

VILLAGE OF EDMORE

Montcalm County

FINANCIAL STATEMENTS

February 28, 2014

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 28, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Edmore as of February 28, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Village Council
Village of Edmore

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 8) and budgetary comparison information (pages 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 other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2014 on our consideration of the Village of Edmore's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Edmore's internal control over financial reporting and compliance.

Berthiaume & Co.

Saginaw, Michigan
April 23, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF EDMORE

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS:

- The Village's combined total net position is reported as \$7,720,343 for the fiscal year ended February 28, 2014, compared to \$7,030,030 for the fiscal year ended February 28, 2013.
- In the Village's governmental activities, revenues generated were \$601,550 while expenses totaled \$629,422
- In the Village's business-type activities, revenues generated were \$1,117,399 while expenses totaled \$399,571
- Total net position increased by \$690,313

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.

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.

VILLAGE OF EDMORE

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2014

The Village has three types of funds:

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

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

The Village maintains five (5) individual governmental funds. Separate information is presented for the General Fund, Economic Development Fund and Sunrise Project Fund, which are considered to be "major" funds. Data from the other two (2) governmental funds, considered to be "nonmajor" funds, are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Village adopts an annual budget for each of its governmental funds, except for capital project funds. Budgetary comparison statements have been provided for major governmental funds to demonstrate compliance with those budgets.

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

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

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

Notes to the Financial Statements:

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

Other Information:

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

VILLAGE OF EDMORE

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2014

THE VILLAGE OF EDMORE AS A WHOLE

The Village's total combined net position for the fiscal year ended February 28, 2014 is \$7,720,343, consisting of \$4,183,754 in governmental activities and \$3,536,589 in business-type activities.

Combined unrestricted net position, that part of net position that can be used to finance day-to-day operations, is \$2,277,980. Governmental activities unrestricted total is \$974,020, while business-type activities is \$1,303,960.

The following table shows comparisons of total assets, total liabilities, and total net position in a condensed format as of February 28, 2014 and 2013.

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets:						
Current and other assets	\$ 3,345,119	\$ 3,495,582	\$ 1,401,338	\$ 1,306,891	\$ 4,746,457	\$ 4,802,473
Capital assets	857,680	802,327	4,578,779	4,081,113	5,436,459	4,883,440
Total assets	<u>4,202,799</u>	<u>4,297,909</u>	<u>5,980,117</u>	<u>5,388,004</u>	<u>10,182,916</u>	<u>9,685,913</u>
Liabilities:						
Other liabilities	13,439	76,316	15,528	104,243	28,967	180,559
Long-term liabilities	5,606	10,324	2,428,000	2,465,000	2,433,606	2,475,324
Total liabilities	<u>19,045</u>	<u>86,640</u>	<u>2,443,528</u>	<u>2,569,243</u>	<u>2,462,573</u>	<u>2,655,883</u>
Net position:						
Net investment in capital assets	857,680	802,327	2,150,779	1,616,113	3,008,459	2,418,440
Restricted	2,352,054	2,437,879	81,850	74,354	2,433,904	2,512,233
Unrestricted	974,020	971,063	1,303,960	1,128,294	2,277,980	2,099,357
Total net position	<u>\$ 4,183,754</u>	<u>\$ 4,211,269</u>	<u>\$ 3,536,589</u>	<u>\$ 2,818,761</u>	<u>\$ 7,720,343</u>	<u>\$ 7,030,030</u>

The Village's combined total net position increased by \$690,313 during the current fiscal year. Governmental activities decreased by \$27,515 while business-type activities increased by \$717,828.

Governmental Activities:

The Village's total governmental revenue is reported at \$601,550, a decrease of \$14,313 from the prior year.

Total expenses increased by \$61,227 from the prior year.

Business-type Activities:

Net position for business-type activities increased by \$717,828 during the year ended February 28, 2014, compared to a \$1,018,695 increase last year. The large increase in the business-type activities is due to a federal grant that was used to do sanitary sewer improvements to the lagoon. This project was completed in June 2013.

VILLAGE OF EDMORE

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2014

The following table shows the comparison of the change in net position in a condensed format as of February 28, 2014 and 2013.

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues						
Charges for services	\$ 51,491	\$ 65,676	\$ 415,986	\$ 410,137	\$ 467,477	\$ 475,813
Operating grants	111,704	103,245	-	-	111,704	103,245
Capital grants	60,203	79,679	699,903	975,893	760,106	1,055,572
General revenues						
Property taxes	241,566	236,294	-	-	241,566	236,294
Payment in lieu of property taxes	1,335	1,646	-	-	1,335	1,646
Franchise fees	1,230	2,319	-	-	1,230	2,319
State revenue sharing	107,469	104,098	-	-	107,469	104,098
Investment earnings	9,296	12,367	1,510	1,856	10,806	14,223
Other	17,256	10,539	-	-	17,256	10,539
Total revenues	<u>601,550</u>	<u>615,863</u>	<u>1,117,399</u>	<u>1,387,886</u>	<u>1,718,949</u>	<u>2,003,749</u>
Expenses:						
General government	132,969	135,673	-	-	132,969	135,673
Public safety	75,054	59,826	-	-	75,054	59,826
Public works	299,293	255,286	-	-	299,293	255,286
Community and economic development	92,758	95,668	-	-	92,758	95,668
Recreation and culture	29,348	21,742	-	-	29,348	21,742
Sewer	-	-	254,449	192,420	254,449	192,420
Water	-	-	145,122	176,771	145,122	176,771
Total expenses	<u>629,422</u>	<u>568,195</u>	<u>399,571</u>	<u>369,191</u>	<u>1,028,993</u>	<u>937,386</u>
Excess of revenues over expenses before other	<u>(27,872)</u>	<u>47,668</u>	<u>717,828</u>	<u>1,018,695</u>	<u>689,956</u>	<u>1,066,363</u>
Other items:						
Sale of capital assets	<u>357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>357</u>	<u>-</u>
Changes in net position	<u>(27,515)</u>	<u>47,668</u>	<u>717,828</u>	<u>1,018,695</u>	<u>690,313</u>	<u>1,066,363</u>
Net position, beginning of year	<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>
Net position, end of year	<u>\$ 4,183,754</u>	<u>\$ 4,211,269</u>	<u>\$ 3,536,589</u>	<u>\$ 2,818,761</u>	<u>\$ 7,720,343</u>	<u>\$ 7,030,030</u>

VILLAGE OF EDMORE

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2014

THE VILLAGE OF EDMORE'S FUNDS

Analysis of the Village of Edmore's major funds begins on page 12, 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 three governmental funds that is considered a major fund. It pays for most of the Village's government services. Its major components of revenue are property taxes and state shared revenue. For the year ended February 28, 2014, General Fund financing uses exceeded its financing sources by \$13,780, decreasing its ending fund balance to \$815,826. The Village's second major governmental fund, the Economic Development Fund was able to increase its ending fund balance by \$648. The Village's third major governmental fund, the Sunrise Project Fund decreased its ending fund balance by \$108,648.

General Fund Budgetary Highlights:

The General Fund adopted budget projected a net decrease in fund balance of \$15,177. During the year, the Village made budget amendments that changed the projected net decrease in fund balance to \$31,415 for the fiscal year. The actual results yielded a decrease in fund balance of \$13,780.

Capital Assets and Debt Administration:

At February 28, 2014, the Village of Edmore had \$5,436,459 invested in a broad range of capital assets including land, buildings, equipment, vehicles, water and sewer lines, and other infrastructure net of accumulated depreciation. Last year this total was \$4,883,440. Additional information about the Village's capital assets is presented in Note 1 and Note 6 of the Notes to the Financial Statements.

At February 28, 2014, the Village of Edmore's total bonded indebtedness was \$2,428,000, which is backed by specific revenue sources. Additional information about the Village's indebtedness is presented in Note 7 of the Notes to the Financial Statements.

Economic Factors:

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

Contacting the Village's Financial Management:

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

BASIC FINANCIAL STATEMENTS

VILLAGE OF EDMORE

STATEMENT OF NET POSITION

February 28, 2014

	<i>Primary Government</i>			<i>Component</i>
	<i>Governmental</i>	<i>Business-type</i>	<i>Total</i>	<i>Unit</i>
				<i>Downtown</i>
	<i>Activities</i>	<i>Activities</i>		<i>Development</i>
				<i>Authority</i>
Assets:				
Cash and cash equivalents	\$ 2,934,277	\$ 1,346,041	\$ 4,280,318	\$ 155,849
Receivables	410,842	55,297	466,139	40,743
Capital assets:				
Nondepreciable capital assets	145,722	15,804	161,526	-
Depreciable capital assets, net	711,958	4,562,975	5,274,933	-
Total assets	<u>4,202,799</u>	<u>5,980,117</u>	<u>10,182,916</u>	<u>196,592</u>
Liabilities:				
Accounts payable and accrued expenses	13,439	15,528	28,967	154
Long-term liabilities:				
Due within one year	-	38,000	38,000	-
Due in more than one year	5,606	2,390,000	2,395,606	-
Total liabilities	<u>19,045</u>	<u>2,443,528</u>	<u>2,462,573</u>	<u>154</u>
Net position:				
Net investment in capital assets	857,680	2,150,779	3,008,459	-
Restricted for:				
Debt service	-	81,850	81,850	-
Economic development	794,034	-	794,034	-
Streets	766,403	-	766,403	-
Sunrise capital projects	791,617	-	791,617	-
Unrestricted	974,020	1,303,960	2,277,980	196,438
Total net position	<u>\$ 4,183,754</u>	<u>\$ 3,536,589</u>	<u>\$ 7,720,343</u>	<u>\$ 196,438</u>

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

VILLAGE OF EDMORE

STATEMENT OF ACTIVITIES

Year Ended February 28, 2014

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	\$ 132,969	\$ 8,816	\$ -	\$ -	\$ (124,153)
Public safety	75,054	6,556	-	-	(68,498)
Public works	299,293	28,949	111,704	-	(158,640)
Community and economic development	92,758	7,170	-	14,883	(70,705)
Recreation and culture	29,348	-	-	45,320	15,972
Total governmental activities	<u>629,422</u>	<u>51,491</u>	<u>111,704</u>	<u>60,203</u>	<u>(406,024)</u>
<i>Business-type activities:</i>					
Sewer	254,449	272,213	-	642,601	660,365
Water	145,122	143,773	-	57,302	55,953
Total business-type activities	<u>399,571</u>	<u>415,986</u>	<u>-</u>	<u>699,903</u>	<u>716,318</u>
Total primary government	<u>\$1,028,993</u>	<u>\$ 467,477</u>	<u>\$ 111,704</u>	<u>\$ 760,106</u>	<u>\$ 310,294</u>
COMPONENT UNIT:					
Downtown development authority	<u>\$ 44,632</u>	<u>\$ -</u>	<u>\$ 10,037</u>	<u>\$ -</u>	<u>\$ (34,595)</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>Unit</i>
	<i>Activities</i>	<i>type</i>	<i>Total</i>	<i>Downtown</i>
		<i>Activities</i>		<i>Development</i>
				<i>Authority</i>
<i>Changes in net position:</i>				
Net (Expense) Revenue	\$ (406,024)	\$ 716,318	\$ 310,294	\$ (34,595)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	241,566	-	241,566	-
Property taxes captured by component unit	-	-	-	79,292
Property taxes, levied for debt service	-	-	-	-
Payment in lieu of property taxes	1,335	-	1,335	-
Franchise fees	1,230	-	1,230	-
Grants and contributions not restricted to specific programs	107,469	-	107,469	-
Unrestricted investment earnings	9,296	1,510	10,806	1
Other	17,256	-	17,256	-
Special item - Gain on disposal of capital asset	357	-	357	-
Total general revenues and special item	<u>378,509</u>	<u>1,510</u>	<u>380,019</u>	<u>79,293</u>
Changes in net position	(27,515)	717,828	690,313	44,698
Net position, beginning of year	<u>4,211,269</u>	<u>2,818,761</u>	<u>7,030,030</u>	<u>151,740</u>
Net position, end of year	<u>\$ 4,183,754</u>	<u>\$ 3,536,589</u>	<u>\$ 7,720,343</u>	<u>\$ 196,438</u>

VILLAGE OF EDMORE

GOVERNMENTAL FUNDS

BALANCE SHEET

February 28, 2014

	<u>General Fund</u>	<u>Economic Development Fund</u>	<u>Sunrise Project Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Assets:					
Cash and cash equivalents	\$ 779,087	\$ 452,950	\$ 792,512	\$ 742,504	\$ 2,767,053
Accounts receivable	1,608	-	-	-	1,608
Notes receivable	-	341,084	-	-	341,084
Due from other governmental units	43,350	-	-	24,800	68,150
Due from other funds	-	-	-	3,028	3,028
Total assets	<u>\$ 824,045</u>	<u>\$ 794,034</u>	<u>\$ 792,512</u>	<u>\$ 770,332</u>	<u>\$ 3,180,923</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 4,089	\$ -	\$ 895	\$ -	\$ 4,984
Accrued expenses	4,130	-	-	901	5,031
Due to other funds	-	-	-	3,028	3,028
Total liabilities	<u>8,219</u>	<u>-</u>	<u>895</u>	<u>3,929</u>	<u>13,043</u>
Fund balances:					
Nonspendable:					
Long-term receivables	-	341,084	-	-	341,084
Restricted for:					
Economic development	-	452,950	-	-	452,950
Streets	-	-	-	766,403	766,403
Sunrise capital projects	-	-	791,617	-	791,617
Committed for:					
Police protection	6,452	-	-	-	6,452
Unassigned	<u>809,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>809,374</u>
Total fund balances	<u>815,826</u>	<u>794,034</u>	<u>791,617</u>	<u>766,403</u>	<u>3,167,880</u>
Total liabilities and fund balances	<u>\$ 824,045</u>	<u>\$ 794,034</u>	<u>\$ 792,512</u>	<u>\$ 770,332</u>	<u>\$ 3,180,923</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, 2014

Fund balances for governmental funds		\$ 3,167,880
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.		
Governmental capital assets	1,018,999	
Less accumulated depreciation	<u>(217,038)</u>	801,961
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
Compensated absences payable		(5,606)
The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.		<u>219,519</u>
Net position of governmental activities		<u><u>\$ 4,183,754</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 28, 2014

	<i>General Fund</i>	<i>Economic Development Fund</i>	<i>Sunrise Project Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
Revenues:					
Property taxes	\$ 242,901	\$ -	\$ -	\$ -	\$ 242,901
Licenses and permits	1,230	-	-	-	1,230
State grants	108,447	-	-	111,704	220,151
Contributions from other units	20,461	-	-	-	20,461
Charges for services	11,061	-	-	-	11,061
Interest and rents	7,178	3,479	9,522	558	20,737
Other revenue	62,876	-	-	-	62,876
Total revenues	<u>454,154</u>	<u>3,479</u>	<u>9,522</u>	<u>112,262</u>	<u>579,417</u>
Expenditures:					
Current					
General government	131,573	-	-	-	131,573
Public safety	63,449	-	-	-	63,449
Public works	184,673	-	-	90,087	274,760
Community and development	1,757	2,831	88,170	-	92,758
Recreation and culture	21,802	-	-	-	21,802
Other	4,316	-	-	-	4,316
Capital outlay	90,364	-	-	-	90,364
Total expenditures	<u>497,934</u>	<u>2,831</u>	<u>88,170</u>	<u>90,087</u>	<u>679,022</u>
Excess (deficiency) of revenues over expenditures	<u>(43,780)</u>	<u>648</u>	<u>(78,648)</u>	<u>22,175</u>	<u>(99,605)</u>
Other financing sources (uses):					
Transfers from (to) other funds	30,000	-	(30,000)	-	-
Changes in fund balances	(13,780)	648	(108,648)	22,175	(99,605)
Fund balances, beginning of year	<u>829,606</u>	<u>793,386</u>	<u>900,265</u>	<u>744,228</u>	<u>3,267,485</u>
Fund balances, end of year	<u>\$ 815,826</u>	<u>\$ 794,034</u>	<u>\$ 791,617</u>	<u>\$ 766,403</u>	<u>\$ 3,167,880</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, 2014

Changes in fund balances of governmental funds \$ (99,605)

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	82,797	
Less depreciation expense	<u>(17,524)</u>	65,273

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

Change in compensated absences payable		4,718
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The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>2,099</u>
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Change in net position of governmental activities \$ (27,515)

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

VILLAGE OF EDMORE

PROPRIETARY FUNDS STATEMENT OF NET POSITION

February 28, 2014

	<i>Enterprise Funds</i>			<i>Internal Service Fund</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 658,691	\$ 605,500	\$ 1,264,191	\$ 167,224
Accounts receivable	36,562	18,735	55,297	-
Total current assets	<u>695,253</u>	<u>624,235</u>	<u>1,319,488</u>	<u>167,224</u>
Noncurrent assets:				
Restricted cash and cash equivalents	81,850	-	81,850	-
Capital assets:				
Nondepreciable capital assets	13,050	2,754	15,804	-
Depreciable capital assets, net	<u>3,999,856</u>	<u>563,119</u>	<u>4,562,975</u>	<u>55,719</u>
Total noncurrent assets	<u>4,094,756</u>	<u>565,873</u>	<u>4,660,629</u>	<u>55,719</u>
Total assets	<u>4,790,009</u>	<u>1,190,108</u>	<u>5,980,117</u>	<u>222,943</u>
Liabilities:				
Current liabilities:				
Accounts payable	774	1,786	2,560	1,977
Accrued expenses	1,393	1,458	2,851	1,447
Accrued interest payable	10,117	-	10,117	-
Current long-term debt	<u>38,000</u>	<u>-</u>	<u>38,000</u>	<u>-</u>
Total current liabilities	<u>50,284</u>	<u>3,244</u>	<u>53,528</u>	<u>3,424</u>
Noncurrent liabilities:				
Long-term debt	<u>2,390,000</u>	<u>-</u>	<u>2,390,000</u>	<u>-</u>
Total liabilities	<u>2,440,284</u>	<u>3,244</u>	<u>2,443,528</u>	<u>3,424</u>
Net position:				
Net investment in capital assets	1,584,906	565,873	2,150,779	55,719
Restricted for:				
Debt service	81,850	-	81,850	-
Unrestricted	<u>682,969</u>	<u>620,991</u>	<u>1,303,960</u>	<u>163,800</u>
Total net position	<u>\$ 2,349,725</u>	<u>\$ 1,186,864</u>	<u>\$ 3,536,589</u>	<u>\$ 219,519</u>

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

VILLAGE OF EDMORE

PROPRIETARY FUNDS

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

Year Ended February 28, 2014

	<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	\$ 269,115	\$ 141,151	\$ 410,266	\$ -
Penalties	3,098	1,759	4,857	-
Equipment rental	-	-	-	99,307
Other	-	863	863	-
Total operating revenues	<u>272,213</u>	<u>143,773</u>	<u>415,986</u>	<u>99,307</u>
Operating expenses:				
Personnel	41,010	43,479	84,489	27,808
Fringe benefits	22,191	24,053	46,244	15,015
Supplies	1,321	5,993	7,314	13,737
Contracted services	18,319	10,704	29,023	1,098
Telephone	2,616	1,542	4,158	-
Dues and membership fees	-	72	72	-
Education and training	45	250	295	-
Insurance	1,492	1,620	3,112	5,170
Utilities	7,897	16,016	23,913	-
Repairs and maintenance	333	742	1,075	15,177
Equipment rental	11,744	9,114	20,858	-
Other services and supplies	-	-	-	4,557
Depreciation	87,428	31,537	118,965	15,062
Total operating expenses	<u>194,396</u>	<u>145,122</u>	<u>339,518</u>	<u>97,624</u>
Operating income (loss)	<u>77,817</u>	<u>(1,349)</u>	<u>76,468</u>	<u>1,683</u>
Non-operating revenues (expenses):				
Interest income	443	1,510	1,953	59
Gain on sale of asset	-	-	-	357
Interest expense	(60,496)	-	(60,496)	-
Net non-operating revenues (expenses)	<u>(60,053)</u>	<u>1,510</u>	<u>(58,543)</u>	<u>416</u>
Change in net position before capital	17,764	161	17,925	2,099
Capital contribution - federal grant	642,601	-	642,601	-
Capital contribution - other fund	<u>-</u>	<u>57,302</u>	<u>57,302</u>	<u>-</u>
Changes in net position	660,365	57,463	717,828	2,099
Net position, beginning of year	<u>1,689,360</u>	<u>1,129,401</u>	<u>2,818,761</u>	<u>217,420</u>
Net position, end of year	<u>\$ 2,349,725</u>	<u>\$ 1,186,864</u>	<u>\$ 3,536,589</u>	<u>\$ 219,519</u>

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

VILLAGE OF EDMORE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended February 28, 2014

	<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	\$ 264,404	\$ 139,624	\$ 404,028	\$ -
Cash received for interfund services	-	-	-	99,307
Cash payments to employees	(41,010)	(43,479)	(84,489)	(27,808)
Cash payments to suppliers for goods and services	<u>(151,820)</u>	<u>(72,292)</u>	<u>(224,112)</u>	<u>(54,309)</u>
Net cash provided by operating activities	<u>71,574</u>	<u>23,853</u>	<u>95,427</u>	<u>17,190</u>
Cash flows from capital and related financing activities:				
Capital contributions	642,601	57,302	699,903	-
Acquisition and construction of capital assets	(559,330)	(57,301)	(616,631)	(5,142)
Principal paid on capital debt	(37,000)	-	(37,000)	357
Interest paid on capital debt	<u>(61,163)</u>	<u>-</u>	<u>(61,163)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(14,892)</u>	<u>1</u>	<u>(14,891)</u>	<u>(4,785)</u>
Cash flows from investing activities:				
Interest received	<u>443</u>	<u>1,510</u>	<u>1,953</u>	<u>59</u>
Net increase in cash and cash equivalents	57,125	25,364	82,489	12,464
Cash and cash equivalents, beginning of year	<u>683,416</u>	<u>580,136</u>	<u>1,263,552</u>	<u>154,760</u>
Cash and cash equivalents, end of year	<u>\$ 740,541</u>	<u>\$ 605,500</u>	<u>\$ 1,346,041</u>	<u>\$ 167,224</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 77,817	\$ (1,349)	\$ 76,468	\$ 1,683
Adjustments:				
Depreciation	87,428	31,537	118,965	15,062
Change in assets and liabilities:				
Accounts receivable	(7,809)	(4,149)	(11,958)	-
Accounts payable	(86,188)	(2,564)	(88,752)	399
Accrued expenses	<u>326</u>	<u>378</u>	<u>704</u>	<u>46</u>
Net cash provided by operating activities	<u>\$ 71,574</u>	<u>\$ 23,853</u>	<u>\$ 95,427</u>	<u>\$ 17,190</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EDMORE

FIDUCIARY FUND
STATEMENT OF NET POSITION

February 28, 2014

	<u><i>Agency Fund</i></u>
Assets:	
Cash and cash equivalents	\$ <u>29,987</u>
Liabilities:	
Accounts payable and accrued expenses	\$ <u>29,987</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 28, 2014

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, these financial statements of the reporting entity include those of the Village and its component unit, an entity for which the Village is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that is legally separate from the Village and separate financial statements are not issued for the component unit.

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.

Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these financial statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the Downtown Development Authority, a legally separate component unit for which the primary government is financially accountable.

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 revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, 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.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 28, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

Property taxes, sales taxes, 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

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

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

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

The Village reports the following major proprietary funds:

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

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

Additionally, the Village reports the following fund types:

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

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 28, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

Assets, Liabilities and Net Position/Fund Balances:

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.

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 – Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. 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.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are defined by the Village as assets with an individual cost in excess of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are depreciated using the straight-line method over the following useful lives:

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

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 28, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Fund Balances – 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 2013 taxable valuation of the Village totaled \$22,280,638 (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.

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.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 28, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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:

For the year ended February 28, 2014, the Village’s Parks and Recreation Department in the General Fund was over budget by \$92.

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.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 28, 2014

NOTE 3: CASH AND INVESTMENTS, CONTINUED

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 \$4,517,600, of bank deposits (certificates of deposit, checking, and savings accounts), of which \$1,138,470 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.

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, 2014 the Village had \$81,850 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, 2014 was \$341,084. This balance was recorded on the statement of net position as a receivable. No allowance has been made for uncollectible amounts because the Village believes all are currently collectible.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 28, 2014

NOTE 6: CAPITAL ASSETS

Capital asset activity for the governmental activities and business-type activities for the year was as follows:

	<i>March 1,</i> <u>2013</u>	<i>Additions</i>	<i>Retirements</i>	<i>February 28,</i> <u>2014</u>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 145,722	\$ -	\$ -	\$ 145,722
Depreciable capital assets:				
Buildings and improvements	478,775	60,458	-	539,233
Land improvements	238,260	-	-	238,260
Equipment	295,672	5,142	(67,541)	233,273
Vehicles	210,715	22,339	(21,111)	211,943
Total depreciable capital assets	1,223,422	87,939	(88,652)	1,222,709
Accumulated depreciation	(566,817)	(32,586)	88,652	(510,751)
Depreciable capital assets, net	656,605	55,353	-	711,958
Governmental activities, capital assets, net	<u>\$ 802,327</u>	<u>\$ 55,353</u>	<u>\$ -</u>	<u>\$ 857,680</u>
Business-type activities:				
Nondepreciable capital assets:				
Land	\$ 15,804	\$ -	\$ -	\$ 15,804
Depreciable capital assets:				
Equipment	191,840	-	-	191,840
Sewer system	4,088,678	559,330	-	4,648,008
Water system	1,486,666	57,301	-	1,543,967
Total depreciable capital assets	5,767,184	616,631	-	6,383,815
Accumulated depreciation	(1,701,875)	(118,965)	-	(1,820,840)
Depreciable capital assets, net	4,065,309	497,666	-	4,562,975
Business-type activities, capital assets, net	<u>\$ 4,081,113</u>	<u>\$ 497,666</u>	<u>\$ -</u>	<u>\$ 4,578,779</u>

Depreciation expense was charged to functions as follows:

	<i>Governmental</i> <u>Activities</u>	<i>Business-type</i> <u>Activities</u>
General government	\$ 2,037	\$ -
Public safety	4,038	-
Public works	18,965	-
Recreation and culture	7,546	-
Sewer	-	87,428
Water	-	31,537
	<u>\$ 32,586</u>	<u>\$ 118,965</u>

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 28, 2014

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables for governmental activities, business-type activities, and component unit in the aggregate for the year were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit - DDA</u>
Receivables:			
Property taxes	\$ -	\$ -	\$ 40,743
Accounts	1,608	55,297	-
Notes	341,084	-	-
Intergovernmental	68,150	-	-
Total receivables	<u>\$ 410,842</u>	<u>\$ 55,297</u>	<u>\$ 40,743</u>
Accounts payable and accrued expenses:			
Accounts	\$ 6,961	\$ 2,560	\$ 154
Payroll and related liabilities	6,478	2,851	-
Accrued interest	-	10,117	-
Total accounts payable and accrued expenses	<u>\$ 13,439</u>	<u>\$ 15,528</u>	<u>\$ 154</u>

The balance of \$341,084 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, 2014:

	<u>March 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>February 28, 2014</u>	<u>Due Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 10,324	\$ 763	\$ (5,481)	\$ 5,606	\$ -
Business-type activities:					
2011 Sewage Disposal System Revenue Bond, due in annual amounts ranging from \$38,000 to \$100,000 at an interest rate of 2.50% through 2051.	<u>\$ 2,465,000</u>	<u>\$ -</u>	<u>\$ (37,000)</u>	<u>\$ 2,428,000</u>	<u>\$ 38,000</u>

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 28, 2014

NOTE 8: LONG-TERM LIABILITIES, CONTINUED

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

<i>Fiscal Year Ended</i>	<i>Business-type Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
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	42,000	29,794	71,794
2020-2024	228,000	140,399	368,399
2025-2029	260,000	124,609	384,609
2030-2034	295,000	106,654	401,654
2035-2039	336,000	86,246	422,246
2040-2044	382,000	63,014	445,014
2045-2049	436,000	36,554	472,554
2050-2052	291,000	7,718	298,718
	<u>\$ 2,428,000</u>	<u>\$ 719,414</u>	<u>\$ 3,147,414</u>

NOTE 9: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at February 28, 2014 is as follows:

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

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

Interfund transfers reported in the fund statements were as follows:

<i>Funds Transferred From</i>	<i>Funds Transferred To</i>	<i>Amount</i>
Sunrise Project Fund	General Fund	\$ 30,000
Major Street Fund	Local Street Fund	<u>18,022</u>
		<u>\$ 48,022</u>

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

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 28, 2014

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.

The Village contributes 10% of each eligible employee's pay to the plan. For the fiscal year ended February 28, 2014, the Village made contributions of \$19,803 into the pension plan.

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

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

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

The Village accounts for this donation as an economic development activity in a capital project fund entitled the Sunrise Project Fund. Because of the various restrictions, conditions and obligations connected with the property the Village 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 SUPPLEMENTARY INFORMATION

VILLAGE OF EDMORE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2014

	<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:				
Property taxes	\$ 234,905	\$ 245,020	\$ 242,901	\$ (2,119)
Licenses and permits	2,200	900	1,230	330
State grants	103,300	107,661	108,447	786
Contributions from other units	1,000	20,461	20,461	-
Charges for services	17,350	10,665	11,061	396
Interest and rents	8,800	6,800	7,178	378
Other revenue	55,130	62,882	62,876	(6)
Total revenues	422,685	454,389	454,154	(235)
Expenditures:				
Current				
General government	143,573	139,085	131,573	(7,512)
Public safety	63,895	65,694	63,449	(2,245)
Public works	161,339	192,635	184,673	(7,962)
Community and economic development	100	2,000	1,757	(243)
Recreation	13,935	21,710	21,802	92
Other	5,200	4,316	4,316	-
Capital outlay	79,820	90,364	90,364	-
Total expenditures	467,862	515,804	497,934	(17,870)
Excess (deficiency) of revenues over expenditures	(45,177)	(61,415)	(43,780)	17,635
Other financing sources (uses):				
Transfers from (to) other funds	30,000	30,000	30,000	-
Change in fund balance	(15,177)	(31,415)	(13,780)	17,635
Fund balance, beginning of year	829,606	829,606	829,606	-
Fund balance, end of year	\$ 814,429	\$ 798,191	\$ 815,826	\$ 17,635

VILLAGE OF EDMORE

SPECIAL REVENUE FUND – ECONOMIC DEVELOPMENT FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2014

	<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:				
Interest and rents	\$ 4,159	\$ 4,159	\$ 3,479	\$ (680)
Other revenue	250	250	-	-
Total revenues	<u>4,409</u>	<u>4,409</u>	<u>3,479</u>	<u>(680)</u>
Expenditures:				
Current				
Community and economic development	<u>300</u>	<u>4,564</u>	<u>2,831</u>	<u>(1,733)</u>
Change in fund balance	4,109	(155)	648	1,053
Fund balance, beginning of year	<u>352,315</u>	<u>352,315</u>	<u>793,386</u>	<u>441,071</u>
Fund balance, end of year	<u>\$ 356,424</u>	<u>\$ 352,160</u>	<u>\$ 794,034</u>	<u>\$ 442,124</u>

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF EDMORE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

February 28, 2014

	<u>Special Revenue Funds</u>		
	<u>Major</u>	<u>Local</u>	
	<u>Street</u>	<u>Street</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 382,318	\$ 360,186	\$ 742,504
Due from other governmental units	15,416	9,384	24,800
Due from other funds	-	3,028	3,028
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 397,734</u>	<u>\$ 372,598</u>	<u>\$ 770,332</u>
Liabilities and Fund Balances:			
Liabilities:			
Accrued expenses	\$ 505	\$ 396	\$ 901
Due to other funds	3,028	-	3,028
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>3,533</u>	<u>396</u>	<u>3,929</u>
Fund balances:			
Restricted for:			
Streets	394,201	372,202	766,403
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 397,734</u>	<u>\$ 372,598</u>	<u>\$ 770,332</u>

VILLAGE OF EDMORE

NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended February 28, 2014

	<u>Special Revenue Funds</u>		
	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Total</u>
Revenues:			
State grants	\$ 74,453	\$ 37,251	\$ 111,704
Interest and rents	<u>243</u>	<u>315</u>	<u>558</u>
Total revenues	<u>74,696</u>	<u>37,566</u>	<u>112,262</u>
Expenditures:			
Current			
Public works	<u>54,386</u>	<u>35,701</u>	<u>90,087</u>
Excess (deficiency) of revenues over expenditures	<u>20,310</u>	<u>1,865</u>	<u>22,175</u>
Other financing sources (uses):			
Transfers from (to) other funds	<u>(18,022)</u>	<u>18,022</u>	<u>-</u>
Changes in fund balances	2,288	19,887	22,175
Fund balances, beginning of year	<u>391,913</u>	<u>352,315</u>	<u>744,228</u>
Fund balances, end of year	<u>\$ 394,201</u>	<u>\$ 372,202</u>	<u>\$ 766,403</u>



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

To the Members of Village Council
Village of Edmore, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Edmore, as of and for the year ended February 28, 2014, 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, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Edmore's internal control over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Edmore's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Edmore's internal control.

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

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

Recording, Processing and Summarizing Accounting Data

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

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

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Berthiaume & Co.

Saginaw, Michigan
April 23, 2014