

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other			Local Government Name		County
Audit Date		Opinion Date		Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- Yes    No   1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- Yes    No   2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- Yes    No   3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- Yes    No   4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- Yes    No   5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- Yes    No   6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- Yes    No   7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- Yes    No   8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- Yes    No   9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)			
Street Address		City	State   ZIP Code
Accountant Signature <i>Abraham &amp; Jeffrey, P.C.</i> <i>Alan M. Stevens</i>		Date	

**Village of Maple Rapids  
Clinton County, Michigan**

**FINANCIAL STATEMENTS**

**December 31, 2004**

Village of Maple Rapids  
Clinton County, Michigan

December 31, 2004

VILLAGE OFFICERS AND TRUSTEES

Mr. George Abbott, Jr.	President
Mr. Jeffrey Stephens	Trustee
Mr. Jim Gavenda	Trustee
Mr. William Schmidt	Trustee
Mr. Dion Kindel	Trustee
Mr. Tim Maier	Trustee
Mr. Daryl Trefil	Trustee
Mr. Robert Holland	Clerk
Ms. Melinda Thomas	Treasurer

Village of Maple Rapids

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Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable President and  
Members of the Village Council  
Village of Maple Rapids  
Maple Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Maple Rapids, Michigan as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Maple Rapids' management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Maple Rapids, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Village has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of January 1, 2004, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Village of Maple Rapids' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 17, 2005

**Village of Maple Rapids**  
**Management's Discussion and Analysis**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is a discussion and analysis of Village of Maple Rapids' (the Village's) financial performance and position, providing an overview of the activities for the year ended December 31, 2004. This analysis should be read in conjunction with the *Independent Auditors Report* and with the Village's financial statements, which follow this section. 2004 represents the first year the Village implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. Therefore, this discussion and analysis provides few comparisons with the previous year. Future reports will include financial comparisons to the prior as required by GASB.

**FINANCIAL HIGHLIGHTS**

**Government-wide:**

- Total net assets were \$1,762,380.
- Governmental activities net assets were \$942,808.
- Business-type activity net assets were \$819,572.

**Fund Level:**

- At the close of the fiscal year, the Village's governmental funds reported a combined ending fund balance of \$306,558 with \$36,397 being reserved for specific purposes.
- The General Fund realized \$15,456 more in revenues than anticipated for the fiscal year. The General Fund operations also expended \$38,402 less than appropriated.
- Overall, the General Fund balance increased by \$24,665 to \$154,429 with \$118,032 being undesignated and available for general purposes.

**Capital and Long-term Debt Activities:**

- The primary government issued no new debt issues for the year.
- The total long-term debt for the primary government was \$10,203 with a net reduction of \$4,356 from the prior year.
- The Village remains well below its authorized legal debt limit.
- The total addition to the capital asset schedule for the primary government was \$50,480.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Village's annual financial report. The annual financial report of the Village consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds and other funds.

## Village of Maple Rapids Management's Discussion and Analysis

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### Government-wide Financial Statements (Reporting the Village as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the Village as a whole, and about its activities. Their purpose is to assist in answering the question, is the Village, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all of the Village's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the Village's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the Village's net assets changed during 2004. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the Village's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the Village's general government departments, law enforcement, economic development, Village improvements, street improvements, recreation activities, and other Village wide elected official operations are reported under these activities.
- **Business-type Activities** - These activities operate like private businesses. The Village charges fees to recover the cost of the services provided. The Water System Fund and the Sewer System Fund make up the business-type activities.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 8 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental fund. Capital assets and depreciation expense are reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Long-term liabilities appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Long-term debt proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

## **Village of Maple Rapids**

### **Management's Discussion and Analysis**

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In addition, it should be noted that the government-wide financial statements include the net value of the Village's general capital assets such as buildings, land, vehicles, computer equipment, etc. These values are not included in the fund financial statements.

#### **Fund Financial Statements (Reporting the Village's Major Funds)**

The fund financial statements, which begin on page 3, provide information on the Village's significant (major) funds, and aggregated nonmajor funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Village uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for the Village of Maple Rapids include the General Fund, the Major Street Fund, the Local Street Fund, the Fire Fund, the Sewer System Fund, and the Water System Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The Village includes detailed information on its nonmajor funds in the other supplementary information section of this report.

The Village's funds are divided into two categories - governmental and proprietary - and use different accounting approaches:

- ***Governmental Funds*** - Most of the Village's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the Village's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted).
- ***Proprietary Funds*** - Services for which the Village charges customers (whether outside the Village structure or a Village department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. The Village has one type of proprietary fund. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Sewer System Fund.

#### **Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 12 of this report.

#### **Required Supplementary Information**

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

**Village of Maple Rapids  
Management's Discussion and Analysis**

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**Other Supplementary Information**

Other Supplementary Information includes combining financial statements for nonmajor governmental funds. These funds are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

**FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE**

As previously stated, the Village of Maple Rapids' combined net assets were \$1,762,380 at the end of this year's operations. The net assets of the governmental activities were \$942,808; the business-type activities were \$819,572.

**Net Assets as of December 31, 2004**

	<b><u>Governmental Activities</u></b>	<b><u>Business- Type Activities</u></b>	<b><u>Total Primary Government</u></b>
Current Assets	\$ 316,850	\$ 160,769	\$ 477,619
Noncurrent Assets	<u>646,453</u>	<u>659,304</u>	<u>1,305,757</u>
<b>Total Assets</b>	<b><u>\$ 963,303</u></b>	<b><u>\$ 820,073</u></b>	<b><u>\$ 1,783,376</u></b>
Current Liabilities	\$ 15,260	\$ 501	\$ 15,761
Noncurrent Liabilities	<u>5,235</u>	<u>-</u>	<u>5,235</u>
<b>Total Liabilities</b>	<b><u>\$ 20,495</u></b>	<b><u>\$ 501</u></b>	<b><u>\$ 20,996</u></b>
Net Assets			
Invested in Capital Assets (Net of related debt)	\$ 636,250	\$ 659,304	\$ 1,295,554
Restricted	110,494	-	110,494
Unrestricted	<u>196,064</u>	<u>160,268</u>	<u>356,332</u>
<b>Total Net Assets</b>	<b><u>\$ 942,808</u></b>	<b><u>\$ 819,572</u></b>	<b><u>\$ 1,762,380</u></b>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Village's primary government net assets changed during the fiscal year:

**Village of Maple Rapids  
Management's Discussion and Analysis**

**Changes in Net Assets for the Fiscal Year Ending December 31, 2004**

	<b><u>Governmental Activities</u></b>	<b><u>Business- Type Activities</u></b>	<b><u>Total</u></b>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 121,859	\$ 67,008	\$ 188,867
Grants and Contributions	86,913	-	86,913
General Revenues			
Property Taxes	113,511	-	113,511
State Shared Revenue	67,864	-	67,864
Investment Earnings	1,815	1,185	3,000
Miscellaneous	<u>18,163</u>	<u>-</u>	<u>18,163</u>
<b>Total Revenues</b>	<b>410,125</b>	<b>68,193</b>	<b>478,318</b>
<b>Expenses</b>			
General Government	36,963	-	36,963
Public Safety	66,772	-	66,772
Public Works	162,236	-	162,236
Health and Welfare	1,608	-	1,608
Recreation and Cultural	37,196	-	37,196
Interest on long-term debt	1,029	-	1,029
Other	<u>56,874</u>	<u>78,435</u>	<u>135,309</u>
<b>Total Expenses</b>	<b>362,678</b>	<b>78,435</b>	<b>441,113</b>
<b>Increase (decrease) in Net Assets</b>	<b>47,447</b>	<b>( 10,242 )</b>	<b>37,205</b>
Net Assets - Beginning	<u>895,361</u>	<u>829,814</u>	<u>1,725,175</u>
<b>Net Assets - Ending</b>	<b><u>\$ 942,808</u></b>	<b><u>\$ 819,572</u></b>	<b><u>\$ 1,762,380</u></b>

**Governmental Activities:**

The result of 2004 governmental activity was an increase of \$47,447 in net assets to \$942,808. Of the total governmental activities' net assets, \$636,250 is invested in capital assets less related debt, \$110,494 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the Village government. The balance of \$196,064 is listed as unrestricted, having no legal commitment.

**Revenues:**

The three largest revenue categories were property taxes at 28%, charges for services at 30%, and grants and contributions at 22%. The Village levied one property tax millage for the year ended December 31, 2004, for general government operations at 12.2612 mills, which is not assigned to any particular activity.

**Expenses:**

Public works is the largest governmental activity, expending approximately 45% of the governmental activities total and includes the Public Works department as well as public street maintenance and improvement activities. Public Safety is the second largest area, expending approximately 18% of the governmental activities total on police protection.

**Village of Maple Rapids  
Management's Discussion and Analysis**

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**Business-type Activities:**

Net assets in business-type activities decreased by \$10,242 during 2004. Of the business-type activities' net assets, \$659,304 is invested in capital assets less related debt. The balance of \$160,268 is listed as unrestricted, having no legal commitment.

**FINANCIAL ANALYSIS OF THE VILLAGE'S MAJOR AND NONMAJOR FUNDS**

As the Village completed 2004, its governmental funds reported *combined* fund balances of \$306,558. This is a net increase of \$51,074. The net changes are summarized in the following chart:

	<b>General Fund</b>	<b>Major Street</b>	<b>Local Street</b>	<b>Fire</b>	<b>Nonmajor Governmental Funds</b>
<b>Fund Balance 12/31/03</b>	\$ 129,764	\$ 56,179	\$ 59,002	\$ 6,003	\$ 4,536
<b>Fund Balance 12/31/04</b>	\$ 154,429	\$ 48,100	\$ 62,394	\$ 34,708	\$ 6,927
<b>Net Change</b>	\$ 24,665	\$( 8,079 )	\$ 3,392	\$ 28,705	\$ 2,391

**General Fund:**

The General Fund is the chief operating fund of the Village. Unless otherwise required by statute, contractual agreement or Council policy, all Village revenues and expenditures are recorded in the General Fund. As of December 31, 2004, the General Fund reported a fund balance of \$154,429. This amount is an increase of \$24,665 from the fund balance of \$129,764 reported as of December 31, 2003. The 2004 original budget called for a \$28,218 use of fund balance. \$36,397 of fund balance is reported as reserved.

The General Fund 2004 revenues exceeded 2004 expenditures and other financing uses by \$24,665.

**General Fund Budgetary Highlights:**

The Village of Maple Rapids' budget is a dynamic document. Although adopted prior to January 1 each year, the budget is routinely amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled \$271,456, \$15,456 above the final amended budget. The final amended and original budgets were the same and were only 6% different than final actual.

The Village's expenditure budget was increased by \$975 (less than 1% above the original budget) during 2004. The balance on the increase was related to the overall rise in personnel costs, etc.

Actual Village expenditures for 2004 were \$38,402 under budget. General Fund actual expenditures came in at \$239,791 and the final budgeted amount was \$278,193, which was a 14% difference.

**Village of Maple Rapids  
Management's Discussion and Analysis**

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**Major Street Fund:**

As of December 31, 2004, the Major Street Fund reported a fund balance of \$48,100, a decrease of \$8,079 from the prior year. The total fund balance is undesignated/unreserved.

The revenue budget was increased by \$1,900 (6% above the original budget) during 2004. The expenditure budget also increased by \$16,500 (11% above the original budget).

**Local Street Fund:**

As of December 31, 2004, the Local Street Fund reported a fund balance of \$62,394, an increase of \$3,392 from the prior year. The total fund balance is undesignated/unreserved. There were changes to the revenue budget in the amount of \$775 (7% above the original budget) for 2004. The budget also increased for the expenditures and other financing sources by \$3,661 (16% increase over the original budget).

**Fire Fund:**

As of December 31, 2004, the Fire Fund reported a fund balance of \$34,708, an increase of \$28,705 over the prior year. The total fund balance is undesignated/unreserved. There was no material changes noted between the original and final amended revenues. Expenditures budget was increased by \$1,225 (2% increase over the original budget) during 2004.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - At the end of year 2004, the Village had invested \$1,305,757, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$1,110,325 for the primary government. Depreciation charges for the fiscal year totaled \$88,799 for the primary government. Additional information related to capital assets is detailed in Note F of the Financial Statements. Net book value of capital assets at December 31, 2004 was as follows:

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<b>Buildings, net</b>	\$ 162,318	\$ -	<b>\$ 162,318</b>
<b>Furniture and equipment, net</b>	184,891	9,216	<b>194,107</b>
<b>Vehicles, net</b>	282,847	-	<b>282,847</b>
<b>Sewer system, net</b>	-	284,991	<b>284,991</b>
<b>Utility plant, wells, and mains, net</b>	-	365,097	<b>365,097</b>
<b>Infrastructure, net</b>	16,397	-	<b>16,397</b>
<b>Capital assets, net</b>	<b>\$ 646,453</b>	<b>\$ 659,304</b>	<b>\$ 1,305,757</b>

Long-term Debt - As of December 31, 2004, the Village had \$10,203 in debt outstanding for the primary government. This level of net obligation is \$4,356 less than the obligation recorded as of December 31, 2003.

**Village of Maple Rapids  
Management's Discussion and Analysis**

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**Outstanding Debt as of December 31, 2004:**

	<u>Jan. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2004</u>
<b>Primary Government</b>				
Governmental Activities				
Capital lease - police car	\$ <u>14,559</u>	\$ <u>-</u>	\$ <u>4,356</u>	\$ <u>10,203</u>

A more detailed discussion of the Village's long-term debt obligations is presented in Note G to the financial statements.

**VILLAGE OF MAPLE RAPIDS GOVERNMENT ECONOMIC OUTLOOK:**

The State of Michigan continues to have difficulty in balancing their budget. Any shortfalls in projected revenues could affect our revenue sharing funds that we receive. Our budgets have already been cut more than once and any further cuts would affect the services that we provide to the citizens of the Village of Maple Rapids.

Other factors that the Village is aware of are:

- Property tax revenue does seem to be keeping pace with inflation.
- Investment earnings are at historically low levels due to low market interest rates, decreasing by nearly 80% over the past four years.
- Health insurance premiums are rising much faster than the rate of inflation.
- Retirement costs are increasing due to poor stock market performance over the last several years.
- Utility costs are rising faster than the rate of inflation.
- Currently there are 2 land development projects being worked on. These should once homes are completed help to increase our tax revenue along with water and sewer revenue. But this also may cause future issues with our current sewer system. The Village Council continues to work to maintain or improve the Village standards.

These and many other factors were considered in adopting the Budget for 2005. A usage of \$40,000 of the Village's fund balance was included to balance the General Fund Budget, although it is estimated that the deficit will be significantly higher. The Village continues to look for ways to increase efficiencies and reduce the cost of doing business.

**CONTACTING THE VILLAGE**

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 demonstrate the Village's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Village offices at (989) 682-9227.

## **BASIC FINANCIAL STATEMENTS**

Village of Maple Rapids

STATEMENT OF NET ASSETS

December 31, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 289,017	\$ 145,940	\$ 434,957
Receivables	6,482	16,241	22,723
Due from other governmental units	19,939	-	19,939
Internal balances	1,412	(1,412)	-0-
Total current assets	316,850	160,769	477,619
Noncurrent assets			
Capital assets, net	646,453	659,304	1,305,757
<b>TOTAL ASSETS</b>	<b>963,303</b>	<b>820,073</b>	<b>1,783,376</b>
<b>LIABILITIES</b>			
Accounts payable	5,377	501	5,878
Accrued wages	2,183	-	2,183
Other accrued liabilities	2,732	-	2,732
Current portion of long-term debt	4,968	-	4,968
Total current liabilities	15,260	501	15,761
Noncurrent liabilities			
Noncurrent portion of long-term debt	5,235	-	5,235
<b>TOTAL LIABILITIES</b>	<b>20,495</b>	<b>501</b>	<b>20,996</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	636,250	659,304	1,295,554
Restricted for streets and highways	110,494	-	110,494
Unrestricted	196,064	160,268	356,332
<b>TOTAL NET ASSETS</b>	<b>\$ 942,808</b>	<b>\$ 819,572</b>	<b>\$ 1,762,380</b>

See accompanying notes to financial statements.

Village of Maple Rapids

STATEMENT OF ACTIVITIES

Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 36,963	\$ 56,132	\$ -	\$ -	\$ 19,169	\$ -0-	\$ 19,169
Public safety	66,772	33,500	-	33,300	28	-0-	28
Public works	162,236	24,201	53,613	-	(84,422)	-0-	(84,422)
Health and welfare	1,608	-	-	-	(1,608)	-0-	(1,608)
Recreation and cultural	37,196	8,026	-	-	(29,170)	-0-	(29,170)
Other	56,874	-	-	-	(56,874)	-0-	(56,874)
Interest on long-term debt	1,029	-	-	-	(1,029)	-0-	(1,029)
Total governmental activities	362,678	121,859	53,613	33,300	(153,906)	-0-	(153,906)
Business-type activities							
Sewer	40,702	29,621	-	-	-0-	(11,081)	(11,081)
Water	37,733	37,387	-	-	-0-	(346)	(346)
Total business-type activities	78,435	67,008	-0-	-0-	-0-	(11,427)	(11,427)
Total	<u>\$ 441,113</u>	<u>\$ 188,867</u>	<u>\$ 53,613</u>	<u>\$ 33,300</u>	(153,906)	(11,427)	(165,333)
		General revenues					
		Property taxes			113,511	-	113,511
		State shared revenue			67,864	-	67,864
		Investment earnings			1,815	1,185	3,000
		Miscellaneous			18,163	-	18,163
		Total general revenues			201,353	1,185	202,538
		Change in net assets			47,447	(10,242)	37,205
		Net assets, beginning of the year			895,361	829,814	1,725,175
		Net assets, end of the year			<u>\$ 942,808</u>	<u>\$ 819,572</u>	<u>\$ 1,762,380</u>

See accompanying notes to financial statements.

Village of Maple Rapids

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2004

	General	Major Street	Local Street
<b>ASSETS</b>			
Cash and cash equivalents	\$ 114,557	\$ 44,833	\$ 60,649
Accounts receivable	6,412	-	-
Due from other governmental units	12,351	5,363	2,225
Due from other funds	4,583	-	-
Advance to other funds	36,397	-	-
	<u>174,300</u>	<u>50,196</u>	<u>62,874</u>
<b>TOTAL ASSETS</b>	<b>\$ 174,300</b>	<b>\$ 50,196</b>	<b>\$ 62,874</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 4,753	\$ 48	\$ 77
Accrued wages	2,183	-	-
Other accrued liabilities	2,732	-	-
Due to other funds	10,203	2,048	403
Advance from other funds	-	-	-
	<u>19,871</u>	<u>2,096</u>	<u>480</u>
<b>TOTAL LIABILITIES</b>	<b>19,871</b>	<b>2,096</b>	<b>480</b>
<b>FUND BALANCES</b>			
Reserved for			
Advance to other funds	36,397	-	-
Unreserved			
Undesignated, reported in			
General fund	118,032	-	-
Special revenue funds	-	48,100	62,394
	<u>154,429</u>	<u>48,100</u>	<u>62,394</u>
<b>TOTAL FUND BALANCES</b>	<b>154,429</b>	<b>48,100</b>	<b>62,394</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 174,300</b>	<b>\$ 50,196</b>	<b>\$ 62,874</b>

See accompanying notes to financial statements.

Fire	Nonmajor Governmental Funds	Total Governmental Funds
\$ 61,401	\$ 7,577	\$ 289,017
-	70	6,482
-	-	19,939
10,203	-	14,786
-	-	36,397
<u>\$ 71,604</u>	<u>\$ 7,647</u>	<u>\$ 366,621</u>
\$ 499	\$ -	\$ 5,377
-	-	2,183
-	-	2,732
-	720	13,374
<u>36,397</u>	<u>-</u>	<u>36,397</u>
36,896	720	60,063
-	-	36,397
-	-	118,032
<u>34,708</u>	<u>6,927</u>	<u>152,129</u>
<u>34,708</u>	<u>6,927</u>	<u>306,558</u>
<u>\$ 71,604</u>	<u>\$ 7,647</u>	<u>\$ 366,621</u>

Village of Maple Rapids

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

December 31, 2004

**Total fund balance - governmental funds** \$ 306,558

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 996,726	
Accumulated depreciation is	<u>(350,273)</u>	
Capital assets, net		646,453

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Capital lease payable	<u>(10,203)</u>	
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**Net assets of governmental activities** \$ 942,808

See accompanying notes to financial statements.

Village of Maple Rapids

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

Year Ended December 31, 2004

	<u>General</u>	<u>Major Street</u>
REVENUES		
Taxes	\$ 113,511	\$ -
Intergovernmental	68,467	38,055
Charges for services	47,135	-
Interest and rents	33,369	414
Other	8,974	-
	<u>271,456</u>	<u>38,469</u>
TOTAL REVENUES	271,456	38,469
EXPENDITURES		
Current		
General government	22,065	-
Public safety	15,586	-
Public works	119,515	29,063
Health and welfare	1,608	-
Recreation and cultural	18,758	-
Other	56,874	-
Debt service	5,385	-
Capital outlay	-	12,324
	<u>239,791</u>	<u>41,387</u>
TOTAL EXPENDITURES	239,791	41,387
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	31,665	(2,918)
OTHER FINANCING SOURCES (USES)		
Operating transfers in	-	-
Operating transfers out	(7,000)	(5,161)
	<u>(7,000)</u>	<u>(5,161)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(7,000)	(5,161)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	24,665	(8,079)
Fund balances, beginning of year	<u>129,764</u>	<u>56,179</u>
Fund balances, end of year	<u>\$ 154,429</u>	<u>\$ 48,100</u>

See accompanying notes to financial statements.

Local Street	Fire	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 113,511
15,558	33,300	-	155,380
-	33,500	8,026	88,661
404	211	12	34,410
-	-	9,189	18,163
15,962	67,011	17,227	410,125
-	-	-	22,065
-	11,643	-	27,229
13,238	-	-	161,816
-	-	-	1,608
-	-	14,836	33,594
-	-	-	56,874
-	-	-	5,385
4,493	33,663	-	50,480
17,731	45,306	14,836	359,051
(1,769)	21,705	2,391	51,074
5,161	7,000	-	12,161
-	-	-	(12,161)
5,161	7,000	-0-	-0-
3,392	28,705	2,391	51,074
59,002	6,003	4,536	255,484
\$ 62,394	\$ 34,708	\$ 6,927	\$ 306,558

Village of Maple Rapids

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

Year Ended December 31, 2004

**Net change in fund balances - total governmental funds** \$ 51,074

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 50,480	
Depreciation expense	<u>(58,463)</u>	
Excess of depreciation expense over capital outlay		(7,983)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Loan principal retirement		<u>4,356</u>
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**Change in net assets of governmental activities** \$ 47,447

See accompanying notes to financial statements.

Village of Maple Rapids

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

December 31, 2004

	Business-type Activities		
	Sewer System	Water System	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 84,581	\$ 61,359	\$ 145,940
Utilities receivable	7,769	8,472	16,241
Total current assets	92,350	69,831	162,181
Noncurrent assets			
Capital assets, net	291,454	367,850	659,304
<b>TOTAL ASSETS</b>	<b>383,804</b>	<b>437,681</b>	<b>821,485</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	166	335	501
Due to other funds	366	1,046	1,412
<b>TOTAL LIABILITIES</b>	<b>532</b>	<b>1,381</b>	<b>1,913</b>
<b>NET ASSETS</b>			
Invested in capital assets	291,454	367,850	659,304
Unrestricted	91,818	68,450	160,268
<b>TOTAL NET ASSETS</b>	<b>\$ 383,272</b>	<b>\$ 436,300</b>	<b>\$ 819,572</b>

See accompanying notes to financial statements.

Village of Maple Rapids

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUNDS

Year Ended December 31, 2004

	Business-type Activities		
	Sewer System	Water System	Total
OPERATING REVENUES			
Charges for services	\$ 29,621	\$ 37,387	\$ 67,008
OPERATING EXPENSES			
Labor charges	6,136	7,013	13,149
Contractual services	812	812	1,624
Utilities	3,284	4,374	7,658
Repairs and maintenance	2,649	194	2,843
Equipment rental charges	6,011	4,001	10,012
Water/Sewer sample testing	630	3,023	3,653
Other	5,095	4,065	9,160
Depreciation	16,085	14,251	30,336
TOTAL OPERATING EXPENSES	40,702	37,733	78,435
OPERATING (LOSS)	(11,081)	(346)	(11,427)
NONOPERATING REVENUES			
Interest revenue	727	458	1,185
CHANGE IN NET ASSETS	(10,354)	112	(10,242)
Net assets, beginning of year	393,626	436,188	829,814
Net assets, end of year	\$ 383,272	\$ 436,300	\$ 819,572

See accompanying notes to financial statements.

Village of Maple Rapids

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended December 31, 2004

	Business-type Activities		
	Sewer System	Water System	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 28,800	\$ 37,315	\$ 66,115
Cash paid for labor charges	(6,136)	(7,013)	(13,149)
Cash paid to suppliers	(19,578)	(22,452)	(42,030)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,086</b>	<b>7,850</b>	<b>10,936</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest revenue	727	458	1,185
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>3,813</b>	<b>8,308</b>	<b>12,121</b>
Cash and cash equivalents, beginning of year	80,768	53,051	133,819
Cash and cash equivalents, end of year	<u>\$ 84,581</u>	<u>\$ 61,359</u>	<u>\$ 145,940</u>
Reconciliation of operating (loss) to net cash provided by operating activities			
Operating (loss)	\$ (11,081)	\$ (346)	\$ (11,427)
Adjustments to reconcile operating (loss) to net cash provided by operating activities			
Depreciation	16,085	14,251	30,336
(Increase) in utilities receivable	(821)	(72)	(893)
(Decrease) in accounts payable	(1,116)	(3,849)	(4,965)
Increase (decrease) in due to other funds	19	(2,134)	(2,115)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><b>\$ 3,086</b></u>	<u><b>\$ 7,850</b></u>	<u><b>\$ 10,936</b></u>

See accompanying notes to financial statements.

Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village of Maple Rapids is located in Clinton County, Michigan and has a population of approximately 700. The Village of Maple Rapids operates with a Village President/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The Village Council is made up of the Village President, Clerk, Treasurer, and six (6) trustees who are selected at large for overlapping four-year terms.

The financial statements of the Village have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to Village governments. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Village's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity*, and *Statement on Michigan Governmental Accounting and Auditing No. 5*; these financial statements present all financial activities of the Village of Maple Rapids (primary government). The Village has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

As of April 2000, the activities of the Village of Maple Rapids Community Center were under the control of the Village. The operations of the Village of Maple Rapids Community Center are reported in a Special Revenue Fund identified as the Community Center Fund.

As of May 2004, the activities of the Village of Maple Rapids Riverfest Committee were under the control of the Village. The operations of the Village of Maple Rapids Riverfest Committee are reported in a Special Revenue Fund identified as the Riverfest Fund.

Based upon the application of these criteria, the financial statements of the Village of Maple Rapids contain all of the funds controlled by the Village Council.

2. Related Organization

Maple Rapids Public Library - The Maple Rapids Public Library was incorporated in 1928 under Public Act 84 of 1921. The Maple Rapids Public Library board is elected. The Village collects and distributes property taxes that are levied by the Library. The Village has no financial responsibility to the Library.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the government as a whole. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Village's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the Village are:

- a. The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Street Fund is used to account for the financial resources that are used for repairs and maintenance of the Village's major streets.
- c. The Local Street Fund is used to account for the financial resources used for repairs and maintenance of the Village's local streets.
- d. The Fire Fund is used to account for funds of the Village Fire Department.
- e. The Sewer System Fund is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- f. The Water System Fund is used to account for the operations required to provide water services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/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.

6. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown as required supplementary information to the financial statements were prepared on a basis consistent with the modified accrual basis used to reflect actual results. The Village employs the following procedures in establishing the budgetary data reflected in the required supplementary information.

Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Budgets and Budgetary Accounting - continued

- a. The Treasurer submits to the Village Council the proposed operating budgets for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to the beginning of the fiscal year, the budgets are legally adopted with passage by Council vote.
- d. The budgets are legally adopted at the activity level; however, they are maintained at the account level for control purposes.
- e. After the budgets are adopted, all transfers of budgeted amounts between accounts within a fund or activity or any revisions that alter the total expenditures of a fund or activity must be approved by the Village Council.
- f. The Village does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at December 31, 2004 are not carried forward to the following fiscal year.
- g. Budgeted amounts are reported as originally adopted or as amended by the Village Council. Budget amendments are made every quarter. The individual amendments were appropriately approved by the Village Council in accordance with required procedures.

7. Cash and Cash Equivalents

The Village pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and pooled investment accounts. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less.

8. Property Tax

The Village of Maple Rapids bills and collects its own property taxes. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the Village of Maple Rapids on July 1 and are payable without penalty through September 14. All real property taxes not paid to the Village by September 14 are turned over to the Clinton County Treasurer for collection. The Clinton County Treasurer remits payments to the Village on any delinquent real property taxes. Delinquent personal property taxes are retained by the Village for subsequent collection. Collections and remittances of all taxes are accounted for in the General Fund. Village property tax revenues are recognized as revenues in the fiscal year levied.

The Village is permitted to levy taxes up to 15 mills (\$15 per \$1,000 of assessed valuation) for general governmental services. For the year ended December 31, 2004, the Village levied 12.2612 mills for general governmental services. The total taxable value for the 2004 levy for property within the Village was \$8,062,930.

Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

9. Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as operating transfers.

The General Fund records charges for administrative and labor services and equipment rental to various Village departments and funds as revenue. All Village funds record these payments as operating expenditures/expenses.

10. Capital Assets

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Structures and improvements	20 - 75 years
Machinery, furniture, and equipment	5 - 50 years
Vehicles	5 years
Infrastructure	20 years

11. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

12. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

13. Accounting Change

As of January 1, 2004, the Village implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

13. Accounting Change - continued

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Village's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$700,747, which was previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the County's applicable capital assets.
- Long-term obligations reported on the statement of net assets include \$13,102, which was previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

This implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and interfund balances and transactions, and various other disclosures.

**NOTE B: CASH AND CASH EQUIVALENTS**

In accordance with Michigan Compiled Laws, the Village is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146..
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED**

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

As of December 31, 2004, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Cash</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Money market checking	\$ 164,901	\$ 171,273
Money market savings	<u>59,969</u>	<u>59,972</u>
	<u>\$ 224,870</u>	<u>\$ 231,245</u>

Deposits of the Village are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Village. As of December 31, 2004, the Village accounts were insured by the FDIC for \$101,501 and the amount of \$129,744 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Village held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

As of December 31, 2004, the carrying amount and market value for the mutual fund investments reported in the cash and cash equivalents caption on the combined balance sheet is as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
Uncategorized pooled investment funds	<u>\$ 210,087</u>	<u>\$ 210,087</u>

The Village has invested a portion of their surplus funds in Fifth Third Bank's Money Market Mutual Fund for local units of government. All investments in the fund appear to be in compliance with Michigan Compiled Laws Section 129.91 as amended.

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The following schedule details interfund receivables and payables at December 31, 2004:

Due to General Fund from:	
Major Street Fund	\$ 2,048
Local Street Fund	403
Water System Fund	1,046
Sewer System Fund	366
Nonmajor governmental funds	<u>720</u>
	4,583

Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED**

Due to Fire Fund from:	
General Fund	\$ <u>10,203</u>
 Total interfund receivable and payables	 \$ <u>14,786</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**NOTE D: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Operating transfers to Local Street Fund from:	
Major Street Fund	\$ <u>5,161</u>
 Operating transfers to Fire Fund from:	
General Fund	\$ <u>7,000</u>

**NOTE E: ADVANCES RECEIVABLE AND PAYABLE**

The following schedule details advances receivable and payable between the funds at December 31, 2004:

Advance to Fire Fund from:	
General Fund	\$ <u>36,397</u>

The balance of \$36,397 advanced to the Fire Fund from the General Fund resulted from loans made for new equipment.

**NOTE F: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2004 was as follows:

	Restated Balance <u>Jan. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2004</u>
<b>Governmental Activities</b>				
Infrastructure - streets	\$ -	\$ 16,817	\$ -	\$ 16,817
Buildings	265,996	-	-	265,996
Vehicles	448,250	-	-	448,250
Furniture and equipment	<u>232,000</u>	<u>33,663</u>	-	<u>265,663</u>
Subtotal	946,246	50,480	-0-	996,726

Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE F: CAPITAL ASSETS - CONTINUED**

	Restated Balance <u>Jan. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2004</u>
<b>Governmental Activities - continued</b>				
Less accumulated depreciation				
Infrastructure - streets	\$ -	\$( 420 )	\$ -	\$( 420 )
Buildings	( 98,119 )	( 5,559 )	-	( 103,678 )
Vehicles	( 132,111 )	( 33,292 )	-	( 165,403 )
Furniture and equipment	( 61,580 )	( 19,192 )	-	( 80,772 )
Subtotal	<u>( 291,810 )</u>	<u>( 58,463 )</u>	<u>-0-</u>	<u>( 350,273 )</u>
Capital assets, net	<u>\$ 654,436</u>	<u>\$( 7,983 )</u>	<u>\$ -0-</u>	<u>\$ 646,453</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 14,898
Public safety	39,543
Public works	420
Recreation and cultural	<u>3,602</u>
Total	<u>\$ 58,463</u>

	Balance <u>Jan. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2004</u>
<b>Business-type activities</b>				
Utility plant, wells, and mains	\$ 652,219	\$ -	\$ -	\$ 652,219
Sewer system	735,563	-	-	735,563
Equipment	<u>31,574</u>	<u>-</u>	<u>-</u>	<u>31,574</u>
Subtotal	1,419,356	-0-	-0-	1,419,356
Less accumulated depreciation				
Utility plant, wells, and mains	( 273,601 )	( 13,521 )	-	( 287,122 )
Sewer system	( 435,948 )	( 14,624 )	-	( 450,572 )
Equipment	<u>( 20,167 )</u>	<u>( 2,191 )</u>	<u>-</u>	<u>( 22,358 )</u>
Subtotal	<u>( 729,716 )</u>	<u>( 30,336 )</u>	<u>-0-</u>	<u>( 760,052 )</u>
Capital assets, net	<u>\$ 689,640</u>	<u>\$( 30,336 )</u>	<u>\$ -0-</u>	<u>\$ 659,304</u>

**NOTE G: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Village for the year ended December 31, 2004.

	Restated Balance <u>Jan. 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>Dec. 31, 2004</u>	Amounts Due Within <u>One Year</u>
Capital Lease - Police Car	<u>\$ 14,559</u>	<u>\$ -</u>	<u>\$ 4,356</u>	<u>\$ 10,203</u>	<u>\$ 4,968</u>

Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE G: LONG-TERM DEBT - CONTINUED**

The Village has entered into a lease purchase agreement to finance the acquisition of a police car, for which the liability is recorded in the Government-wide Financial Statements. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease term at a bargain price) and therefore, has been recorded at the present value of future minimum lease payments as of the date of inception. The cost of equipment acquired under the lease purchase amounted to \$16,200.

Commitments under this lease agreement provide for minimum annual payments as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 4,968	\$ 417
2006	<u>5,235</u>	<u>150</u>
	<u>\$ 10,203</u>	<u>\$ 1,154</u>

**NOTE H: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules, the Village's budgeted expenditures in the General and major Special Revenue Funds have been shown at the activity level. The approved budgets of the Village have been adopted at the activity level and the total expenditure level for the General and Special Revenue Funds, respectively.

During the year ended December 31, 2004, the Village incurred expenditures in the General Fund and Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Executive	\$ 3,150	\$ 3,425	\$ 275
Public works			
Trash collection	22,000	22,102	102
Special Revenue Fund			
Riverfest Fund			
Recreation and cultural	-0-	7,647	7,647

Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE I: FUND BALANCE RESERVES AND DESIGNATIONS**

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the fund balance reserves as of December 31, 2004:

Fund Balance

PRIMARY GOVERNMENT

General Fund

Reserved for advance to other funds \$ 36,397

**NOTE J: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2004:

PRIMARY GOVERNMENT

Governmental activities

Restricted for

Streets and highways

Major streets \$ 48,100

Local streets 62,394

\$ 110,494

**NOTE K: RISK MANAGEMENT**

The Village participates in a pool, the Michigan Township Participating Plan with other municipalities for various risks of loss including employer's liability, errors and omissions, and property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Village has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

The Village also maintains commercial insurance coverage for workers' compensation.

**REQUIRED SUPPLEMENTARY INFORMATION**

Village of Maple Rapids

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Current property taxes	\$ 114,000	\$ 114,000	\$ 113,511	\$ (489)
Intergovernmental				
State shared revenue	67,000	67,000	67,864	864
Liquor license fees	500	500	603	103
Total intergovernmental	67,500	67,500	68,467	967
Charges for services				
Administrative and labor charges	18,000	18,000	22,934	4,934
Trash collection	23,000	23,000	24,201	1,201
Total charges for services	41,000	41,000	47,135	6,135
Interest and rents				
Interest	400	400	774	374
Rent	600	600	600	-0-
Rent - equipment	28,500	28,500	31,995	3,495
Total interest and rents	29,500	29,500	33,369	3,869
Other revenue				
Reimbursements	3,000	3,000	3,687	687
Miscellaneous	1,000	1,000	5,287	4,287
Total other revenue	4,000	4,000	8,974	4,974
<b>TOTAL REVENUES</b>	<b>256,000</b>	<b>256,000</b>	<b>271,456</b>	<b>15,456</b>
<b>EXPENDITURES</b>				
General government				
Legislative	4,100	4,100	3,600	500
Executive	3,150	3,150	3,425	(275)
Financial administration	18,583	18,883	15,040	3,843
Total general government	25,833	26,133	22,065	4,068
Public safety				
Police	29,250	29,400	15,586	13,814
Public works				
Department of Public Works	91,000	91,500	87,686	3,814
Trash collection	22,000	22,000	22,102	(102)
Street lighting	10,000	10,000	9,727	273
Total public works	123,000	123,500	119,515	3,985

Village of Maple Rapids

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Health and welfare				
Ambulance contracted services	\$ 1,700	\$ 1,700	\$ 1,608	\$ 92
Recreation and cultural				
Community center	4,200	4,225	2,737	1,488
Parks and recreation	10,000	10,000	8,891	1,109
Library	7,200	7,200	7,130	70
Total recreation and cultural	21,400	21,425	18,758	2,667
Debt Service				
Principal	3,441	3,441	3,441	-0-
Interest	1,944	1,944	1,944	-0-
Total debt service	5,385	5,385	5,385	-0-
Other				
Fringe benefits	27,650	27,650	20,561	7,089
Insurance	40,000	40,000	36,111	3,889
Sidewalks	3,000	3,000	202	2,798
Total other	70,650	70,650	56,874	13,776
TOTAL EXPENDITURES	277,218	278,193	239,791	38,402
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(21,218)	(22,193)	31,665	53,858
OTHER FINANCING USES				
Operating transfers out - Fire Fund	(7,000)	(7,000)	(7,000)	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(28,218)	(29,193)	24,665	53,858
Fund balance, beginning of year	129,764	129,764	129,764	-0-
Fund balance, end of year	\$ 101,546	\$ 100,571	\$ 154,429	\$ 53,858

Village of Maple Rapids

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental - State	\$ 30,000	\$ 31,900	\$ 38,055	\$ 6,155
Interest	300	300	414	114
TOTAL REVENUES	30,300	32,200	38,469	6,269
EXPENDITURES				
Public works				
Administrative	3,400	3,400	1,480	1,920
Street maintenance	23,400	29,400	27,583	1,817
Capital outlay	2,000	12,500	12,324	176
TOTAL EXPENDITURES	28,800	45,300	41,387	3,913
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,500	(13,100)	(2,918)	10,182
OTHER FINANCING USES				
Transfer to Local Street Fund	(5,000)	(5,161)	(5,161)	-0-
EXCESS OF REVENUES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(3,500)	(18,261)	(8,079)	10,182
Fund balance, beginning of year	56,179	56,179	56,179	-0-
Fund balance, end of year	\$ 52,679	\$ 37,918	\$ 48,100	\$ 10,182

Village of Maple Rapids

Local Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental - State	\$ 10,000	\$ 10,775	\$ 15,558	\$ 4,783
Interest	150	150	404	254
TOTAL REVENUES	10,150	10,925	15,962	5,037
EXPENDITURES				
Public works				
Administrative	3,000	3,000	1,479	1,521
Street maintenance	11,900	13,900	11,759	2,141
Capital outlay	3,000	4,500	4,493	7
TOTAL EXPENDITURES	17,900	21,400	17,731	3,669
EXCESS OF REVENUES (UNDER) EXPENDITURES	(7,750)	(10,475)	(1,769)	8,706
OTHER FINANCING SOURCES				
Transfer from Major Street Fund	5,000	5,161	5,161	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(2,750)	(5,314)	3,392	8,706
Fund balance, beginning of year	59,002	59,002	59,002	-0-
Fund balance, end of year	\$ 56,252	\$ 53,688	\$ 62,394	\$ 8,706

Village of Maple Rapids

Fire Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental - Federal	\$ 33,000	\$ 33,000	\$ 33,300	\$ 300
Charges for services				
Fire runs	-	-	1,000	1,000
Retainer fees	30,000	30,000	32,500	2,500
Interest	200	200	211	11
TOTAL REVENUES	63,200	63,200	67,011	3,811
EXPENDITURES				
Public safety				
Fire protection	25,375	26,600	11,643	14,957
Capital outlay	37,000	37,000	33,663	3,337
TOTAL EXPENDITURES	62,375	63,600	45,306	18,294
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	825	(400)	21,705	(22,105)
OTHER FINANCING SOURCES				
Transfer from General Fund	7,000	7,000	7,000	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	7,825	6,600	28,705	(22,105)
Fund balance, beginning of year	6,003	6,003	6,003	-0-
Fund balance, end of year	\$ 13,828	\$ 12,603	\$ 34,708	\$ 22,105

## **OTHER SUPPLEMENTARY INFORMATION**

Village of Maple Rapids  
 Nonmajor Governmental Funds  
 COMBINING BALANCE SHEET  
 December 31, 2004

	Special Revenue		Total Nonmajor Governmental Funds
	Community Center	Riverfest	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,896	\$ 1,681	\$ 7,577
Accounts receivable	-	70	70
<b>TOTAL ASSETS</b>	<b>\$ 5,896</b>	<b>\$ 1,751</b>	<b>\$ 7,647</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to other funds	\$ 720	\$ -	\$ 720
Fund balances			
Unreserved			
Undesignated, reported in Special revenue funds	5,176	1,751	6,927
<b>TOTAL FUND BALANCES</b>	<b>5,176</b>	<b>1,751</b>	<b>6,927</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,896</b>	<b>\$ 1,751</b>	<b>\$ 7,647</b>

Village of Maple Rapids

Nonmajor Governmental Funds

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

Year Ended December 31, 2004

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Community Center</u>	<u>Riverfest</u>	
REVENUES			
Charges for services	\$ 6,000	\$ 2,026	\$ 8,026
Interest	12	-	12
Other	1,997	7,192	9,189
	<u>8,009</u>	<u>9,218</u>	<u>17,227</u>
TOTAL REVENUES	8,009	9,218	17,227
EXPENDITURES			
Recreation and cultural	<u>7,369</u>	<u>7,467</u>	<u>14,836</u>
	640	1,751	2,391
EXCESS OF REVENUES OVER EXPENDITURES	640	1,751	2,391
Fund balances, beginning of year	<u>4,536</u>	<u>-</u>	<u>4,536</u>
Fund balances, end of year	<u>\$ 5,176</u>	<u>\$ 1,751</u>	<u>\$ 6,927</u>

Principals

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Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA

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and  
Michigan Association of  
Certified Public  
Accountants

MANAGEMENT LETTER

To the Honorable President and  
Members of the Village Council  
Village of Maple Rapids  
Maple Rapids, Michigan

As you know, we have recently completed our audit of the records of the Village of Maple Rapids as of and for the year ended December 31, 2004. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal controls and our discussions with management. These weaknesses are not considered reportable conditions in relation to the basic financial statements of the Village of Maple Rapids but may be areas of possible improvement.

1. The Village should establish a dollar threshold to record significant assets purchased.

This year the Village has implemented Governmental Accounting Standards Board Statement 34 (GASB 34), which requires (among other things) that capital assets be recorded and depreciated in a new set of full-accrual basis "government-wide" financial statements. During the implementation of this new reporting model, we noted that the Village does not have a policy in place to specify a dollar threshold to define long-lived assets that would be capitalized and depreciated in the financial statements.

In order to comply with GASB 34, the Village hired an asset appraisal company to compile the capital asset and depreciation information. That appraisal showed all assets of the Village that were considered to be long-lived as capital assets, regardless of historical cost. These assets are all capitalized and depreciated in the Village's financial statements for December 31, 2004. While this is an acceptable approach to take, GASB 34 requires the Village to capture only its more significant assets. GASB 34 allows each government to decide how to define which assets are significant enough to be capitalized and depreciated for the financial statements in order to reduce the administrative burden of the requirement.

We suggest the Village review the appraisal and adopt a capitalization threshold policy that would define assets that are to be included in the financial statements as capital assets. At the Village's option, this policy may be applied retroactively to the current asset list or it may be applied for future purchases only.

2. The Village should research past capital projects for inclusion in capital asset records.

During the implementation of Governmental Accounting Standards Board Statement 34 (GASB 34) for the current year, we noted that the Village had not included past infrastructure projects such as roads, bridges, and sidewalks as capital assets. This information is not required by GASB 34 because of the Village's size, but inclusion of this information would show the significant investment that has been made over the years in various improvement projects. GASB 34 does require, however, that these assets be capitalized and depreciated beginning with 2004 and going forward.

We suggest that the Village research historical cost information related to past capital projects for inclusion in capital asset records. Since larger entities are only required to go back to 1980 for this information, it would not be necessary to review data older than that unless it is readily available or desired by management.

3. Budgets should be maintained for all special revenue funds.

During the course of the audit, we noted that a budget was not adopted for the Riverfest fund.

The Michigan Public Act 621 of 1978, as amended, provides that the Village adopt a formal budget and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We suggest the Village adopt and monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated February 17, 2005.

This report is intended solely for the information of management and members of the Board of the Village of Maple Rapids and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation to us during our audit. We are available to discuss any issues with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 17, 2005