village reports the following funds:

The **Major Street Fund** and **Local Street Fund** which are used to account for the maintenance and construction of the Village's major and local street systems.

The **Internal Service Fund** is used to account for and allocate motor pool services and costs provided to other funds/departments on a cost-reimbursement basis.

The **Agency Funds** are used to ensure that the assets in these funds are used for their intended purposes. The Village cannot use these assets to finance its operations.

Assets, Liabilities and Equity:

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

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2013

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds.” These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Inventories and Prepaid Items – The Village has no inventories or prepaid items.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized. 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 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 statement of net position. Other long-term obligations include compensated absences. 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) and personal hours (max 24). 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.

Deferred Revenue – Governmental and proprietary funds defer revenue recognition in connection with resources that have been received but not yet earned.

Fund Equity – In the fund financial statements, fund balance is 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 which cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted – amounts that have constraints placed on their use by an external party or constitutional provisions or enabling legislation (grants, contributions, specific fee mandates).

Committed – amounts that are committed for specific purposes by the Village Council, as the Village’s highest level of decision-making authority, pursuant to constraints imposed by formal actions taken, such as majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Village Council removes or changes the specific use through the same type of formal action taken to establish the commitment.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2013

Assigned – amounts that are constrained by the Village’s intent to be used for specific purposes, but are neither restricted nor committed. The Village Council has the authority to assign amounts to be used for specific purposes.

Unassigned – amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

When the Village incurs expenditures for purposes for which various fund balance classifications can be used, it is the Village’s policy to use the restricted fund balance first, then committed fund balance, then assigned fund balance, and finally unassigned fund balance.

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.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

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 2012 taxable valuation of the Village totaled \$21,884,932 (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.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

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

1. The Village Manager submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to March 1, the budget is legally enacted by adoption of the Village Council.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2013

4. Any revision that alters the total expenditures of any fund must be approved by the Village.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. 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 General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Village Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Village did not incur expenditures that were in excess of the amounts budgeted.

NOTE 3: CASH 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 \$4,411,614, of bank deposits (certificates of deposit, checking, and savings accounts), of which \$1,180,132 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2013

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, 2013 the Village had \$74,325 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, 2013 was \$358,025. This balance was recorded on the statement of net position as a receivable. No allowance has been made for uncollectable amounts because all are currently considered collectable.

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2013 was as follows:

| | <i>March 1,</i> <i>2012</i> | <i>Additions</i> | <i>Retirements</i> | <i>February 28,</i> <i>2013</i> |
|--|--------------------------------|------------------|--------------------|------------------------------------|
| Governmental activities: | | | | |
| Nondepreciable capital assets: | | | | |
| Land | \$ 144,394 | \$ 1,328 | \$ - | \$ 145,722 |
| Depreciable capital assets: | | | | |
| Buildings and improvements | 400,424 | 78,351 | - | 478,775 |
| Land improvements | 238,260 | - | - | 238,260 |
| Equipment | 299,372 | - | (3,700) | 295,672 |
| Vehicles | 210,715 | - | - | 210,715 |
| Total depreciable capital assets | 1,148,771 | 78,351 | (3,700) | 1,223,422 |
| Accumulated depreciation | (540,630) | (29,887) | 3,700 | (566,817) |
| Depreciable capital assets, net | 608,141 | 48,464 | - | 656,605 |
| Governmental activities, capital assets, net | \$ 752,535 | \$ 49,792 | \$ - | \$ 802,327 |

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2013

| | <u>March 1, 2012</u> | <u>Additions</u> | <u>Retirements</u> | <u>February 28, 2013</u> |
|---|--------------------------|---------------------|--------------------|------------------------------|
| Business-type activities: | | | | |
| Nondepreciable capital assets: | | | | |
| Land | \$ 15,804 | \$ - | \$ - | \$ 15,804 |
| Depreciable capital assets: | | | | |
| Equipment | 181,643 | 34,654 | (24,457) | 191,840 |
| Sewer system | 2,751,008 | 1,337,670 | - | 4,088,678 |
| Water system | 1,408,173 | 78,493 | - | 1,486,666 |
| Total depreciable capital assets | 4,340,824 | 1,450,817 | (24,457) | 5,767,184 |
| Accumulated depreciation | (1,683,842) | (42,490) | 24,457 | (1,701,875) |
| Depreciable capital assets, net | 2,656,982 | 1,408,327 | - | 4,065,309 |
| Business-type activities, capital assets, net | <u>\$ 2,672,786</u> | <u>\$ 1,408,327</u> | <u>\$ -</u> | <u>\$ 4,081,113</u> |

Depreciation expense was charged to functions as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|------------------------|------------------------------------|-------------------------------------|
| General government | \$ 2,037 | \$ - |
| Public safety | 765 | - |
| Public works | 20,084 | - |
| Recreation and culture | 7,001 | - |
| Sewer | - | 12,286 |
| Water | - | 30,204 |
| | <u>\$ 29,887</u> | <u>\$ 42,490</u> |

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end in the aggregate are as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Component Unit - DDA</u> |
|---|------------------------------------|-------------------------------------|---------------------------------|
| Receivables: | | | |
| Property taxes | \$ - | \$ - | \$ 40,914 |
| Accounts | 1,608 | 43,339 | - |
| Notes | 358,025 | - | - |
| Intergovernmental | 60,891 | - | - |
| Total receivables | <u>\$ 420,524</u> | <u>\$ 43,339</u> | <u>40,914</u> |
| Accounts payable and accrued expenses: | | | |
| Accounts | \$ 70,632 | \$ 91,312 | \$ 870 |
| Payroll and related liabilities | 5,684 | 2,147 | - |
| Accrued interest | - | 10,784 | - |
| Total accounts payable and accrued expenses | <u>\$ 76,316</u> | <u>\$ 104,243</u> | <u>\$ 870</u> |

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2013

The balance of \$358,025 of 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, 2013:

| | <u>March 1, 2012</u> | <u>Additions</u> | <u>Retirements</u> | <u>February 28, 2013</u> | <u>Due Due Within One Year</u> |
|---|--------------------------|------------------|--------------------|------------------------------|--|
| Governmental activities: | | | | | |
| Compensated absences | \$ 12,881 | \$ - | \$ (2,557) | \$ 10,324 | \$ - |
| Business-type activities: | | | | | |
| 2011 Sewage Disposal System Revenue Bond, due in annual amounts ranging from \$36,000 to \$100,000 at an interest rate of 2.50% through 2051. | \$ 2,079,000 | \$ 422,000 | \$ (36,000) | \$ 2,465,000 | \$ 37,000 |

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

| <u>Fiscal Year Ended</u> | <u>Business-type Activities</u> | | |
|------------------------------|---------------------------------|-------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2014 | \$ 37,000 | \$ 32,353 | \$ 69,353 |
| 2015 | 38,000 | 31,868 | 69,868 |
| 2016 | 39,000 | 31,369 | 70,369 |
| 2017 | 40,000 | 30,857 | 70,857 |
| 2018 | 41,000 | 30,332 | 71,332 |
| 2019-2023 | 222,000 | 143,313 | 365,313 |
| 2024-2028 | 253,000 | 127,930 | 380,930 |
| 2029-2033 | 288,000 | 110,434 | 398,434 |
| 2034-2038 | 327,000 | 90,537 | 417,537 |
| 2039-2043 | 372,000 | 67,897 | 439,897 |
| 2044-2048 | 425,000 | 42,132 | 467,132 |
| 2049-2052 | 383,000 | 12,745 | 395,745 |
| | <u>\$ 2,465,000</u> | <u>\$ 751,767</u> | <u>\$ 3,216,767</u> |

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2013

NOTE 9: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at February 28, 2013 is as follows:

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

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:

| <u>Funds Transferred From</u> | <u>Funds Transferred To</u> | <u>Amount</u> |
|-------------------------------|-----------------------------|---------------|
| Major Street Fund | Local Street Fund | \$ 17,659 |

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.

NOTE 9: 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 10: 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.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2013

The Village contributes 10% of each eligible employee's pay to the plan. For the fiscal year ended February 28, 2013, the Village made contributions of \$20,384 into the pension plan.

The Village currently does not provide postemployment benefits its 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 has determined that no value for the property should be recorded at this time. 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.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF EDMORE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2013

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <i>Actual</i> |
|------------------------------------|-------------------------|-------------------|-------------------|---------------------|
| | <u>Original</u> | <u>Final</u> | | <i>Over (Under)</i> |
| | | | | <u>Final Budget</u> |
| Revenues: | | | | |
| Property taxes | \$ 231,905 | \$ 245,668 | \$ 237,940 | \$ (7,728) |
| Licenses and permits | 1,700 | 2,320 | 2,319 | (1) |
| State grants | 101,300 | 104,603 | 105,437 | 834 |
| Contributions from other units | - | 79,679 | 81,041 | 1,362 |
| Charges for services | 17,350 | 13,568 | 20,929 | 7,361 |
| Fines and forfeits | 350 | 1,233 | - | (1,233) |
| Interest and rents | 16,694 | 9,775 | 10,179 | 404 |
| Other revenue | 53,860 | 11,122 | 10,546 | (576) |
| Total revenues | <u>423,159</u> | <u>467,968</u> | <u>468,391</u> | <u>423</u> |
| Expenditures: | | | | |
| Current | | | | |
| General government | 138,667 | 140,327 | 127,945 | (12,382) |
| Public safety | 59,132 | 61,241 | 59,061 | (2,180) |
| Public works | 161,390 | 163,890 | 153,478 | (10,412) |
| Community and economic development | 100 | 100 | - | (100) |
| Recreation | 66,556 | 21,236 | 14,741 | (6,495) |
| Other | 5,700 | 4,353 | 4,353 | - |
| Capital outlay | - | 79,679 | 79,679 | - |
| Total expenditures | <u>431,545</u> | <u>470,826</u> | <u>439,257</u> | <u>(31,569)</u> |
| Change in fund balance | (8,386) | (2,858) | 29,134 | 31,992 |
| Fund balance, beginning of year | <u>800,472</u> | <u>800,472</u> | <u>800,472</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 792,086</u> | <u>\$ 797,614</u> | <u>\$ 829,606</u> | <u>\$ 31,992</u> |

VILLAGE OF EDMORE

SPECIAL REVENUE FUND – ECONOMIC DEVELOPMENT FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2013

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Actual</i> |
|------------------------------------|-------------------------|-------------------|-------------------|---------------------|
| | <i>Original</i> | <i>Final</i> | | <i>Over (Under)</i> |
| | | | | <i>Final Budget</i> |
| Revenues: | | | | |
| Interest and rents | \$ 4,499 | \$ 4,499 | \$ 3,180 | \$ (1,319) |
| Other revenue | 250 | 250 | - | - |
| Total revenues | <u>4,749</u> | <u>4,749</u> | <u>3,180</u> | <u>(1,319)</u> |
| Expenditures: | | | | |
| Current | | | | |
| Community and economic development | <u>330</u> | <u>2,033</u> | <u>2,033</u> | <u>-</u> |
| Change in fund balance | 4,419 | 2,716 | 1,147 | (1,319) |
| Fund balance, beginning of year | <u>336,308</u> | <u>336,308</u> | <u>792,239</u> | <u>455,931</u> |
| Fund balance, end of year | <u>\$ 340,727</u> | <u>\$ 339,024</u> | <u>\$ 793,386</u> | <u>\$ 454,612</u> |

SUPPLEMENTAL INFORMATION

VILLAGE OF EDMORE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

February 28, 2013

| | <i>Major Street Fund</i> | <i>Local Street Fund</i> | <i>Total</i> |
|---------------------------------------|----------------------------------|----------------------------------|-------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 382,613 | \$ 344,874 | \$ 727,487 |
| Due from other governmental units | 13,052 | 5,100 | 18,152 |
| Due from other funds | <u>-</u> | <u>3,028</u> | <u>3,028</u> |
| Total assets | <u>\$ 395,665</u> | <u>\$ 353,002</u> | <u>\$ 748,667</u> |
| Liabilities and Fund Balances: | | | |
| Liabilities: | | | |
| Accrued expenses | \$ 724 | \$ 687 | \$ 1,411 |
| Due to other funds | <u>3,028</u> | <u>-</u> | <u>3,028</u> |
| Total liabilities | <u>3,752</u> | <u>687</u> | <u>4,439</u> |
| Fund balances: | | | |
| Restricted for: | | | |
| Streets | <u>391,913</u> | <u>352,315</u> | <u>744,228</u> |
| Total liabilities and fund balances | <u>\$ 395,665</u> | <u>\$ 353,002</u> | <u>\$ 748,667</u> |

VILLAGE OF EDMORE

NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended February 28, 2013

| | <i>Major Street Fund</i> | <i>Local Street Fund</i> | <i>Total</i> |
|---|---|---|---------------------|
| Revenues: | | | |
| State grants | \$ 70,862 | \$ 32,383 | \$ 103,245 |
| Interest and rents | <u>510</u> | <u>509</u> | <u>1,019</u> |
| Total revenues | <u>71,372</u> | <u>32,892</u> | <u>104,264</u> |
| Expenditures: | | | |
| Current | | | |
| Public works | <u>38,960</u> | <u>34,544</u> | <u>73,504</u> |
| Excess (deficiency) of revenues over expenditures | <u>32,412</u> | <u>(1,652)</u> | <u>30,760</u> |
| Other financing sources (uses): | | | |
| Transfers from (to) other funds | <u>(17,659)</u> | <u>17,659</u> | <u>-</u> |
| Changes in fund balances | 14,753 | 16,007 | 30,760 |
| Fund balances, beginning of year | <u>377,160</u> | <u>336,308</u> | <u>713,468</u> |
| Fund balances, end of year | <u>\$ 391,913</u> | <u>\$ 352,315</u> | <u>\$ 744,228</u> |



**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, 2013, 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 23, 2013.

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. We consider the deficiency described below to be a material weakness.

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.

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.

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.

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

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 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
April 23, 2013

