

Village of Berrien Springs, Michigan

**Financial Report
with Supplemental Information
June 30, 2009**

Village of Berrien Springs, Michigan

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Independent Auditor's Report

To the Village Council
Village of Berrien Springs, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Berrien Springs, Michigan (the "Village") as of and for the year ended June 30, 2009, 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 Berrien Springs, Michigan's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 respective financial position of the governmental activities, the business-type activities, and each major fund of the Village of Berrien Springs, Michigan as of June 30, 2009 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 schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

To the Village Council
Village of Berrien Springs, Michigan

In accordance with *Government Auditing Standards*, we have also issued a report dated October 5, 2009 on our consideration of the Village's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

October 5, 2009

Village of Berrien Springs, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the Village of Berrien Springs, Michigan's (the "Village") financial performance provides an overview of the Village's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the Village's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2009:

- State-shared revenue, the General Fund's second largest revenue source, was decreased again this year. The Village management reacted by continuing to keep expenses at a minimum where possible.
- The Village established a new enterprise fund to account for the activities of Shamrock Park.
- In order to help control costs related to employee benefits, the Village approved an HSA plan for all full-time employees during the year.

Using this Annual 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.

Village of Berrien Springs, Michigan

Management's Discussion and Analysis (Continued)

The Village as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior two fiscal years:

	Governmental Activities			Business-type Activities			Total		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Assets									
Current assets	\$ 4,786,954	\$ 4,338,269	\$ 3,687,719	\$ 1,194,160	\$ 1,345,102	\$ 1,187,116	\$ 5,981,114	\$ 5,683,371	\$ 4,874,835
Noncurrent assets	1,510,311	1,817,494	1,772,732	14,301,856	14,004,505	11,006,298	15,812,167	15,821,999	12,779,030
Total assets	6,297,265	6,155,763	5,460,451	15,496,016	15,349,607	12,193,414	21,793,281	21,505,370	17,653,865
Liabilities									
Current liabilities	20,074	129,914	50,387	329,471	334,298	1,389,332	349,545	464,212	1,439,719
Long-term liabilities	-	-	-	7,135,749	7,249,127	6,568,504	7,135,749	7,249,127	6,568,504
Total liabilities	20,074	129,914	50,387	7,465,220	7,583,425	7,957,836	7,485,294	7,713,339	8,008,223
Net Assets									
Invested in capital assets -									
Net of related debt	1,510,311	1,817,494	1,772,732	7,052,729	6,645,000	4,358,280	8,563,040	8,462,494	6,131,012
Restricted	1,441,887	1,231,810	1,054,547	64,259	63,268	61,294	1,506,146	1,295,078	1,115,841
Unrestricted	3,324,993	2,976,545	2,582,785	913,808	1,057,914	(183,996)	4,238,801	4,034,459	2,398,789
Total net assets	<u>\$ 6,277,191</u>	<u>\$ 6,025,849</u>	<u>\$ 5,410,064</u>	<u>\$ 8,030,796</u>	<u>\$ 7,766,182</u>	<u>\$ 4,235,578</u>	<u>\$ 14,307,987</u>	<u>\$ 13,792,031</u>	<u>\$ 9,645,642</u>

The Village's combined net assets increased 4 percent from a year ago - increasing from \$13,792,031 to \$14,307,987. As we look at the governmental activities separately from the business-type activities, we see that governmental activities net assets increased 4 percent from \$6,025,849 to \$6,277,191, while business-type activities increased 3 percent from \$7,766,182 to \$8,030,796.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - increased by \$348,448 for the governmental activities. This represents an increase of approximately 11 percent. The current level of unrestricted net assets for our governmental activities stands at \$3,324,993. This is within the targeted range set by the Village during its last budget process.

Village of Berrien Springs, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in the net assets during the current year and as compared to the prior two fiscal years:

	Governmental Activities			Business-type Activities			Total		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Revenue									
Program revenue:									
Charges for services	\$ 201,516	\$ 331,080	\$ 315,939	\$ 1,407,840	\$ 1,292,878	\$ 1,235,012	\$ 1,609,356	\$ 1,623,958	\$ 1,550,951
Operating grants and contributions	131,808	138,219	129,401	-	-	-	131,808	138,219	129,401
Capital grants and contributions	-	-	-	151,499	3,398,500	-	151,499	3,398,500	-
General revenue:									
Property taxes	657,520	632,902	595,284	-	-	-	657,520	632,902	595,284
State-shared revenue	173,854	174,620	178,696	-	-	-	173,854	174,620	178,696
Unrestricted investment earnings	159,099	186,840	127,074	11,684	30,395	55,760	170,783	217,235	182,834
Miscellaneous	87,684	75,688	66,800	-	-	-	87,684	75,688	66,800
Total revenue	1,411,481	1,539,349	1,413,194	1,571,023	4,721,773	1,290,772	2,982,504	6,261,122	2,703,966
Program Expenses									
General government	380,617	276,438	283,413	-	-	-	380,617	276,438	283,413
Public safety	92,224	101,509	241,276	-	-	-	92,224	101,509	241,276
Public works	278,042	350,876	246,116	-	-	-	278,042	350,876	246,116
Recreation and culture	59,837	194,741	149,003	-	-	-	59,837	194,741	149,003
Contributions	-	-	526,875	-	-	-	-	-	526,875
Water and sewer	-	-	-	1,655,828	1,191,169	866,491	1,655,828	1,191,169	866,491
Total program expenses	810,720	923,564	1,446,683	1,655,828	1,191,169	866,491	2,466,548	2,114,733	2,313,174
Transfers	(349,419)	-	-	349,419	-	-	-	-	-
Change in Net Assets	\$ 251,342	\$ 615,785	\$ (33,489)	\$ 264,614	\$ 3,530,604	\$ 424,281	\$ 515,956	\$ 4,146,389	\$ 390,792

Village of Berrien Springs, Michigan

Management's Discussion and Analysis (Continued)

During the past fiscal year, governmental activities revenues decreased from \$1,539,349 to \$1,411,481 or approximately 8 percent, while governmental program expenses decreased approximately \$113,000. The majority of the decrease in both revenues and expenses relates to the transfer of Shamrock Park's operating activity from the General Fund to the Shamrock Park Enterprise Fund established in 2009.

Business-type activities revenue included grant proceeds of approximately \$151,800 in 2009 and \$3,398,500 in 2008. Excluding this source of revenue, revenues increased approximately \$100,000 or 7 percent from a year ago, while expenses increased by approximately \$465,000 or 40 percent. As noted in the preceding paragraph, the increase in revenues and expenses is a result of the transfer of Shamrock Park's operating activity.

Governmental Activities

Property taxes increased slightly due to valuation increases. State-shared revenue decreased slightly, as the State of Michigan continued to cut revenue sharing. Investment earnings decreased due to the overall decline of the investment market during the year.

Business-type Activities

The Village's business-type activities consist of the Water and Sewer Fund. We provide water and sewer to residents through Village-owned and operated wells and the sewage treatment plant.

Water Operating Fund

A water and sewer rate study was completed in January 2003. Using a proposed cost allocation between the customer, commodity, and demand charges, an annual increase of approximately 6.0 percent per year for five years was instituted. The Village will continue to monitor rates and expenses in the future.

Sewer Fund

The water and sewer rate study completed in January 2003 recommended an average of 8 percent to 10 percent annual increase in sewer rates over a five-year time span, which was approved. Annual projected surpluses would build up the Sewer Fund's cash reserves, which had been depleted.

The Village's Funds

Our analysis of the Village's major funds begins on page 11, 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 Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for 2009 include the General Fund, the Major and Local Streets Funds, the Waste Water and Water Operating Funds, and the Shamrock Park Fund.

Village of Berrien Springs, Michigan

Management's Discussion and Analysis (Continued)

Budgetary Highlights

Over the course of the year, the Village did amend the budget for the General, Major Streets, and Local Streets Funds. Full budget and amended budget to actual statements for these funds are included as pages 30 through 32 of this report.

Capital Asset and Debt Administration

During the year, the Village did not enter into any new debt obligations. With the exception of the purchase of the Caterpillar wheel loader, no significant capital asset purchases were made during the fiscal year.

Economic Factors and Next Year's Budgets and Rates

The Village's 2009 fiscal year budget anticipates additional cuts in state-shared revenue. The Village also budgeted for the annual debt service of the debt related to the new waste water treatment plant.

The water and sewer rates remained stable during fiscal year 2009. However, the Village continues to watch water and sewer revenue and expense trends for possible additional increases in the future.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Village of Berrien Springs, Michigan

Statement of Net Assets June 30, 2009

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 1,599,754	\$ 600,838	\$ 2,200,592
Investments (Note 3)	3,111,963	225,000	3,336,963
Customer accounts receivable - Net	17,546	306,322	323,868
Due from other governmental units	45,808	-	45,808
Internal balances	11,883	(11,883)	-
Prepaid costs and other assets	-	9,624	9,624
Restricted assets - Debt service	-	64,259	64,259
Capital assets - Net (Note 4):			
Assets subject to depreciation	1,372,816	13,790,582	15,163,398
Assets not subject to depreciation	137,495	511,274	648,769
Total assets	<u>6,297,265</u>	<u>15,496,016</u>	<u>21,793,281</u>
Liabilities			
Accounts payable	12,506	11,429	23,935
Accrued and other liabilities	267	204,664	204,931
Accrued employee benefits -			
Due within one year (Note 6)	7,301	-	7,301
Noncurrent liabilities (Note 6):			
Due within one year	-	113,378	113,378
Due in more than one year	-	7,135,749	7,135,749
Total liabilities	<u>20,074</u>	<u>7,465,220</u>	<u>7,485,294</u>
Net Assets			
Invested in capital assets - Net of related debt	1,510,311	7,052,729	8,563,040
Restricted for streets and highways	1,441,887	-	1,441,887
Restricted for debt service	-	64,259	64,259
Unrestricted	3,324,993	913,808	4,238,801
Total net assets	<u>\$ 6,277,191</u>	<u>\$ 8,030,796</u>	<u>\$ 14,307,987</u>

Village of Berrien Springs, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 380,617	\$ 100,000	\$ -	\$ -
Public safety	92,224	2,419	-	-
Public works	278,042	99,097	131,808	-
Recreation and culture	59,837	-	-	-
Total governmental activities	810,720	201,516	131,808	-
Business-type activities:				
Water	434,844	474,730	-	-
Sewer	1,054,404	756,268	-	151,499
Shamrock Park	166,580	176,842	-	-
Total business-type activities	1,655,828	1,407,840	-	151,499
Total primary government	<u>\$ 2,466,548</u>	<u>\$ 1,609,356</u>	<u>\$ 131,808</u>	<u>\$ 151,499</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Miscellaneous				
Total general revenues				
Transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2009

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (280,617)	\$ -	\$ (280,617)
(89,805)	-	(89,805)
(47,137)	-	(47,137)
<u>(59,837)</u>	<u>-</u>	<u>(59,837)</u>
(477,396)	-	(477,396)
-	39,886	39,886
-	(146,637)	(146,637)
<u>-</u>	<u>10,262</u>	<u>10,262</u>
-	<u>(96,489)</u>	<u>(96,489)</u>
(477,396)	(96,489)	(573,885)
657,520	-	657,520
173,854	-	173,854
159,099	11,684	170,783
<u>87,684</u>	<u>-</u>	<u>87,684</u>
1,078,157	11,684	1,089,841
<u>(349,419)</u>	<u>349,419</u>	<u>-</u>
251,342	264,614	515,956
<u>6,025,849</u>	<u>7,766,182</u>	<u>13,792,031</u>
<u>\$ 6,277,191</u>	<u>\$ 8,030,796</u>	<u>\$ 14,307,987</u>

Village of Berrien Springs, Michigan

Governmental Funds Balance Sheet June 30, 2009

	General Fund	Major Streets Fund	Local Streets Fund	Total Governmental Funds
Assets				
Cash and investments	\$ 3,290,414	\$ 757,199	\$ 664,104	\$ 4,711,717
Receivables - Net	17,546	-	-	17,546
Due from other governmental units	24,876	14,615	6,317	45,808
Due from other funds	2,500	-	-	2,500
Advances to other funds	9,383	-	-	9,383
Total assets	<u>\$ 3,344,719</u>	<u>\$ 771,814</u>	<u>\$ 670,421</u>	<u>\$ 4,786,954</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 12,158	\$ 168	\$ 180	\$ 12,506
Accrued and other liabilities	267	-	-	267
Total liabilities	12,425	168	180	12,773
Fund Balances				
Reserved for long-term receivables	9,383	-	-	9,383
Unreserved, reported in:				
General Fund	3,097,911	-	-	3,097,911
Special Revenue Funds	-	771,646	670,241	1,441,887
Designated for future police expenditures	225,000	-	-	225,000
Total fund balances	<u>3,332,294</u>	<u>771,646</u>	<u>670,241</u>	<u>4,774,181</u>
Total liabilities and fund balances	<u>\$ 3,344,719</u>	<u>\$ 771,814</u>	<u>\$ 670,421</u>	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the funds				1,510,311
Long-term liabilities are not due and payable in the current period and are not reported in the funds				(7,301)
Net assets of governmental activities				<u>\$ 6,277,191</u>

Village of Berrien Springs, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2009

	General Fund	Major Streets Fund	Local Streets Fund	Total Governmental Funds
Revenue				
Property taxes	\$ 500,452	\$ -	\$ 157,068	\$ 657,520
State-shared revenues and grants	173,854	91,224	40,584	305,662
Licenses and permits	2,419	-	-	2,419
Charges for services	197,999	-	-	197,999
Fines and forfeitures	1,190	-	-	1,190
Interest and rentals	148,079	9,179	2,939	160,197
Other	86,367	51	76	86,494
	<u>1,110,360</u>	<u>100,454</u>	<u>200,667</u>	<u>1,411,481</u>
Total revenue				
Expenditures				
General government	349,388	-	-	349,388
Public safety	89,221	-	-	89,221
Public works	126,416	79,825	158,673	364,914
Recreation and culture	33,381	-	-	33,381
	<u>598,406</u>	<u>79,825</u>	<u>158,673</u>	<u>836,904</u>
Total expenditures				
Excess of Revenue Over Expenditures	511,954	20,629	41,994	574,577
Other Financing Sources (Uses)				
Transfers in	-	60,987	117,476	178,463
Transfers out	(161,837)	(31,009)	-	(192,846)
	<u>(161,837)</u>	<u>29,978</u>	<u>117,476</u>	<u>(14,383)</u>
Total other financing sources (uses)				
Net Change in Fund Balances	350,117	50,607	159,470	560,194
Fund Balances - Beginning of year	2,982,177	721,039	510,771	4,213,987
Fund Balances - End of year	<u>\$ 3,332,294</u>	<u>\$ 771,646</u>	<u>\$ 670,241</u>	<u>\$ 4,774,181</u>

Village of Berrien Springs, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2009

Net Change in Fund Balances - Total governmental funds	\$ 560,194
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 allocated over their estimated useful lives as depreciation:	
Current year capital additions	153,784
Current year allocation of depreciation	(125,931)
Transfer of Shamrock Park capital assets	(335,036)
Increase in accumulated employee vacation pay is recorded when earned in the statement of activities	<u>(1,669)</u>
Change in Net Assets of Governmental Activities	<u>\$ 251,342</u>

Village of Berrien Springs, Michigan

Proprietary Funds Statement of Net Assets June 30, 2009

	Waste Water Fund	Water Operating Fund	Shamrock Park Fund	Total Enterprise Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 466,869	\$ 101,681	\$ 32,288	\$ 600,838
Investments	-	225,000	-	225,000
Receivables - Net	189,956	116,366	-	306,322
Prepaid costs and other assets	-	9,624	-	9,624
Total current assets	656,825	452,671	32,288	1,141,784
Noncurrent assets:				
Restricted assets	-	64,259	-	64,259
Capital assets	11,734,621	2,225,805	341,430	14,301,856
Total noncurrent assets	11,734,621	2,290,064	341,430	14,366,115
Total assets	12,391,446	2,742,735	373,718	15,507,899
Liabilities				
Current liabilities:				
Accounts payable	4,373	4,434	2,622	11,429
Accrued and other liabilities	88,676	8,415	1,681	98,772
Customer deposits	-	105,892	-	105,892
Due to other funds	2,500	-	-	2,500
Current portion of long-term debt	80,689	32,689	-	113,378
Total current liabilities	176,238	151,430	4,303	331,971
Noncurrent liabilities:				
Advances from other funds	-	-	9,383	9,383
Long-term debt - Net of current portion	6,858,875	276,874	-	7,135,749
Total liabilities	7,035,113	428,304	13,686	7,477,103
Net Assets				
Investment in capital assets - Net of related debt	4,795,057	1,916,242	341,430	7,052,729
Restricted - Debt service	-	64,259	-	64,259
Unrestricted	561,276	333,930	18,602	913,808
Total net assets	<u>\$ 5,356,333</u>	<u>\$ 2,314,431</u>	<u>\$ 360,032</u>	<u>\$ 8,030,796</u>

Village of Berrien Springs, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Fund Net Assets Year Ended June 30, 2009

	Waste Water Fund	Water Operating Fund	Shamrock Park Fund	Total Enterprise Funds
Operating Revenue				
Sale of water	\$ -	\$ 444,359	\$ -	\$ 444,359
Sewage disposal charges	733,539	-	-	733,539
Hydrant rental	-	15,000	-	15,000
Interest and penalty charges	8,814	7,547	-	16,361
Recreational revenue	-	-	176,829	176,829
Other charges for services	13,915	7,824	13	21,752
Total operating revenue	756,268	474,730	176,842	1,407,840
Operating Expenses				
Salaries	143,286	108,352	53,444	305,082
Fringe benefits	53,630	46,739	20,455	120,824
Utilities	47,144	4,941	29,903	81,988
Materials, supplies, and freight	49,749	44,915	5,248	99,912
Contractual services	19,774	22,999	7,301	50,074
Insurance	10,137	6,385	2,466	18,988
Repairs and maintenance	23,344	17,239	25,487	66,070
Depreciation	317,479	80,468	10,340	408,287
Administrative fees	50,000	50,000	-	100,000
Other	33,950	34,108	11,936	79,994
Total operating expenses	748,493	416,146	166,580	1,331,219
Operating Income	7,775	58,584	10,262	76,621
Nonoperating Revenue (Expenses)				
Investment income	5,405	5,928	351	11,684
Interest expense	(305,911)	(18,698)	-	(324,609)
(Loss) Income - Before contributions	(292,731)	45,814	10,613	(236,304)
Capital Contributions				
Capital grants	151,499	-	-	151,499
Transfer of capital assets	-	-	335,036	335,036
Total capital contributions	151,499	-	335,036	486,535
Transfer from Other Funds	-	-	14,383	14,383
Change in Net Assets	(141,232)	45,814	360,032	264,614
Net Assets - Beginning of year	5,497,565	2,268,617	-	7,766,182
Net Assets - End of year	\$ 5,356,333	\$ 2,314,431	\$ 360,032	\$ 8,030,796

Village of Berrien Springs, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2009

	Waste Water Fund	Water Operating Fund	Shamrock Park Fund	Total Enterprise Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 775,405	\$ 485,516	\$ 176,842	\$ 1,437,763
Payments to suppliers	(230,409)	(173,458)	(78,038)	(481,905)
Payments to employees	(195,876)	(155,091)	(73,899)	(424,866)
Net cash provided by operating activities	349,120	156,967	24,905	530,992
Cash Flows from Noncapital Financing Activities -				
Advances received from other funds - Net of repayments	-	-	9,383	9,383
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(148,210)	(238,508)	(16,734)	(403,452)
Principal and interest paid on capital debt	(384,431)	(51,387)	-	(435,818)
Grant proceeds	151,499	-	-	151,499
Transfers from other funds	-	-	14,383	14,383
Internal activity - Payments to other funds	(2,500)	-	-	(2,500)
Net cash used in capital and related financing activities	(383,642)	(289,895)	(2,351)	(675,888)
Cash Flows from Investing Activities - Interest received	5,405	5,928	351	11,684
Net (Decrease) Increase in Cash and Cash Equivalents	(29,117)	(127,000)	32,288	(123,829)
Cash and Cash Equivalents - Beginning of year	495,986	292,940	-	788,926
Cash and Cash Equivalents - End of year	<u>\$ 466,869</u>	<u>\$ 165,940</u>	<u>\$ 32,288</u>	<u>\$ 665,097</u>
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 466,869	\$ 101,681	\$ 32,288	\$ 600,838
Restricted cash	-	64,259	-	64,259
Total cash and cash equivalents	<u>\$ 466,869</u>	<u>\$ 165,940</u>	<u>\$ 32,288</u>	<u>\$ 665,097</u>
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income	\$ 7,775	\$ 58,584	\$ 10,262	\$ 76,621
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	317,479	80,468	10,340	408,287
Changes in assets and liabilities:				
Receivables	19,137	1,093	-	20,230
Accounts payable	(3,371)	1,054	2,622	305
Accrued and other liabilities	8,100	15,768	1,681	25,549
Net cash provided by operating activities	<u>\$ 349,120</u>	<u>\$ 156,967</u>	<u>\$ 24,905</u>	<u>\$ 530,992</u>

Noncash Activities - During the year, capital assets were transferred from the General Fund to the Shamrock Park Fund in the amount of \$335,036.

Village of Berrien Springs, Michigan

Notes to Financial Statements June 30, 2009

Note I - Summary of Significant Accounting Policies

The accounting policies of the Village of Berrien Springs, Michigan (the "Village") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Berrien Springs, Michigan:

Reporting Entity

The Village of Berrien Springs, Michigan is governed by an elected seven-member council. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Jointly Governed Organizations

The fire department of the Village, not a legally separate entity, is jointly operated with Oronoko Township (the "Township"). All fire expenditures are shared between the two units. The Village's share of capital assets is included in the governmental activities capital assets on the government-wide statement of net assets.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Village of Berrien Springs, Michigan

**Notes to Financial Statements
June 30, 2009**

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, if applicable, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

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 the resources of state gas and weight tax revenues that are restricted for use on major streets.

Local Streets Fund - The Local Streets Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.

Village of Berrien Springs, Michigan

Notes to Financial Statements June 30, 2009

Note 1 - Summary of Significant Accounting Policies (Continued)

The Village reports the following major proprietary funds:

Waste Water Fund - The Waste Water Fund accounts for the activities of the sewage collection system.

Water Operating Fund - The Water Operating Fund accounts for the activities of the water distribution system.

Shamrock Park Fund - The Shamrock Park Fund accounts for the activities of the Shamrock Park camp ground.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Village has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water/waste water function and various other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Village's policy is to first apply restricted resources.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Waste Water Funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Village of Berrien Springs, Michigan

Notes to Financial Statements June 30, 2009

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 16, at which time penalties and interest are assessed.

The 2008 taxable valuation of the Village totaled approximately \$47.2 million, on which taxes levied consisted of 10.3930 mills for operating purposes and 3.4539 mills for street repair and maintenance. This resulted in approximately \$490,000 for operating and \$160,000 for street repair and maintenance. These amounts are recognized in the respective General and Special Revenue Funds financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments consist of certificates of deposits and are stated at fair value. Pooled investment income from the General Fund, Special Revenue Funds, and Enterprise Funds is generally allocated to each fund using a weighted average.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items - 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.

Restricted Assets - The revenue bonds of the Enterprise Funds require amounts to be set aside for debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Village of Berrien Springs, Michigan

Notes to Financial Statements June 30, 2009

Note 1 - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	7 to 25 years
Water and sewer distribution systems	6 to 40 years
Buildings and building improvements	10 to 40 years
Vehicles	5 to 15 years
Office furnishings, machinery, and equipment	5 to 10 years

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

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.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Village oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Village charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at July 1, 2008	\$ (62,748)
Current year building permit revenue	2,351
Related expenses - Direct costs	<u>(16,597)</u>
Shortfall at June 30, 2009	<u>\$ (76,994)</u>

Village of Berrien Springs, Michigan

Notes to Financial Statements June 30, 2009

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Village has designated five financial institutions for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in instruments allowed by Public Act 20. The Village's deposits and investment policies are in accordance with statutory authority.

The Village's cash and investments are subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had approximately \$4.8 million of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Village of Berrien Springs, Michigan

Notes to Financial Statements June 30, 2009

Note 4 - Capital Assets

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

	Balance July 1, 2008	Additions	Disposals and Adjustments	Balance June 30, 2009
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 288,641	\$ -	\$ 165,000	\$ 123,641
Construction in progress	-	13,854	-	13,854
Subtotal	288,641	13,854	-	137,495
Capital assets being depreciated:				
Roads and sidewalks	963,106	9,970	27,889	945,187
Buildings and improvements	695,500	-	260,784	434,716
Vehicles	262,384	-	34,190	228,194
Office furnishings and equipment	698,732	129,960	43,013	785,679
Subtotal	2,619,722	139,930	365,876	2,393,776
Accumulated depreciation:				
Roads and sidewalks	158,228	36,375	14,713	179,890
Buildings and improvements	297,510	12,484	114,303	195,691
Vehicles	163,755	15,552	34,090	145,217
Office furnishings and equipment	471,376	61,520	32,734	500,162
Subtotal	1,090,869	125,931	195,840	1,020,960
Net capital assets being depreciated	1,528,853	13,999	170,036	1,372,816
Net capital assets	\$ 1,817,494	\$ 27,853	\$ 170,036	\$ 1,510,311

Village of Berrien Springs, Michigan

Notes to Financial Statements June 30, 2009

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2008	Additions	Disposals and Adjustments	Balance June 30, 2009
Capital assets not being depreciated:				
Land	\$ 299,830	\$ -	\$ 165,000	\$ 464,830
Construction in progress	-	46,444	-	46,444
Subtotal	299,830	46,444	165,000	511,274
Capital assets being depreciated:				
Water and sewer distribution systems	14,871,085	302,328	-	15,173,413
Roads and streets	-	-	27,889	27,889
Buildings and building improvements	172,471	15,763	260,784	449,018
Vehicles	136,489	-	34,190	170,679
Machinery and equipment	301,672	6,067	21,513	329,252
Subtotal	15,481,717	324,158	344,376	16,150,251
Accumulated depreciation:				
Water and sewer distribution systems	1,364,167	364,508	-	1,728,675
Roads and streets	-	1,116	14,713	15,829
Buildings and building improvements	92,836	12,528	114,303	219,667
Vehicles	126,641	9,447	34,090	170,178
Machinery and equipment	193,398	20,688	11,234	225,320
Subtotal	1,777,042	408,287	174,340	2,359,669
Net capital assets being depreciated	13,704,675	(84,129)	170,036	13,790,582
Net capital assets	<u>\$ 14,004,505</u>	<u>\$ (37,685)</u>	<u>\$ 335,036</u>	<u>\$ 14,301,856</u>

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

Governmental activities:

General government	\$ 32,981
Public safety	13,118
Public works	53,376
Recreation and culture	26,456

Total governmental activities \$ 125,931

Business-type activities:

Water	\$ 80,468
Sewer	317,479
Shamrock Park	10,340

Total business-type activities \$ 408,287

Village of Berrien Springs, Michigan

Notes to Financial Statements June 30, 2009

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Waste Water Fund	\$ 2,500
Advances from/to Other Funds		
General Fund	Shamrock Park	9,383

The balance owing from the Waste Water Fund to the General Fund resulted from the General Fund making payments on reimbursable expenditures on behalf of the Waste Water Fund. The balance owing from the Shamrock Park Fund to the General Fund resulted from a loan made for capital improvements.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Major Streets Fund	\$ 60,987
General Fund	Local Streets Fund	86,467
General Fund	Shamrock Park	14,383
Major Streets Fund	Local Streets Fund	31,009
	Total	<u>\$ 192,846</u>

The transfers from the General Fund to the Major and Local Streets Funds represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations. The transfer from the General Fund to the Shamrock Park Fund relates to capital improvements paid for by the General Fund on behalf of the Shamrock Park Fund. A transfer from the Major Streets Fund to the Local Streets Fund was also made to cover operating expenses.

Note 6 - Long-term Debt

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. County contractual agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Village of Berrien Springs, Michigan

Notes to Financial Statements June 30, 2009

Note 6 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities -						
Accrued employee benefits	-	\$ 5,632	\$ 1,669	\$ -	\$ 7,301	
Business-type Activities						
General obligation bonds - Water and sewer general obligation bonds:						
Amount of issue - \$330,614	4.70% -					
Maturing through 2020	5.65%	\$ 234,505	\$ -	\$ 15,378	\$ 219,127	\$ 15,378
Revenue bonds - Sewer revenue bonds:						
Series A Bond						
Amount of issue - \$4,947,000						
Maturing through 2046	4.38%	5,683,000	-	58,000	5,625,000	60,000
Series B Bond						
Amount of issue - \$1,229,000						
Maturing through 2046	4.38%	1,217,000	-	12,000	1,205,000	13,000
Revenue bonds - Water revenue bonds:						
Amount of issue - \$415,000	4.70% -					
Maturing through 2016	5.50%	225,000	-	25,000	200,000	25,000
Total business-type activities		\$ 7,359,505	\$ -	\$ 110,378	\$ 7,249,127	\$ 113,378

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Business-type Activities		
	Principal	Interest	Total
2010	\$ 113,378	\$ 321,672	\$ 435,050
2011	116,378	316,344	432,722
2012	120,378	310,844	431,222
2013	132,222	305,165	437,387
2014	135,222	298,859	434,081
2015-2019	666,642	1,393,570	2,060,212
Thereafter	5,964,907	4,477,658	10,442,565
Total	\$ 7,249,127	\$ 7,424,112	\$ 14,673,239

Village of Berrien Springs, Michigan

Notes to Financial Statements June 30, 2009

Note 6 - Long-term Debt (Continued)

The Village has pledged substantially all revenue of the Water and Waste Water Fund, net of operating expenses, to repay the above water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the waste water treatment plant and system improvements. The bonds are payable solely from the net revenues of the water and sewer system. The remaining principal and interest to be paid on the bonds total \$14,375,213. During the current year, net revenues of the system were \$66,359, compared to the annual debt requirements of \$311,908.

Note 7 - Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village participates in the Michigan Municipal League risk pool for claims relating to all risks.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 8 - Pension Plan

The Village participates in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

The obligation to contribute to and maintain the system for police and fire employees was established by negotiation with the Village's competitive bargaining unit and required a contribution from the employees of .6 percent of gross wages. During the year, the obligation to contribute and maintain the system for police and fire employees was transferred to Oronoko Township as well as the police and fire employees' share of the plan assets. The obligation for general employees was adopted by the Village's council and does not require a Village contribution for these employees.

Village of Berrien Springs, Michigan

Notes to Financial Statements June 30, 2009

Note 8 - Pension Plan (Continued)

For the year ended June 30, 2009, the Village's annual pension cost of \$17,135 for the plan was equal to the Village's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2008, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0 percent to 8.40 percent per year, depending on age, attributable to seniority/merit, and (d) no increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll. The pension cost for the three most recent years is as follows:

	Fiscal Year Ended June 30		
	2007	2008	2009
Annual pension costs (APC)	\$ 29,738	\$ 37,642	\$ 17,135
Percentage of APC contributed	100	100	100
Net pension obligation	-	-	-

	Actuarial Valuation as of December 31		
	2006	2007	2008
Actuarial value of assets	\$ 2,408,797	\$ 2,594,696	\$ 1,493,650
Actuarial accrued liability (AAL)			
(entry age)	\$ 2,288,433	\$ 2,509,341	\$ 1,196,916
Overfunded AAL (UAAL)	\$ 120,364	\$ 85,355	\$ 296,734
Funded ratio	105.3%	103.4%	124.8%
Covered payroll	\$ 720,006	\$ 768,252	\$ 420,723
UAAL as a percentage of covered payroll	(16.7%)	(11.1%)	(70.1%)

Required Supplemental Information

Village of Berrien Springs, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 480,532	\$ 480,532	\$ 500,452	\$ 19,920
State sources	150,000	150,000	173,854	23,854
Licenses and permits	5,000	5,000	2,419	(2,581)
Charges for services	333,600	197,300	197,999	699
Fines and forfeitures	1,000	1,000	1,190	190
Interest and rentals	80,000	80,000	148,079	68,079
Other	57,600	57,600	86,367	28,767
Total revenue	1,107,732	971,432	1,110,360	138,928
Expenditures				
General government:				
Village Council	120,155	120,155	84,461	35,694
Village president	12,400	12,400	11,216	1,184
Village clerk	63,638	63,638	46,103	17,535
Elections	3,000	3,000	478	2,522
Village treasurer	11,690	11,690	11,275	415
Administration	90,220	90,220	62,562	27,658
Village hall and grounds	32,372	32,372	22,242	10,130
Public safety:				
Building inspection/zoning administration	14,979	14,979	16,597	(1,618)
Ordinance enforcement	19,345	19,345	12,737	6,608
Public works	28,266	42,266	38,554	3,712
Recreation and culture:				
Shamrock Park	138,198	-	-	-
Grove, Wolf's Prairie, and Memorial Parks	6,080	10,580	9,247	1,333
Other:				
Community services	216,400	217,971	171,883	46,088
Capital improvements	100,000	130,000	111,051	18,949
Transfers to other funds	118,000	128,883	161,837	(32,954)
Total expenditures	974,743	897,499	760,243	137,256
Excess of Revenue Over Expenditures	132,989	73,933	350,117	351,249
Fund Balance - Beginning of year	2,982,177	2,982,177	2,982,177	-
Fund Balance - End of year	<u>\$ 3,115,166</u>	<u>\$ 3,056,110</u>	<u>\$ 3,332,294</u>	<u>\$ 351,249</u>

Village of Berrien Springs, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State sources	\$ 103,677	\$ 103,677	\$ 91,224	\$ (12,453)
Interest income	21,192	21,192	9,179	(12,013)
Other	-	-	51	51
Transfer from other funds	<u>61,663</u>	<u>60,987</u>	<u>60,987</u>	<u>-</u>
Total revenue	186,532	185,856	161,441	(24,415)
Expenditures				
Routine street maintenance	69,293	69,293	56,489	12,804
Tree/Shrub maintenance	6,990	6,990	5,135	1,855
Traffic services	5,393	5,393	2,411	2,982
Winter maintenance	7,313	8,141	8,114	27
Administration	4,578	5,959	5,945	14
Drainage	1,758	1,758	1,731	27
Transfers to other funds	<u>-</u>	<u>-</u>	<u>31,009</u>	<u>(31,009)</u>
Total expenditures	<u>95,325</u>	<u>97,534</u>	<u>110,834</u>	<u>(13,300)</u>
Excess of Revenue Over Expenditures	91,207	88,322	50,607	(40,600)
Fund Balance - Beginning of year	<u>721,039</u>	<u>721,039</u>	<u>721,039</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 812,246</u>	<u>\$ 809,361</u>	<u>\$ 771,646</u>	<u>\$ (40,600)</u>

Village of Berrien Springs, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 160,679	\$ 160,679	\$ 157,068	\$ (3,611)
State sources	49,957	49,957	40,584	(9,373)
Interest income	13,394	13,394	2,939	(10,455)
Other	-	-	76	76
Transfer from other funds	87,481	87,481	117,476	29,995
Total revenue	311,511	311,511	318,143	6,632
Expenditures				
Routine street maintenance	99,875	127,422	126,932	490
Tree/Shrub maintenance	7,695	7,695	7,380	315
Traffic services	6,700	6,700	2,391	4,309
Winter maintenance	8,446	11,346	11,006	340
Administration	7,208	8,691	8,691	-
Drainage	2,361	2,361	2,273	88
Total expenditures	132,285	164,215	158,673	5,542
Excess of Revenue Over Expenditures	179,226	147,296	159,470	1,090
Fund Balance - Beginning of year	510,771	510,771	510,771	-
Fund Balance - End of year	<u>\$ 689,997</u>	<u>\$ 658,067</u>	<u>\$ 670,241</u>	<u>\$ 1,090</u>

Village of Berrien Springs, Michigan

Note to Required Supplemental Information June 30, 2008

Note - Budgetary Information

Annual budgets are prepared by the finance committee on a basis consistent with generally accepted accounting principles, except that the Village budgets operating transfers as revenues/expenditures instead of "other financing sources/uses." Budgets are adopted for the General Fund and all Special Revenue Funds by the Village Council. Subsequent amendments are approved by the Village Council.

The budget documents present information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Village had significant expenditure budget variances for the year ended June 30, 2009 as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund - Transfers to other funds	\$ 128,883	\$ 161,837
Major Streets Fund - Transfers to other funds	-	31,009

Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Village Council
Village of Berrien Springs

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Berrien Springs as of and for the year ended June 30, 2009, which collectively comprise the Village of Berrien Springs' basic financial statements, and have issued our report thereon dated October 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Berrien Springs' internal control over financial reporting 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 Village of Berrien Springs' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Berrien Springs' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls.

To the Village Council
Village of Berrien Springs

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the deficiency described in the accompanying SAS 112 letter related to audit adjustments constitutes a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Village of Berrien Springs in a separate letter dated October 5, 2009.

This report is intended solely for the information and use of management, the Village Council, others within the entity, the State of Michigan, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 5, 2009

Village of Berrien Springs, Michigan

Report to the Village Council

June 30, 2009



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To the Village Council
Village of Berrien Springs, Michigan

We have recently completed our audit of the basic financial statements of the Village of Berrien Springs (the "Village") for the year ended June 30, 2009. In addition to our audit report, we are providing the following report of internal controls, results of the audit, other recommendations, and informational comments which impact the Village:

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Report of Internal Controls	1-2
Results of the Audit	3-5
Other Recommendations	6-7
Informational	8-10

We are grateful for the opportunity to be of service to the Village of Berrien Springs. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

October 5, 2009

Report on Internal Control

October 5, 2009

To the Village Council
Village of Berrien Springs, Michigan

Dear Council Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Village's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Village of Berrien Springs as of and for the year ended June 30, 2009 in accordance with auditing standards generally accepted in the United States of America, we considered the Village'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 Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

Audit Adjustments

Adjustments were identified by Plante & Moran, PLLC during the audit and recorded as adjusting entries. These adjustments were made to the capital assets and long-term debt of the Water Fund, Sewer Fund, and Shamrock Park Fund, the accrued liabilities of the General Fund, as well as the fund balance and net assets of the Village's funds. While the transactions involving capital asset additions and bond payments were recorded in the general ledger, they were recorded as expenditures rather than an increase to the Village's assets and a decrease to the Village's liabilities. In the General Fund, an accrual was inaccurately recorded on the general ledger during a payroll system update related to the Village's new health insurance plan. The fund balance and net assets of the Village's funds were misstated due to an inadvertent reversal of prior year audit adjustments related to accounts payable.

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

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Kenley Penner". The signature is written in a cursive, flowing style.

Kenley G. Penner, CPA
Partner

Results of the Audit

October 5, 2009

To the Village Council
Village of Berrien Springs, Michigan

We have audited the financial statements of the Village of Berrien Springs for the year ended June 30, 2009 and have issued our report thereon dated October 5, 2009. 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 28, 2009, our responsibility, as described by professional standards, is to express an opinion 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. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Village of Berrien Springs. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the Village of Berrien Springs' financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Village of Berrien Springs' compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated October 5, 2009 regarding our consideration of the Village of Berrien Springs' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. We are also obligated to communicate certain matters related to our audit to those responsible for the governance of the Village of Berrien Springs, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on August 5, 2009

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 Berrien Springs are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009.

We noted no transactions entered into by the Village 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. There are no sensitive estimates affecting the financial statements.

Difficulties Encountered in Performing the Audit

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

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. Material misstatements detected as a result of audit procedures were corrected by management, including recording capital asset additions for the Water, Sewer, and Shamrock Park Funds and the reclassification of bond payments for the Water and Sewer Funds.

Disagreements with Management

For the purpose 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 October 5, 2009.

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 Village's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the Village, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Village, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Village's auditors.

This information is intended solely for the use of the Village Council and management of the Village of Berrien Springs and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



Kenley G. Penner, CPA
Partner

Other Recommendations

Village of Berrien Springs, Michigan

Other Recommendations

We identified the following items that may be of value to the Village:

- As members of the governing body and management of the Village of Berrien Springs, you are well aware of the fiscal challenges facing local governments throughout the state of Michigan. The fiscal challenges range from avoiding a budget shortfall, to the uncertainty surrounding state-shared revenues, to concerns surrounding increased taxes and reduced services. Unfortunately, the challenges do not end there; the demand for services continues to rise, creating a strain on local governments to do more with fewer resources as revenues are not projected to increase in the foreseeable future. In light of the challenges facing local governments, an opportunity has been created to evaluate and prioritize local government services and projects, identify cost reduction opportunities, and implement a fiscal sustainability planning process.

We recommend that over the course of the next year, the Village Council and management work together to evaluate the fiscal sustainability of the Village. To be effective, the evaluation process should include the following:

- An assessment of the Village's current financial condition
- Identification of anticipated capital outlay expenditures over the next five years
- Evaluation of the importance, cost, and value added for each department
- Development of a five-year financial forecast which includes evaluating potential additional revenue and cost-saving opportunities

We have tools available to assist throughout the evaluation and planning process and are happy to offer suggestions along the way.

Informational

Revenue Sharing

As you are aware, the legislature has been working to pass the State's budget for fiscal year 2009-2010. The budget deadline (September 30) came and went and there was not a final agreement on the budget. As a result, a continuation budget was passed to get the State through the next 30 days. There is discussion that the legislature may look for additional revenues to restore some of the cuts that had been passed by both the Senate and the House (but not signed into law by the governor), including significant cuts to revenue sharing for local governments.

It appears that the total revenue-sharing payments (constitutional and statutory) will be reduced by an overall factor of 11.06 percent if the budgets that came out of conference are ultimately enacted. The constitutional portion is expected to decrease based on the May 2009 revenue-estimating conference from \$649 million to \$621 million (about 4 percent). The statutory portion is expected to be cut from \$388 million to \$314 million (about 19 percent).

Communities that no longer receive the statutory portion will see a decline of about 4 percent. Those that still have statutory revenue sharing will see a much larger decline. The 11.06 percent that is being reported is the total amount of the cut, but the specific cuts will vary widely by community. We encourage you to continue to budget very conservatively when it comes to revenue sharing because a long-term solution to the State's structural deficit has not yet been identified.

Property Tax Developments

Many communities in Michigan are continuing to face the challenges inherent in the real estate market decline given the effects of Proposal A. Some communities are seeing a decline in overall taxable value this year - many will see similar or greater declines in future years. The impact on each community and over what period of time will vary. The one constant, however, is that there will be an impact that each community will need to consider come budget time.

Many of the bills related to property taxes pending at the end of the 2008 Michigan legislative session have subsequently died with the changeover in the legislature after the November 2008 election. However, a few of those bills have been reintroduced. One series of bills that is worthy of specific mention is the re-introduction of the concept of the "super-cap" legislation from last year.

Village of Berrien Springs, Michigan

Informational (Continued)

Many property owners continue to struggle with the concept that their individual taxable values actually increased during a time that overall property values - and even their individual property values - have fallen. As we all have been reminded, that is a constitutional requirement that changed with Proposal A in 1994. It may be helpful to remember the principle behind proposal A - its purpose was to disconnect taxable values from market value increases, and instead limit the growth in taxable values to the lesser of 5 percent or inflation, until that point that the property transfers ownership. Now that the market values are declining in many areas, Proposal A continues to stay disconnected, and allows the taxable value to increase by the lesser of 5 percent or inflation (up until the point that it reconnects with market values).

Because many property owners feel it is unfair to see their taxable value increase in a declining market, a third variable, called "change in market value," was proposed last year to be added to the Proposal A formula.

Under the legislation introduced last year, the Proposal A formula to determine annual increases in taxable value (if property is not sold or transferred) would have been changed to the lesser of three components: inflation, change in market value, or 5 percent. Therefore, if the market value of the parcel was either flat or declining - even if the taxable value of the particular parcel was less than state equalized value - there would be no annual increase. This measure passed the House in 2008 but did not advance further.

In January 2009, several versions of this legislation were introduced which reinstate a similar constitutional amendment. Such a change would ultimately need to be approved by the voters before it can be enacted.

Recent Revisions to State Transportation Funding Program

Current legislation modified Act 51 to allow local governments to transfer monies from their Major Streets Fund (MSF) to their Local Streets Fund (LSF) at a level of 50 percent of annual major street funding received. In addition, greater than 50 percent can be transferred. However, the amended law requires that certain conditions be met to allow for a transfer in excess of 50 percent, including the adoption of an asset management process for the major and local street systems as well as a detailed resolution passed by the Village. It is important to note that major street monies transferred for use on local streets cannot be used for construction but may be used for preservation. Current legislation also includes a pilot program that would allow for the combination of the Major Streets Fund and the Local Streets Fund if certain conditions are met.

In the current instructions to the Act 51 reports, MDOT has stipulated that these transfers from the MSF to the LSF will not be allowed after December 31, 2008, except to the extent matched by local revenues expended by the city or village of the major street system. We have received oral confirmation from MDOT that, since the actual legislation (MCL Section 247.663(12) of PA 51 of 1951, as amended) does not stipulate the expiration of these transfers, MDOT will not be enforcing this provision as it reads in the current Act 51 instructions.