

# *Village of Emmett*

**St. Clair County, Michigan**

Audited Financial Report  
March 31, 2011

**KING & KING CPAs LLC**

Marlette - Imlay City  
Michigan

**Village of Emmett**  
 Annual Financial Report  
 For The Year Ended March 31, 2011

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Members of the Village Council  
**Village of Emmett**  
St. Clair County, Michigan

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Emmett, Michigan as of and for the fiscal year ended March 31, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Emmett, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the 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 the audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Emmett, Michigan as of March 31, 2011 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.

The management's discussion and analysis, and the budgetary comparison information listed in the table of contents are not required parts 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Emmett, Michigan's basic financial statements. The accompanying other supplemental 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 supplemental 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.

*Lehn King*

Lehn L. King, C.P.A.  
**KING & KING CPAs LLC**

June 27, 2011

# Village of Emmett

## Emmett, Michigan

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### MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Village of Emmett, Michigan's (the "Village") financial performance provides an overview of the Village's financial activities for the fiscal year ended March 31, 2011. Please read it in conjunction with the Village's financial statements.

#### Using this Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds.

#### Condensed Financial Information

The following table shows in a condensed format, the net assets as of the current date and compared to the most recent audited year's net assets.

	<b>Governmental Activities</b>	
	<b>3/31/2011</b>	<b>3/31/2009</b>
Current Assets	\$ 203,146	\$ 202,901
Noncurrent Assets	448,932	495,453
Total Assets	652,077	698,354
Current Liabilities	9,676	26,930
Noncurrent Liabilities	73,129	97,572
Total Liabilities	82,805	124,502
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	366,126	370,951
Restricted	1,100	1,100
Unrestricted	202,046	201,801
Total Net Assets	\$ 569,272	\$ 573,852

# Village of Emmett

## Emmett, Michigan

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### Condensed Financial Information – Continued

The following table shows the changes of the net assets during the current year:

	<b>Governmental Activities</b>	
	<b>3/31/2011</b>	<b>3/31/2009</b>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 166,980	\$ 142,420
Grants & Conrtib's	32,705	33,511
General Revenues:		
Property Taxes	47,810	46,902
State-Shared Revenues	16,900	19,791
Interest	215	2,233
Other Revenues	14,617	19,412
Total Revenues	279,226	264,268
<b>Program Expenses</b>		
General Government	\$ 38,387	\$ 43,949
Public Safety	158,968	153,241
Public Works	34,776	150,420
Recreation & Culture	9,690	9,932
Interest on L/T Debt	5,800	7,844
Total Program Expenses	247,621	365,386
<b>Change in Net Assets</b>	<b>\$ 31,605</b>	<b>\$ (101,119)</b>

### The Village as a Whole

- The Village's Governmental Activities net assets increased by \$31,605 this year. This compares to a net decrease of \$101,119 in the most recently audited year.
- The Village's primary source of revenue is from charges for services and property taxes, which represents 77% of total revenue.

# Village of Emmett

## Emmett, Michigan

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### **The Village's Funds**

Our analysis of the Village's major funds begins on page 4, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village's major funds for the fiscal year ending March 31, 2011 include the General Fund, Major Streets, Local Streets, Fire Fund, and Recreation Fund.

### **General Fund Budgetary Highlights**

The Village made amendments to the budget throughout the year to cover the expenditures incurred, but there were expenses in excess of budgeted amounts.

### **Capital Asset and Debt Administration**

During the fiscal year ended March 31, 2011, the Village Purchased equipment in the Fire Fund at a cost of 15,675.

Additional information regarding the Village's capital assets can be found in Note 4 to the financial statements.

The Village did not incur any additional Long-Term Debt in the fiscal year ended March 31, 2011. The Village paid off a loan early in the amount of \$27,371. The Village made other debt payments totaling \$9,360 in the fiscal year ended March 31, 2011.

Additional information regarding the Village's Long-Term Debt can be found in Note 6 to the financial statements.

### **Economic Factors and Next Year's Budget and Rates**

The Village's tax base remained relatively constant. The Village will need to continue to watch the budget very closely in all categories.

### **Contacting the Village**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Village Office in Emmett, Michigan by telephone at (810) 384-6991.

**Village of Emmett**  
Statement of Net Assets (Deficit)  
March 31, 2011

	<u>Primary Governmental Activities</u>
<b><u>Assets</u></b>	
Cash & Cash Equivalents	\$ 203,145.74
Accounts Receivable	-
Capital Assets	
Nondepreciable Capital Assets	1.00
Net Depreciable Capital Assets	<u>448,930.54</u>
Total Assets	652,077.28
 <b><u>Liabilities</u></b>	
Current Portion of Long-Term Debt	9,676.00
Noncurrent Liabilities:	
Long-Term Debt	<u>73,129.12</u>
Total Liabilities	<u>82,805.12</u>
 <b>Net Assets (Deficit)</b>	
Invested in Capital Assets - Net of Related Debt	366,126.42
Restricted:	
Reserved for Park Lights	1,100.00
Unrestricted	<u>202,045.74</u>
Total Net Assets (Deficit)	<u>\$ 569,272.16</u>

The notes are an integral part of the statements.

**Village of Emmett**  
Statement of Activities  
For the Year Ended March 31, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants &amp;</u> <u>Contributions</u>	<u>Capital</u> <u>Grants &amp;</u> <u>Contributions</u>	<u>Revenue &amp; Changes</u> <u>in Net Assets</u> <u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Primary Government:					
Governmental Activities:					
General Government	\$ 38,386.94	\$ 7,200.00	\$ -	\$ -	\$ (31,186.94)
Public Safety	158,968.18	159,779.87	-	-	811.69
Public Works	34,776.07	-	32,705.01	-	(2,071.06)
Recreation & Culture	9,690.05	-	-	-	(9,690.05)
Interest on Long-Term Debt	5,800.10	-	-	-	(5,800.10)
<u>Total Governmental Activities</u>	<u>247,621.34</u>	<u>166,979.87</u>	<u>32,705.01</u>	<u>-</u>	<u>(47,936.46)</u>
Total Primary Government	<u>\$ 247,621.34</u>	<u>\$ 166,979.87</u>	<u>\$ 32,705.01</u>	<u>\$ -</u>	<u>\$ (47,936.46)</u>
<b>General Revenues:</b>					
Property Taxes					\$ 47,810.17
State Shared Revenues					16,899.50
Interest					214.59
Other Revenues					14,617.13
Transfers					-
Total General Revenues, Special Items & Transfers					<u>79,541.39</u>
<b>Change in Net Assets</b>					31,604.93
<b>Net Assets (Deficit) - Beginning of Year</b>					<u>537,667.23</u>
<b>Net Assets (Deficit) - End of Year</b>					<u>\$ 569,272.16</u>

The notes are an integral part of the statements.

**Village of Emmett**

Balance Sheet  
Governmental Funds  
March 31, 2011

<u>Assets</u>	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Local Streets Fund</u>	<u>Fire Fund</u>	<u>Recreation Fund</u>	<u>Total Governmental Funds</u>
Cash & Cash Equivalents	\$ 52,091.25	\$ 40,733.30	\$ 29,330.72	\$ 77,577.39	\$ 3,413.08	\$ 203,145.74
State of Michigan Receivable	-	-	-	-	-	-
Due From Other Funds	-	-	-	-	-	-
<u>Total Assets</u>	<u>\$ 52,091.25</u>	<u>\$ 40,733.30</u>	<u>\$ 29,330.72</u>	<u>\$ 77,577.39</u>	<u>\$ 3,413.08</u>	<u>\$ 203,145.74</u>
 <b><u>Liabilities &amp; Fund Equity</u></b>						
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
 <b><u>Fund Equity</u></b>						
Fund Balances:						
Reserved for Park Lights	-	-	-	-	1,100.00	1,100.00
Unreserved - Undesignated	52,091.25	40,733.30	29,330.72	77,577.39	2,313.08	202,045.74
<u>Total Fund Equity</u>	<u>52,091.25</u>	<u>40,733.30</u>	<u>29,330.72</u>	<u>77,577.39</u>	<u>3,413.08</u>	<u>203,145.74</u>
<u>Total Liab. &amp; Fund Equity</u>	<u>\$ 52,091.25</u>	<u>\$ 40,733.30</u>	<u>\$ 29,330.72</u>	<u>\$ 77,577.39</u>	<u>\$ 3,413.08</u>	<u>\$ 203,145.74</u>

The notes are an integral part of the statements.

**Village of Emmett**  
Governmental Funds  
Reconciliation of Fund Balances to the  
Statement of Net Assets (Deficit)  
For The Year Ended March 31, 2011

**Total Fund Balances for Governmental Funds & Equipment Fund** \$ 203,145.74

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

Capital Assets used in Governmental Activities are not financial resources and are not reported in the Funds 448,931.54

Long-term bonds payable are not due and payable in the current period and are not reported in the Funds (82,805.12)

**Net Assets of Governmental Activities** \$ 569,272.16

The notes are an integral part of the statements.

**Village of Emmett**  
Statement of Revenues, Expenditures  
And Changes in Fund Balances  
Governmental Fund  
For The Year Ended March 31, 2011

<u>Revenues</u>	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Local Streets Fund</u>	<u>Fire Fund</u>	<u>Recreation Fund</u>	<u>Totals Governmental Funds</u>
Property Taxes & ACT 51 Revenue	\$ 46,679.92	\$ 24,882.25	\$ 7,822.76	\$ -	\$ 1,130.25	\$ 80,515.18
State Shared Revenue	16,899.50	-	-	-	-	16,899.50
Fire Contract	-	-	-	159,779.87	-	159,779.87
Interest Earnings	59.04	57.73	18.39	78.47	0.96	214.59
<u>Miscellaneous Revenues</u>						
Licenses, Permits & Fees	-	-	-	-	-	-
Donations	-	-	-	-	6,458.70	6,458.70
Rent	7,200.00	-	-	-	-	7,200.00
Miscellaneous	3,868.84	-	-	3,603.12	686.47	8,158.43
<u>Total Miscellaneous Revenues</u>	<u>11,068.84</u>	<u>-</u>	<u>-</u>	<u>3,603.12</u>	<u>7,145.17</u>	<u>21,817.13</u>
 <u>Total Revenues</u>	 <u>74,707.30</u>	 <u>24,939.98</u>	 <u>7,841.15</u>	 <u>163,461.46</u>	 <u>8,276.38</u>	 <u>279,226.27</u>
 <u>Expenditures</u>						
General Government	35,093.12	-	-	-	-	35,093.12
Public Safety	16,757.93	-	-	103,943.62	-	120,701.55
Public Works	14,282.59	-	-	-	-	14,282.59
Highways, Streets, & Bridges	-	11,685.22	6,599.98	-	-	18,285.20
Recreation & Culture	-	-	-	-	7,421.16	7,421.16
Capital Outlay	-	-	-	15,675.00	-	15,675.00
Debt Service :						
Principal	4,650.74	-	-	32,081.02	-	36,731.76
Interest	3,749.26	-	-	2,050.84	-	5,800.10
<u>Total Expenditures</u>	<u>74,533.64</u>	<u>11,685.22</u>	<u>6,599.98</u>	<u>153,750.48</u>	<u>7,421.16</u>	<u>253,990.48</u>
 <u>Excess of Revenues Over (Under) Expenditures</u>	 173.66	 13,254.76	 1,241.17	 9,710.98	 855.22	 25,235.79
<u>Operating Transfers In (Out)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <u>Net Changes in Fund Balances</u>	 173.66	 13,254.76	 1,241.17	 9,710.98	 855.22	 25,235.79
 <u>Fund Balances - Beginning of Year</u>	 51,917.59	 27,478.54	 28,089.55	 67,866.41	 2,557.86	 177,909.95
 <u>Fund Balances - End of Year</u>	 <u>\$ 52,091.25</u>	 <u>\$ 40,733.30</u>	 <u>\$ 29,330.72</u>	 <u>\$ 77,577.39</u>	 <u>\$ 3,413.08</u>	 <u>\$ 203,145.74</u>

The notes are an integral part of the statements.

**Village of Emmett**  
 Governmental Funds  
 Reconciliation of Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For The Year Ended March 31, 2011

**Net Change in Fund Balances - Total Governmental Funds** \$ 25,235.79

Amounts reported for Governmental Activities in the Statement of  
 Activities are different because:

Governmental Funds report Capital Outlays as Expenditures;  
 in the Statement of Activities, these costs are capitalized and  
 allocated over their estimated useful lives as Depreciation 15,675.00

Repayment of Bond Principal is an Expenditure in the Governmental  
 Funds, but not in the Statement of Activities (where it  
 reduces Long-Term Debt) 36,731.76

Depreciation is an Expenditure for the Statement of  
 Activities, but is not reported in the Governmental Funds (46,037.62)

**Change in Net Assets of Governmental Activities** \$ 31,604.93

The notes are an integral part of the statements.

**Village of Emmett**  
Notes to the Financial Statements  
For The Year Ended March 31, 2011

The accounting methods and procedures adopted by the Village of Emmett, St. Clair County, Michigan, conform to Generally Accepted Accounting Principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Village's Comprehensive Annual Financial Report.

**1. Summary of Significant Accounting Policies**

**Financial Reporting Entity**

The Village of Emmett was incorporated under the laws of the State of Michigan in 1850. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Village (the primary government).

**Government-wide and Fund Statements Fund**

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Village (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

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

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 of the general government, except those required to be accounted for in another fund.

**Major Streets Fund** – The Major Streets Fund accounts for maintenance and improvement activities for streets designated as “major” within the Village. Funding is provided primarily through State-shared gas and weight taxes.

**Local Streets Fund** – The Local Streets Fund accounts for maintenance and improvement activities for streets designated as “local” within the Village. Funding is provided primarily through State-shared gas and weight taxes.

**Fire Fund** – The Fire Fund's purpose is to provide emergency response to the locally contracted areas. Funding is provided primarily from the contracts with the local areas including Kenockee Township, Wales Township, Riley Township, Emmett Township, and the Village of Emmett.

**Recreation Fund** - The fund is for the development and maintenance of the Village Park. Funding is provided primarily from donations, usage fees, and county taxes.

**Village of Emmett**  
Notes to the Financial Statements  
For The Year Ended March 31, 2011

**Measurement Focus and Basis of Accounting**

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become 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, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Village. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

**Cash** - The Village does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Village's investments.

**Investments** - Debt securities are valued at cost since it is generally the policy of the Village to hold such investments until they mature.

**Due to and Due from Other Funds** - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Property Tax Revenues** - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

**Vacation, Sick Leave, & Other Compensated Absences** - The Village does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund Financial Statements.

**Capital Assets** - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**Village of Emmett**  
Notes to the Financial Statements  
For The Year Ended March 31, 2011

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	25 years
Buildings & Building Improvements	20 to 39 years
Machinery & Equipment	3 to 20 years

**Long-Term Obligations** - In the Government-wide 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 assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

## **2. Stewardship, Compliance, and Accountability**

### **Budgetary Information**

The Village is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds, Debt Service Funds, Capital Project Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

**Village of Emmett**  
Notes to the Financial Statements  
For The Year Ended March 31, 2011

**2. Stewardship, Compliance, and Accountability - continued**

In the body of the financial statements, the Village actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Village Council as a management tool during the year for all budgetary funds. The budgets are adopted on an accrual basis, which is consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the Major Special Revenue Funds are presented in the required supplemental information.

During the fiscal year ended March 31, 2011, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
<b>General Fund</b>			
Salaries & Payroll Taxes	\$ 16,603	\$ 19,316	\$ 2,713
Professional Fees	3,950	5,115	1,165
Insurance	6,100	8,358	2,258
Fire Contract	14,298	15,498	1,200
Planning & Zoning	-	1,260	1,260
Drains	-	2,208	2,208
Department of Public Works	3,000	3,882	882
Street Lighting	7,950	8,192	242
<b>Major Streets Fund</b>			
Wages & Payroll Taxes	740	786	46
Winter Maintenance	-	2,795	2,795
Miscellaneous	425	710	285
<b>Local Streets Fund</b>			
Wages & Payroll Taxes	740	797	57
Miscellaneous	290	700	410
<b>Fire Fund</b>			
Insurance	20,800	28,961	8,161
Utilities	4,800	7,433	2,633
Class & Training	1,500	1,956	456
Capital Outlay	-	15,675	15,675
Debt Service - Principal	-	32,081	32,081
Debt Service - Interest	-	2,051	2,051
<b>Recreation Fund</b>			
Wages & Payroll Taxes	237	589	352
Park Grounds	3,395	3,461	66
Insurance	947	1,447	500
Supplies	1221	1,924	703

**Village of Emmett**  
Notes to the Financial Statements  
For The Year Ended March 31, 2011

**3. Cash and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated one bank for the deposit of Village funds. There is not an investment policy adopted by the Council in accordance with Public Act 196 of 1997. The Council has authorized investment in bank accounts, CDs, and pooled money market accounts if the bank meets the criteria as a depository of public funds contained in state law, but not the remainder of State statutory authority as listed above. The Village's deposits are in accordance with statutory authority. All cash deposits and investments of the Village are held by the Village in the Village's name.

At the fiscal year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<b>Governmental Activities</b>	<b>Total Primary Government</b>
Cash & Cash Equivalents	\$ 203,146	\$ 203,146

The breakdown between deposits and investments is as follows:

	<b>Primary Government</b>
Bank Deposits (Checking & Savings Accounts, CDs)	\$ 203,146

The bank balance of the primary government's deposits is \$203,146, of which \$203,146 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Village's name. All cash deposits and investments of the Village are held by the Village in the Village's name.

**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 to it. The Village does not have a deposit policy for custodial credit risk. At the fiscal year end, the Village had approximately \$-0- of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized.

**Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Village's investment policy does not further limit its investment choices.

At the fiscal year end, there were no investments reported in the basic financial statements.

**Village of Emmett**  
Notes to the Financial Statements  
For The Year Ended March 31, 2011

**4. Capital Assets**

Capital Assets activity of the Village's governmental activities (and business-type) was as follows:

	<u>Balance April 1, 2010</u>	<u>Additions</u>	<u>Disposals &amp; Adjustments</u>	<u>Balance March 31, 2011</u>
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated - Land	\$ 1	\$ -	\$ -	\$ 1
Capital Assets Being Depreciated:				
Infrastructure	55,207	-	-	55,207
Buildings & Building Improvements	129,645	-	-	129,645
Machinery & Equipment	<u>657,461</u>	<u>15,675</u>	<u>-</u>	<u>673,136</u>
Total Capital Assets being Depreciated	842,312	15,675	-	857,987
Accumulated Depreciation:				
Infrastructure	17,805	2,208	-	20,014
Buildings & Building Improvements	22,606	4,549	-	27,155
Machinery & Equipment	<u>322,609</u>	<u>39,280</u>	<u>-</u>	<u>361,889</u>
Total Accumulated Depreciation	<u>363,020</u>	<u>46,038</u>	<u>-</u>	<u>409,058</u>
<b>Net Capital Assets</b>	<u>\$ 479,292</u>	<u>\$ (30,363)</u>	<u>\$ -</u>	<u>\$ 448,930</u>

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental Activities:</b>	
General Government	\$ 3,294
Public Safety	38,267
Public Works	2,208
Recreation & Culture	<u>2,269</u>
Total Governmental Activities	<u>\$ 46,038</u>

**5. Interfund Receivables, Payables, & Transfers**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

**None**

Interfund Transfers reported in the Fund Statements are as follows:

**None**

**Village of Emmett**  
Notes to the Financial Statements  
For The Year Ended March 31, 2011

**6. Long-Term Debt**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
General Obligation Bonds & Contracts						
May 7, 2001 Note Payable Capac State Bank Due Annually in installments of \$25,000 Amount of issue - \$175,000, Secured by Fire Truck Maturing through May 5, 2011	4.80%	\$25,000	\$ 27,371	\$ (27,371)	\$ 0	\$ 0
July 9, 2002 Land Contract purchase of Village Hall Due Monthly in installments of \$650.00 Amount of issue - \$95,000 Maturing through July 2023	5.75%	\$700	\$ 70,123	\$ (4,650)	\$ 65,473	\$ 4,750
July 22, 2009 Note Payable Capac State Bank Amount of issue - \$25,000 Maturing through March 31, 2015	4.80%	\$1,865 - \$5,389	<u>\$ 22,042</u>	<u>\$ (4,710)</u>	<u>\$ 17,332</u>	<u>\$ 4,926</u>
<b>Total Governmental Activities</b>			<u>\$ 119,536</u>	<u>\$ (36,731)</u>	<u>\$ 82,805</u>	<u>\$ 9,676</u>

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

Years Ending March 31	<b>Governmental Activities</b>		
	Principal	Interest	Total
2012	\$ 9,676	\$ 4,326	\$ 14,002
2013	10,182	3,820	14,002
2014	10,716	3,286	14,002
2015	7,507	2,775	10,282
2016	5,975	2,425	8,400
2017-2021	35,599	6,402	42,001
2022	<u>3,150</u>	<u>46</u>	<u>3,196</u>
<b>Total</b>	<u>\$ 82,805</u>	<u>\$ 23,080</u>	<u>\$ 105,885</u>

**7. Risk Management**

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Village has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

**Required Supplemental Information**

**Village of Emmett**  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 General Fund  
 For The Year Ended March 31, 2011

<u>Revenues</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Taxes</u>				
Current Property Tax	\$ 49,500.00	\$ 46,650.00	\$ 46,679.92	\$ 29.92
<u>State Shared Revenue</u>	18,100.00	16,800.00	16,899.50	99.50
<u>Licenses, Permits &amp; Fees</u>				
Zoning & Land Splits	500.00	-	-	-
Fines & Forfeitures	-	-	-	-
<u>Total Licenses, Permits, &amp; Fees</u>	500.00	-	-	-
<u>Miscellaneous Revenue</u>				
Refunds & Reimbursements	2,000.00	1,750.00	95.34	(1,654.66)
Rent	7,200.00	7,200.00	7,200.00	-
Other Revenue	520.00	100.00	3,773.50	3,673.50
<u>Total Miscellaneous Revenues</u>	9,720.00	9,050.00	11,068.84	2,018.84
<u>Interest Earnings</u>	24.00	8.00	59.04	51.04
<u>Total Revenues</u>	\$ 77,844.00	\$ 72,508.00	\$ 74,707.30	\$ 2,199.30

**Village of Emmett**  
Required Supplemental Information  
Budgetary Comparison Schedule  
General Fund  
For The Year Ended March 31, 2011

<b>Expenditures</b>	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance with Amended Budget</b>
<b><u>General Government</u></b>				
Salaries & Payroll Taxes	\$ 20,500.00	\$ 16,603.00	\$ 19,316.34	\$ (2,713.34)
General Administration	1,912.00	4,992.00	2,303.78	2,688.22
Professional Fees	2,300.00	3,950.00	5,115.00	(1,165.00)
Insurance	6,000.00	6,100.00	8,358.00	(2,258.00)
<b><u>Total General Government</u></b>	<b>30,712.00</b>	<b>31,645.00</b>	<b>35,093.12</b>	<b>(3,448.12)</b>
<b><u>Public Safety</u></b>				
Fire Contract	14,298.00	14,298.00	15,497.93	(1,199.93)
Planning & Zoning	700.00	-	1,260.00	(1,260.00)
<b><u>Total Public Safety</u></b>	<b>14,998.00</b>	<b>14,298.00</b>	<b>16,757.93</b>	<b>(2,459.93)</b>
<b><u>Public Works</u></b>				
Drains	-	-	2,208.06	(2,208.06)
Department of Public Works	2,700.00	3,000.00	3,882.15	(882.15)
Street Lighting	8,500.00	7,950.00	8,192.38	(242.38)
<b><u>Total Public Works</u></b>	<b>11,200.00</b>	<b>10,950.00</b>	<b>14,282.59</b>	<b>(3,332.59)</b>
Debt Service - Principal	4,650.74	4,650.74	4,650.74	-
Debt Service - Interest	3,749.26	3,749.26	3,749.26	-
Capital Outlay	-	-	-	-
<b><u>Total Expenditures</u></b>	<b>65,310.00</b>	<b>65,293.00</b>	<b>74,533.64</b>	<b>(9,240.64)</b>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<b>12,534.00</b>	<b>7,215.00</b>	<b>173.66</b>	<b>(7,041.34)</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In (Out)	-	-	-	-
<b><u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u></b>	<b>12,534.00</b>	<b>7,215.00</b>	<b>173.66</b>	<b>(7,041.34)</b>
<b><u>Fund Balance - Beginning of Year</u></b>	<b>-</b>	<b>-</b>	<b>51,917.59</b>	<b>51,917.59</b>
<b><u>Fund Balance - End of Year</u></b>	<b>\$ 12,534.00</b>	<b>\$ 7,215.00</b>	<b>\$ 52,091.25</b>	<b>\$ 44,876.25</b>

**Village of Emmett**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Major Streets Fund  
For The Year Ended March 31, 2011

<b>Revenues</b>	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance with Amended Budget</b>
State Shared Rev. - Gas & Wt. Tax	\$ 24,050.00	\$ 24,900.00	\$ 24,882.25	\$ (17.75)
Interest Income	71.00	15.00	57.73	42.73
Other Revenues	-	-	-	-
<u>Total Revenues</u>	<u>24,121.00</u>	<u>24,915.00</u>	<u>24,939.98</u>	<u>24.98</u>
<b>Expenditures</b>				
Wages & Payroll Taxes	750.00	740.00	785.82	(45.82)
Routine Maintenance	10,500.00	9,400.00	7,394.24	2,005.76
Winter Maintenance	-	-	2,795.00	(2,795.00)
Miscellaneous	350.00	425.00	710.16	(285.16)
<u>Total Expenditures</u>	<u>11,600.00</u>	<u>10,565.00</u>	<u>11,685.22</u>	<u>(1,120.22)</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<b>12,521.00</b>	<b>14,350.00</b>	<b>13,254.76</b>	<b>(1,095.24)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In (Out)	-	-	-	-
<b><u>Net Change in Fund Balance</u></b>	<b>12,521.00</b>	<b>14,350.00</b>	<b>13,254.76</b>	<b>(1,095.24)</b>
<b><u>Fund Balance - Beginning of Year</u></b>	<b>-</b>	<b>-</b>	<b>27,478.54</b>	<b>27,478.54</b>
<b><u>Fund Balance - End of Year</u></b>	<b>\$ 12,521.00</b>	<b>\$ 14,350.00</b>	<b>\$ 40,733.30</b>	<b>\$ 26,383.30</b>

**Village of Emmett**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Local Streets Fund  
For The Year Ended March 31, 2011

<b>Revenues</b>	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance with Amended Budget</b>
State Shared Rev. - Gas & Wt. Tax	\$ 7,250.00	\$ 7,900.00	\$ 7,822.76	\$ (77.24)
Interest Income	110.00	18.00	18.39	0.39
Other Revenues	-	-	-	-
<b>Total Revenues</b>	<b>7,360.00</b>	<b>7,918.00</b>	<b>7,841.15</b>	<b>(76.85)</b>
<b>Expenditures</b>				
Wages & Payroll Taxes	750.00	740.00	797.24	(57.24)
Routine Maintenance	7,700.00	2,400.00	2,307.94	92.06
Winter Maintenance	2,800.00	2,800.00	2,795.00	5.00
Miscellaneous	500.00	290.00	699.80	(409.80)
<b>Total Expenditures</b>	<b>11,750.00</b>	<b>6,230.00</b>	<b>6,599.98</b>	<b>(369.98)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(4,390.00)</b>	<b>1,688.00</b>	<b>1,241.17</b>	<b>(446.83)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In (Out)	-	-	-	-
<b>Net Change in Fund Balance</b>	<b>(4,390.00)</b>	<b>1,688.00</b>	<b>1,241.17</b>	<b>(446.83)</b>
<b>Fund Balance - Beginning of Year</b>	<b>28,089.55</b>	<b>28,089.55</b>	<b>28,089.55</b>	<b>-</b>
<b>Fund Balance - End of Year</b>	<b>\$ 23,699.55</b>	<b>\$ 29,777.55</b>	<b>\$ 29,330.72</b>	<b>\$ (446.83)</b>

**Village of Emmett**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Fire Fund  
For The Year Ended March 31, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Fire Contract	\$ -	\$ -	\$ 159,779.87	\$ 159,779.87
Reimbursements & Refunds	3,748.98	3,748.98	3,603.12	(145.86)
Interest Earnings	28.41	28.41	78.47	50.06
<u>Total Revenues</u>	<u>3,777.39</u>	<u>3,777.39</u>	<u>163,461.46</u>	<u>159,684.07</u>
<b><u>Expenditures</u></b>				
Fire Wages	26,150.00	26,150.00	23,502.29	2,647.71
Payroll Taxes	5,500.00	5,500.00	4,351.42	1,148.58
Gas & Operating Supplies	33,400.00	33,400.00	29,412.69	3,987.31
Insurance	20,800.00	20,800.00	28,961.00	(8,161.00)
Utilities	4,800.00	4,800.00	7,433.19	(2,633.19)
Classes & Training	1,500.00	1,500.00	1,955.50	(455.50)
Administration	2,500.00	2,500.00	1,025.00	1,475.00
Rent	7,200.00	7,200.00	7,200.00	-
Miscellaneous	3,754.00	3,754.00	102.53	3,651.47
Capital Outlay	-	-	15,675.00	(15,675.00)
Debt Service - Principal	-	-	32,081.02	(32,081.02)
Debt Service - Interest	-	-	2,050.84	(2,050.84)
<u>Total Expenditures</u>	<u>105,604.00</u>	<u>105,604.00</u>	<u>153,750.48</u>	<u>(48,146.48)</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<b>(101,826.61)</b>	<b>(101,826.61)</b>	<b>9,710.98</b>	<b>111,537.59</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In (Out)	-	-	-	-
<b><u>Net Change in Fund Balances</u></b>	<b>(101,826.61)</b>	<b>(101,826.61)</b>	<b>9,710.98</b>	<b>111,537.59</b>
<b><u>Fund Balance - Beginning of Year</u></b>	<b>67,866.41</b>	<b>67,866.41</b>	<b>67,866.41</b>	<b>-</b>
<b><u>Fund Balance - End of Year</u></b>	<b>\$ (33,960.20)</b>	<b>\$ (33,960.20)</b>	<b>\$ 77,577.39</b>	<b>\$ 111,537.59</b>

**Village of Emmett**  
 Required Supplemental Information  
 Budgetary Comparison Schedule  
 Recreation Fund  
 For The Year Ended March 31, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Donations	\$ 100.00	\$ 5,880.00	\$ 6,458.70	\$ 578.70
County Taxes	1,100.00	1,150.00	1,130.25	(19.75)
Sale of Fixed Assets	-	-	-	-
Interest Earnings	106.00	1.00	0.96	(0.04)
Other Revenues	-	-	686.47	686.47
<b><u>Total Revenues</u></b>	<u>1,306.00</u>	<u>7,031.00</u>	<u>8,276.38</u>	<u>1,245.38</u>
<b><u>Expenditures</u></b>				
Wages & Payroll Taxes	275.00	237.00	588.98	(351.98)
Park Grounds	4,000.00	3,395.00	3,461.13	(66.13)
Insurance	947.00	947.00	1,447.00	(500.00)
Supplies	1,945.00	1,221.00	1,924.05	(703.05)
Capital Outlay	-	-	-	-
<b><u>Total Expenditures</u></b>	<u>7,167.00</u>	<u>5,800.00</u>	<u>7,421.16</u>	<u>(1,621.16)</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	(5,861.00)	1,231.00	855.22	(375.78)
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In (Out)	-	-	-	-
<b><u>Net Change in Fund Balances</u></b>	(5,861.00)	1,231.00	855.22	(375.78)
<b><u>Fund Balances - Beginning of Year</u></b>	<u>2,557.86</u>	<u>2,557.86</u>	<u>2,557.86</u>	<u>-</u>
<b><u>Fund Balances - End of Year</u></b>	<u>\$ (3,303.14)</u>	<u>\$ 3,788.86</u>	<u>\$ 3,413.08</u>	<u>\$ (375.78)</u>

**Other Supplemental Information**

**Village of Emmett**  
Other Supplemental Information  
Schedule of Indebtedness  
March 31, 2011

**Note Payable for Purchase of Fire Truck**  
**Interest Payable May 7**

**Dated May 7, 2001**  
**Original Issue \$175,000**

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Outstanding March 31,</u>		<u>Remaining Annual Interest Payable</u>
		<u>2011</u>	<u>2010</u>	
4.80%	5/7/2010	\$ -	\$ 23,784	\$ -
4.80%	5/7/2011	-	3,587	-
<u>Total Notes Payable</u>		<u>\$ -</u>	<u>\$ 27,371</u>	<u>\$ -</u>

**Land Contract to Purchase Village Hall**  
**Payable to Dan & Deb Greenia**

**Dated July 9, 2002**  
**Original Issue \$95,000**

**Payment of \$700 due on the 9th of each month**

<u>Interest Rate</u>	<u>Contract Due For The Fiscal Year Ending</u>	<u>Principal Outstanding March 31,</u>		<u>Remaining Annual Interest Payable</u>
		<u>2011</u>	<u>2010</u>	
5.75%	3/31/11	\$ -	\$ 4,650	\$ -
5.75%	3/31/12	4,750	4,750	3,650
5.75%	3/31/13	5,030	5,030	3,370
5.75%	3/31/14	5,327	5,327	3,073
5.75%	3/31/15	5,642	5,642	2,758
5.75%	3/31/16	5,975	5,975	2,425
5.75%	3/31/17	6,327	6,327	2,073
5.75%	3/31/18	6,701	6,701	1,699
5.75%	3/31/19	7,097	7,097	1,303
5.75%	3/31/20	7,516	7,516	884
5.75%	3/31/21	7,959	7,959	441
5.75%	3/31/22	3,150	3,150	46
<u>Total Installment Purchase Contract Payable</u>		<u>\$ 65,473</u>	<u>\$ 70,123</u>	<u>\$ 21,724</u>

**Note Payable for Purchase of Fire Puckup Truck**  
**Payable to Capac State Bank**

**Dated July 22, 2009**  
**Original Issue \$25,000**

<u>Interest Rate</u>	<u>Contract Due For The Fiscal Year Ending</u>	<u>Principal Outstanding March 31,</u>		<u>Remaining Annual Interest Payable</u>
		<u>2011</u>	<u>2010</u>	
4.50%	3/31/11	\$ -	\$ 4,710	\$ -
4.50%	3/31/12	4,926	4,926	676
4.50%	3/31/13	5,152	5,152	450
4.50%	3/31/14	5,389	5,389	213
4.50%	3/31/15	1,865	1,865	17
<u>Total Installment Purchase Contract Payable</u>		<u>\$ 17,332</u>	<u>\$ 22,042</u>	<u>\$ 1,356</u>
<u>Total General Obligation Notes &amp; Contracts</u>		<u>\$ 82,805</u>	<u>\$ 119,536</u>	<u>\$ 23,080</u>

# KING & KING CPAs LLC

Lehn L. King, C.P.A.

Ryan L. King, C.P.A.

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June 27, 2011

## **Village of Emmett**

P. O. Box 127  
3119 Main Street  
Emmett, Michigan 48022

To the Members of the Council:

In planning and performing our audit of the financial statements, as of and for the year ended March 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Emmett's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in the Village of Emmett's internal control to be significant deficiencies:

**Segregation of Duties** – Due to the limited number of people, many critical duties are combined and given to the available employees/board members. To the extent possible, duties should be segregated to serve as a check and balance to maintain the best control possible. We recommend the Village segregate duties whenever possible.

**Financial Statements** – After considering the qualifications of the accounting personnel of the Village of Emmett, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the Village, but they do not have the qualifications and abilities to generate financial statements, including the required footnotes, in accordance with accounting principles generally accepted in the United States of America.

This information is intended solely for the information and use of management, Village of Emmett, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Lehn King*

Lehn L. King, C.P.A.  
**KING & KING CPAs LLC**

# KING & KING CPAs LLC

**Lehn L. King, C.P.A.**

**Ryan L. King, C.P.A.**

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June 27, 2011

## **Village of Emmett**

P. O. Box 127  
3119 Main Street  
Emmett, Michigan 48022

To the Members of the Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Emmett for the fiscal year ended March 31, 2011, and have issued our report thereon dated June 27, 2011. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated July 1, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Emmett are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending March 31, 2011. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

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

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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## **Audit Adjustments (Corrected and Uncorrected Misstatements)**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 27, 2011.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. There were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the information and use of management, the Council of the Village of Emmett, and Federal and State agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Lehn King*

Lehn L. King, C.P.A.  
**KING & KING CPAs LLC**