

VILLAGE OF HESPERIA  
AUDITED FINANCIAL STATEMENTS  
MARCH 31, 2009

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Village of Hesperia

List of Principal Individuals

Roger Kraus	President
Stacy Carlson	Treasurer
Linda Stenberg	Clerk
Scott Kroepel	Trustee
Mari Ann McGahan	Trustee
Arthur Raymond	Trustee
Toni Rumsey	Trustee
William Semans	Trustee
Richard Williams	Trustee

Village of Hesperia  
Management's Discussion and Analysis  
March 31, 2009

**Using this Management's Discussion and Analysis**

This annual report is intended to supplement the Village's financial statements for fiscal year ending March 31, 2009. 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. Fund financial statements (i.e. the Statement of Governmental Fund Revenue, Expenditures and Changes in Fund Balance and the Governmental Fund Balance Sheet) tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

**The Village as a Whole**

The Village's total net assets are \$3,085,038 as of March 31, 2009. Unrestricted net assets, which represents net assets that can be used to finance day to day operations, comprise 7.9% of that total. The current level of unrestricted net assets for our governmental activities stands at \$100,361 or about 18% of current year operating expenditures.

Government-Wide Financial Analysis:

The first table presented is a summary of the government-wide statement of net assets for the Village. The net assets may be used as an indicator of a government's financial health. As of March 31, 2009, the Village's net assets from governmental activities totaled \$1,078,864 (35%) and \$2,006,174 (65%) from business-type activities, creating a total government-wide net asset total of \$3,085,038.

In examining the composition of these net assets, the reader should note that governmental activities net assets are primarily invested in capital assets (i.e., bridges, buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the residents and they are not available to pay salaries, operational expenses, or fund capital projects.

Table 1  
Village of Hesperia Net Assets

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Assets</u>						
Current and						
other assets	\$ 149,603	\$ 144,272	\$ 150,954	\$ 66,030	\$ 300,557	\$ 210,302

Village of Hesperia  
Management's Discussion and Analysis  
March 31, 2009

Table 1  
Village of Hesperia Net Assets

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Assets-Continued</u>						
Capital assets, net of accumulated depreciation	1,075,457	1,109,352	2,478,983	2,585,854	3,554,440	3,695,206
<b>Total</b>	1,225,060	1,253,624	2,629,937	2,651,884	3,854,997	3,905,508
<u>Liabilities</u>						
Current	63,839	46,212	85,184	82,956	149,023	129,168
Noncurrent	82,357	96,954	538,579	623,346	620,936	720,300
<b>Total</b>	146,196	143,166	623,763	706,302	769,959	849,468
<u>Net Assets</u>						
Capital Assets, Net of Debt	978,503	998,273	1,863,959	1,895,550	2,842,462	2,893,823
Unrestricted	100,361	112,185	142,215	50,032	242,576	162,217
<b>Total net assets</b>	<u>\$1,078,864</u>	<u>\$ 1,110,458</u>	<u>\$2,006,174</u>	<u>\$1,945,582</u>	<u>\$3,085,038</u>	<u>\$3,056,040</u>

Cash remains tight in all of the funds as shown below.

	<u>2009</u>	<u>2008</u>
General Fund	\$102,465	\$ 45,454
Major Street Fund - restricted	2,522	1,339
Local Street Fund - restricted	767	21,556
Sewer Fund	72,558	40,596
Water Fund	<u>38,532</u>	<u>18,831</u>
	<u>\$216,844</u>	<u>\$127,776</u>

The total of the Village's cash increased by \$89,068 for the year ended March 31, 2009.

**Governmental Activities**

Governmental activities decreased the Village's net assets by \$31,594. Table 2 depicts this occurrence which will be discussed in more detail later in this analysis.

Village of Hesperia  
Management's Discussion and Analysis  
March 31, 2009

**Governmental Activities-Continued**

The Village's total revenues in the General Fund increased by \$55,795, or approximately 11.5% from the preceding year after factoring out the state grant of \$835,390 received in the prior year. Expenses increased approximately 22% on an overall basis. This increase was mostly attributable to increased expenditures in public safety and public works.

**Business-Type Activities**

The Village's business-type activities consist of the Sewer and Water Funds. Operating revenues for business-type activities were \$318,962. We provide sewage treatment to approximately 95% of village residents through the Newaygo County wastewater treatment plant. We provide water to approximately 90% of village residents, which comes from the Village of Hesperia water system. The rate increases for the water and sewer system were implemented in April, 2009. We hope that this action will ensure the Villages continuing capability to provide these services.

Table 2  
Village of Hesperia Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Revenues</u>						
<u>Program</u>						
Charges for Services	32,937	4,482	318,962	322,656	351,899	327,138
<u>General</u>						
Property taxes	256,065	255,198	-	-	256,065	255,198
State revenue sharing	182,223	189,326	-	-	182,223	189,326
State grants	-	835,390	-	-	-	835,390
Rentals	30,288	8,381	-	-	30,288	8,381
Miscellaneous	<u>38,792</u>	<u>27,123</u>	<u>31,580</u>	<u>17,555</u>	<u>70,372</u>	<u>44,678</u>
<b>Total</b>	540,305	1,319,900	350,542	340,211	890,847	1,660,111

Village of Hesperia  
Management's Discussion and Analysis  
March 31, 2009

Table 2-Continued  
Village of Hesperia Changes in Net Assets

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Expenses</u>						
General government	148,783	137,632	-	-	148,783	137,632
Public safety	182,021	153,304	-	-	182,021	153,304
Public works	202,508	153,436	-	-	202,508	153,436
Recreation and culture	38,587	22,898	-	-	38,587	22,898
Sewer fund	-	-	197,926	214,942	197,926	214,942
Water fund	-	-	<u>92,024</u>	<u>100,759</u>	<u>92,024</u>	<u>100,759</u>
<b>Total</b>	<u>571,899</u>	<u>467,270</u>	<u>289,950</u>	<u>315,701</u>	<u>861,849</u>	<u>782,971</u>
Increase (Decrease) in Net Assets	(31,594)	852,630	60,592	24,510	28,998	877,140
Net Assets at March 1	<u>1,110,458</u>	<u>257,828</u>	<u>1,945,582</u>	<u>1,921,072</u>	<u>3,056,040</u>	<u>2,178,900</u>
<b>Net Assets at March 31</b>	<u>\$1,078,864</u>	<u>\$1,110,458</u>	<u>\$2,006,174</u>	<u>\$1,945,582</u>	<u>\$3,085,038</u>	<u>\$3,056,040</u>

**The Village's Funds**

An analysis of the Village's major funds begins on page 5, following the entity 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. The Village's major funds for 2009 include the General Fund, Major Streets, Local Streets, and Sewer and Water Funds.

The General Fund pays the Village's general operating expenditures.

**General Fund Budgetary Highlights**

Over the course of the year, the Village Council did not make any budget amendments in the Governmental Funds to take into account events during the year.

Village expenditures overall were under budget, resulting in total expenditures of \$6,558 over budget. The General Fund's fund balance increased from \$75,470 a year ago to \$84,927 at March 31, 2009. Revenues were higher than projections.

Village of Hesperia  
Management's Discussion and Analysis  
March 31, 2009

**Capital Asset and Debt Administration**

At March 31, 2009 the Village had \$6,465,512 (net of accumulated depreciation of \$2,911,073) invested in a broad range of capital assets including land, land improvements, buildings, machinery and equipment and water and sewer systems. Our Water Tower note payable is in the form of an installment note with Shelby State Bank and is being paid off over a five year period. We continue to make payments on two revenue bonds - one each in water and sewer, an intercounty drain note and one installment note for our new police cruiser. All of the payments were paid on time and in full.

**Economic Factors and Next Year's Budgets and Rates**

The Village's budget for the next fiscal year projects property taxes to be approximately the same from the current year. State revenue sharing allocations are a budgetary concern at this time. As you may know, the Michigan Legislature has eliminated the Single Business Tax and replaced it with a new Michigan Business Tax. It is uncertain at this time if the Michigan Business Tax will bring in less or more money than the old Single Business Tax. The State of Michigan has experienced significant budgeting problems and as they look for solutions, state grants may decrease. The amount of revenue sharing is uncertain and is expected to be slightly less than last year's amount. Salaries are normally the largest total expenditure of all funds. We expect wage expense to decrease slightly.

We are making improvements to Webster Park with a grant from the Fremont Area Community Foundation in the amount of \$179,950.

**Contacting the Village's Management**

This financial report is intended to provide our citizens, taxpayers, customers and other interested parties 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 us at (231) 854-6205.

**CALVIN D. MEEUSEN, C. P. A., PLLC**

CALVIN D. MEEUSEN  
CERTIFIED PUBLIC ACCOUNTANT

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT**

To the Village Council  
Village of Hesperia, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Hesperia, Michigan (the Village) as of and for the year ended March 31, 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's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my 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, as of March 31, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I 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, I did not audit the information and express no opinion on it.

The accompanying required supplemental information, as identified in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board. My audit was conducted

for the purpose of forming opinions on the financial statements that collectively comprise the Village of Hesperia basic financial statements. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, I have also issued my report dated June 25, 2009, on my consideration of the Village of Hesperia, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Calvin D. Meeusen C.P.A., PLLC  
Grand Haven, Michigan  
June 25, 2009

Village of Hesperia

STATEMENT OF NET ASSETS

March 31, 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 105,754	111,090	216,844
Receivables			
Taxes	17,636	-	17,636
Accounts	-	39,864	39,864
Due from state	26,213	-	26,213
Internal balances (net)	-	-	-
Capital assets, net	<u>1,075,457</u>	<u>2,478,983</u>	<u>3,554,440</u>
Total assets	<u>1,225,060</u>	<u>2,629,937</u>	<u>3,854,997</u>
<b>LIABILITIES</b>			
Accounts payable	42,895	5,926	48,821
Accrued interest	-	2,813	2,813
Accrued liabilities	6,347	-	6,347
Non-current liabilities			
Bonds due within one year	14,597	76,445	91,042
Bonds due in more than one year	<u>82,357</u>	<u>538,579</u>	<u>620,936</u>
Total liabilities	<u>146,196</u>	<u>623,763</u>	<u>769,959</u>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	978,503	1,863,959	2,842,462
Unreserved	<u>100,361</u>	<u>142,215</u>	<u>242,576</u>
Total Net Assets	<u>1,078,864</u>	<u>2,006,174</u>	<u>3,085,038</u>

The accompanying notes are an integral part of this statement.

Village of Hesperia

STATEMENT OF ACTIVITIES

Year ended March 31, 2009

	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for services</u>	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Primary Government					
Governmental activities					
General government	148,783	661	(148,122)	-	(148,122)
Public safety	182,021	28,541	(153,480)	-	(153,480)
Public works	202,508	3,735	(198,773)	-	(198,773)
Recreation and culture	<u>38,587</u>	<u>-</u>	<u>(38,587)</u>	<u>-</u>	<u>(38,587)</u>
Total governmental activities	571,899	32,937	(538,962)	-	(538,962)
Business-type activities					
Sewer	197,926	173,043	-	(24,883)	(24,883)
Water	<u>92,024</u>	<u>145,919</u>	<u>-</u>	<u>53,895</u>	<u>53,895</u>
Total business-type activities	<u>289,950</u>	<u>318,962</u>	<u>-</u>	<u>29,012</u>	<u>29,012</u>
Total primary government	<u>861,849</u>	<u>351,899</u>	<u>(538,962)</u>	<u>29,012</u>	<u>(509,950)</u>
General revenues					
Property taxes			256,065	-	256,065
State revenue sharing			182,223	-	182,223
Investment earnings			1,047	1,045	2,092
Rentals			30,288	-	30,288
Miscellaneous			<u>37,745</u>	<u>30,535</u>	<u>68,280</u>
Total general revenue and special items			<u>507,368</u>	<u>31,580</u>	<u>538,948</u>
Change in net assets			(31,594)	60,592	28,998
Net assets at April 1, 2008			<u>1,110,458</u>	<u>1,945,582</u>	<u>3,056,040</u>
Net assets at March 31, 2009			<u>1,078,864</u>	<u>2,006,174</u>	<u>3,085,038</u>

The accompanying notes are an integral part of this statement.

Village of Hesperia

BALANCE SHEET  
GOVERNMENTAL FUNDS

March 31, 2009

	<u>General Fund</u>	<u>Major Streets</u>
<b>ASSETS</b>		
Cash	\$102,465	\$ 2,522
Taxes Receivable	17,636	-
Due from state	<u>11,446</u>	<u>10,302</u>
Total Assets	<u>\$131,547</u>	<u>\$ 12,824</u>
 <b>LIABILITIES AND FUND EQUITY</b>		
Liabilities:		
Accounts payable	\$ 40,641	\$ 1,087
Accrued liabilities	<u>5,979</u>	<u>235</u>
Total Liabilities	<u>46,620</u>	<u>1,322</u>
Fund equity:		
Fund balance		
Undesignated	<u>84,927</u>	<u>11,502</u>
Total Liabilities and Fund Equity	<u>\$131,547</u>	<u>\$ 12,824</u>

The accompanying notes are an integral part of this statement.

<u>Local Streets</u>	<u>Total Governmental Funds</u>
\$ 767	\$ 105,754
-	17,636
<u>4,465</u>	<u>26,213</u>
<u>\$ 5,232</u>	<u>\$ 149,603</u>
\$ 1,167	\$ 42,895
<u>133</u>	<u>6,347</u>
<u>1,300</u>	<u>49,242</u>
<u>3,932</u>	<u>100,361</u>
<u>\$ 5,232</u>	<u>\$ 149,603</u>

Village of Hesperia

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

March 31, 2009

Total fund balance-governmental funds \$ 100,361

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 governmental funds.

Cost of capital assets	\$ 1,491,097	
Accumulated depreciation	<u>(415,640)</u>	1,075,457

Long term liabilities, including bonds and notes payable, are not  
due and payable in the current period and therefore, are not reported  
in the funds. (96,954)

Net assets of governmental activities in the Statement of Net Assets	<u>\$1,078,864</u>
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The accompanying notes are an integral part of this statement.

Village of Hesperia

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year ended March 31, 2009

	General <u>Fund</u>	Major <u>Streets</u>	Local <u>Streets</u>
Revenues:			
Taxes	\$256,065	\$ -	\$ -
State revenue sharing	99,445	57,756	25,022
Interest and rentals	30,810	300	225
Other revenue	<u>70,682</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	457,002	58,056	25,247
Expenditures			
Current:			
Legislative	44,267	-	-
General government	96,167	-	-
Public safety	176,591	-	-
Public works	81,676	57,212	47,372
Recreation and parks	<u>42,764</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>441,465</u>	<u>57,212</u>	<u>47,372</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	15,537	844	(22,125)
Other financing sources (uses)			
Operating transfers in (out)	<u>(6,080)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,080)</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	9,457	844	(22,125)
Fund balance - April 1, 2008	<u>75,470</u>	<u>10,658</u>	<u>26,057</u>
Fund balance - March 31, 2009	<u>\$ 84,927</u>	<u>\$ 11,502</u>	<u>\$ 3,932</u>

The accompanying notes are an integral part of this statement.

Total  
Governmental  
Funds

\$ 256,065  
182,223  
31,335  
70,682

540,305

44,267  
96,167  
176,591  
186,260  
42,764

546,049

(5,744)

(6,080)

(6,080)

(11,824)

112,185

\$ 100,361

Village of Hesperia

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

Year ended March 31, 2009

Net change in fund balances-total governmental funds: \$ (11,824)

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

Governmental funds report outlays for capital assets as expenditures  
in the Statement of Activities; these costs are depreciated over their  
estimated useful lives.

Depreciation expense	\$ (52,579)	
Capital outlay	<u>18,684</u>	(33,895)

Repayment of principal on long term debt is an expenditure in the governmental funds but the payment reduces long term liabilities in the Statement of Net Assets	<u>14,125</u>
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Change in net assets of governmental activities	<u>\$ (31,594)</u>
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The accompanying notes are an integral part of this statement.

Village of Hesperia

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

March 31, 2009

ASSETS	<u>Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>Current Assets</b>			
Cash	\$ 72,558	\$ 38,532	\$ 111,090
Accounts receivable	21,103	18,761	39,864
Due from other funds	<u>36,000</u>	<u>-</u>	<u>36,000</u>
Total current assets	129,661	57,293	186,954
<b>Non Current Assets</b>			
Property, plant and equipment	4,334,854	639,561	4,974,415
Less accumulated depreciation	<u>(2,197,849)</u>	<u>(297,583)</u>	<u>(2,495,432)</u>
Capital assets, net	<u>2,137,005</u>	<u>341,978</u>	<u>2,478,983</u>
Total Assets	2,266,666	399,271	2,665,937
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable and other liabilities	1,878	4,048	5,926
Due to other funds	-	36,000	36,000
Accrued interest	2,813	-	2,813
Revenue bonds payable, due within one year	<u>45,000</u>	<u>31,445</u>	<u>76,445</u>
Total current liabilities	49,691	71,493	121,184
<b>Non Current Liabilities</b>			
Revenue bonds payable, less amounts due in one year	514,180	24,399	538,579
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,577,825	286,134	1,863,959
Unreserved	<u>124,970</u>	<u>17,245</u>	<u>142,215</u>
Total net assets	<u>\$1,702,795</u>	<u>\$ 303,379</u>	<u>\$2,006,174</u>

The accompanying notes are an integral part of this statement.

Village of Hesperia

STATEMENT OF REVENUES AND EXPENSES  
AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year ended March 31, 2009

Enterprise Funds

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating revenues			
Sales	\$ <u>173,043</u>	\$ <u>145,919</u>	\$ <u>318,962</u>
Operating Expenses			
Salaries and Wages	12,994	18,651	31,645
Benefits	5,991	6,196	12,187
Supplies	1,585	1,623	3,208
Equipment Rental	2,868	6,576	9,444
Professional Services	14,778	11,796	26,574
Insurance	20,272	16,521	36,793
Utilities	10,797	10,513	21,310
Repairs and Maintenance	10,472	4,065	14,537
Education and Training	-	250	250
Depreciation	93,883	12,989	106,872
Miscellaneous	<u>343</u>	<u>-</u>	<u>343</u>
Total Operating Expenses	<u>173,983</u>	<u>89,180</u>	<u>263,163</u>
Operating Income (Loss)	(940)	56,739	55,799
Non operating Income (Expenses)			
Interest Income	523	522	1,045
Other Income	10,243	8,212	18,455
Interest Expense	(17,943)	(2,844)	(20,787)
Operating transfers in (out)	<u>(6,000)</u>	<u>12,080</u>	<u>6,080</u>
	<u>(13,177)</u>	<u>17,970</u>	<u>4,793</u>
Net Income (Loss)	(14,117)	74,709	60,592
Retained Earnings - April 1, 2008	<u>1,716,912</u>	<u>228,670</u>	<u>1,945,582</u>
Retained Earnings - March 31, 2009	<u>\$1,702,795</u>	<u>\$303,379</u>	<u>\$2,006,174</u>

The accompanying notes are an integral part of this statement.

Village of Hesperia

STATEMENT OF CASH FLOWS

Proprietary Funds

Year ended March 31, 2009

	<u>Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Cash Flows From Operating Activities			
Receipts from customers	\$ 174,281	\$ 145,425	\$ 319,706
Payments to suppliers	(71,081)	(57,506)	(128,587)
Payments to employees	<u>(12,747)</u>	<u>(18,473)</u>	<u>(31,220)</u>
Net cash provided by operating activities	90,453	69,446	159,899
Cash Flows From Noncapital Financing Activities			
Operating subsidies and transfers to other funds	(6,000)	12,080	6,080
Cash Flows From Capital and Related Financing Activities			
Principal and interest paid on capital debt	(63,257)	(33,124)	(96,381)
Other receipts	10,766	5,304	16,070
Payments to other funds	<u>-</u>	<u>(34,005)</u>	<u>(34,005)</u>
Net cash used by capital and related financing activities	<u>(52,491)</u>	<u>(61,825)</u>	<u>(114,316)</u>
Net increase (decrease) in cash	31,962	19,701	51,663
Cash at April 1, 2008	<u>40,596</u>	<u>18,831</u>	<u>59,427</u>
Cash at March 31, 2009	<u><u>72,558</u></u>	<u><u>38,532</u></u>	<u><u>111,090</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	(940)	56,739	55,799
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation expense	93,883	12,989	106,872
Change in Assets and Liabilities:			
Receivables-net	1,238	(494)	744
Accounts payable	<u>(3,728)</u>	<u>212</u>	<u>(3,516)</u>
Net Cash Provided by Operating Activities	<u>\$ 90,453</u>	<u>\$ 69,446</u>	<u>\$ 159,899</u>

The accompanying notes are an integral part of this statement.

Village of Hesperia

NOTES TO THE FINANCIAL STATEMENTS  
March 31, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

The Village of Hesperia is a home rule village which operates under an elected village council form of government and provides services to its residents in many areas including public safety, highways and streets, sanitation, parks, recreation and general administrative services.

2. 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 activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and user charges.

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

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.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Village of Hesperia

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED  
March 31, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation-Continued

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state revenue sharing and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

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.

The Major Streets Special Revenue Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

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

The Village reports the following major proprietary funds:

Enterprise Funds

The Sewer Fund accounts for the activities of the sewage collection system. The main source of revenue for the Sewer Fund comes from user charges.

Village of Hesperia

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED  
March 31, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation-Continued

Enterprise Funds-Continued

The Water Fund accounts for the activities of the water distribution system. The main source of revenue for the Water Fund also comes from user charges.

Private-sector standards of accounting and financial reporting 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. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

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

Amounts reported as program revenues 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, if any. Internally dedicated resources are reported as general revenue rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for the proprietary fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Village of Hesperia

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

March 31, 2009

NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Assets, Liabilities, and Net Assets or Equity

a. Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, money market demand deposits and certificates of deposit. The Village has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Village to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds. The Village has adopted an investment policy that is more restrictive than the above. See Note C2.

The Village considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

b. Receivables and Payables

All 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."

Property taxes attach as an enforceable lien on property and are levied on December 31 and are payable through September 15. The Village bills and collects its own property taxes and does not collect taxes for any other unit of government. Uncollectable real property taxes as of the following March 1 are turned over by the Village to the County's for collection. The County's advances the Village all these delinquent property taxes. The Village recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period (60 days). The 2008 state taxable value for real and personal property of the Village totalled approximately \$17,673,902.

Collections of these taxes are accounted for in the General Fund and the Village Streets Fund. Village property tax revenues are recognized in the period for which they are levied. The Village is permitted by law to levy taxes up to 14.4303 mills per \$1,000 of assessed valuation for general governmental services. The tax rate to finance general government services for the year ended March 31, 2009 was 14.4303 mills.

Village of Hesperia

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED  
March 31, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Assets, Liabilities, and Net Assets or Equity-Continued

c. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of four years. 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.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements, if any, are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15-50
Infrastructure	20-40
Land improvements	10-20
Equipment	5-10

d. Compensated Absences

Village employees are granted vacation and sick leave in varying amounts based on length of service. Generally, employees must use earned vacation time in the current year and any unused benefits are forfeited. Sick leave is accumulated at the rate of one-half day per month, up to a maximum of 45 days, subject to certain conditions. It is the Village's policy to recognize the cost of sick leave at the time payments are made.

Village of Hesperia

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED  
March 31, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Assets, Liabilities, and Net Assets or Equity-Continued

e. Long-Term Obligations

In the government-wide financial statements and 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 or proprietary fund type statement of net assets.

f. Fund Equity

In the fund financial statements, governmental funds report restrictions 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, if any, represent tentative management plans that are subject to change.

g. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

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

- a. The Village President submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through passage of a resolution.
- d. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles.

Village of Hesperia

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

March 31, 2009

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY-CONTINUED

- e. Appropriations for the General Fund lapse at the end of the fiscal year.

Budgeted amounts are as originally adopted, or as amended by the Village Council as of March 31, 2009.

2. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Village carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonable estimated. There has not been any uncovered or unreimbursed claims in any of the past three years.

NOTE C - DEPOSITS

1. Deposits

All deposits are in a single financial institution and are carried at cost; the deposits are composed of a checking account, a money market savings account, and a certificate of deposit.

As of March 31, 2009, the Village's carrying amount of deposits was \$216,844, and the bank balance was \$219,936. All of the bank balance was covered by federal depository insurance.

2. Investment Policy

Michigan Compiled Laws, Section 129.91, authorizes the local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The 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' acceptance of United States banks; prime commercial paper; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Village in accordance with Public Act 20 of 1943 (as amended) authorizes investments in demand depository accounts, certificates of deposit and savings accounts.

Village of Hesperia

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

March 31, 2009

NOTE C - DEPOSITS-CONTINUED

3. Summary

At year-end, the Village's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ <u>105,754</u>	\$ <u>111,090</u>	\$ <u>216,844</u>

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2009 was as follows:

<u>Governmental Activities</u>	<u>Balance April 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2009</u>
Capital assets, not being depreciated:				
Land	\$ <u>8,300</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>8,300</u>
Total capital assets, not being depreciated	<u>8,300</u>	<u>-</u>	<u>-</u>	<u>8,300</u>
Capital assets, being depreciated:				
Buildings	172,769	-	-	172,769
Land improvements	1,016,073	-	-	1,016,073
Machinery & Equipment	<u>275,271</u>	<u>18,684</u>	<u>-</u>	<u>293,955</u>
Total capital assets, being depreciated	1,464,113	18,684	-	1,482,797
Less accumulated depreciation for:				
Buildings	83,625	4,608	-	88,233
Land improvements	57,110	25,990	-	83,100
Machinery & Equipment	<u>222,326</u>	<u>21,981</u>	<u>-</u>	<u>244,307</u>
Total accumulated depreciation	<u>363,061</u>	<u>52,579</u>	<u>-</u>	<u>415,640</u>
Total capital assets, being depreciated, net	<u>1,101,052</u>	<u>(33,895)</u>	<u>-</u>	<u>1,067,157</u>
Capital Assets, net	<u>1,109,352</u>	<u>(33,895)</u>	<u>-</u>	<u>1,075,457</u>

Village of Hesperia

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2009

NOTE D-CAPITAL ASSETS - CONTINUED

<u>Business-Type Activities:</u>	<u>Balance</u> <u>April 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>March 31, 2009</u>
Capital Assets Not Being Depreciated:				
Land	<u>58,155</u>	<u>-</u>	<u>-</u>	<u>58,155</u>
Total capital assets, not being depreciated	<u>58,155</u>	<u>-</u>	<u>-</u>	<u>58,155</u>
Capital assets being depreciated:				
Sewer Fund				
Treatment Plant and Collection System	4,269,332	-	-	4,269,332
Machinery & Equipment	11,367	-	-	11,367
Water Fund				
Buildings	8,805	-	-	8,805
Water Distribution System	615,594	-	-	615,594
Machinery & Equipment	<u>11,162</u>	<u>-</u>	<u>-</u>	<u>11,162</u>
Total capital assets, being depreciated	<u>4,916,260</u>	<u>-</u>	<u>-</u>	<u>4,916,260</u>
Less accumulated depreciation:				
Sewer Fund				
Treatment Plant & Collection System	2,092,600	93,883	-	2,186,483
Machinery & Equipment	11,367	-	-	11,367
Water Fund				
Buildings	4,612	193	-	4,805
Water Distribution System	268,820	12,796	-	281,616
Machinery & Equipment	<u>11,162</u>	<u>-</u>	<u>-</u>	<u>11,162</u>
Total accumulated depreciation	<u>2,388,561</u>	<u>106,872</u>	<u>-</u>	<u>2,495,433</u>
Total capital assets, being depreciated, net	<u>2,527,699</u>	<u>106,872</u>	<u>-</u>	<u>2,420,827</u>
Capital assets, net	<u>\$ 2,585,854</u>	<u>\$ 106,872</u>	<u>\$ -</u>	<u>\$2,478,982</u>

Village of Hesperia

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2009

NOTE D-CAPITAL ASSETS - CONTINUED

Government activities:

Depreciation

Depreciation expense was charged to functions as follows:

General government	\$ 2,269
Public safety	12,425
Public works	35,114
Recreation & culture	<u>2,771</u>
	<u>\$ 52,579</u>

Business-type activities:

Depreciation

Depreciation expense was charged to functions as follows:

Sewer	\$ 93,883
Water	<u>12,989</u>
	<u>\$106,872</u>

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

Details of interfund receivables and payables at March 31, 2009, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payable</u>
Sewer	\$ <u>36,000</u>	Water	\$ <u>36,000</u>
	\$ <u>36,000</u>		\$ <u>36,000</u>

The purpose of the interfund transaction was to provide working capital to the Water Fund.

Village of Hesperia

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2009

NOTE F - DEFINED CONTRIBUTION PENSION PLAN

The Village provides pension benefits to all of its appointed officers and full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Village contributes 7% of employees gross earnings and employees may make voluntary contributions of 1% to 10% of after-tax earnings. 100% of the benefits are vested immediately. The Village recorded \$9,132 in pension expense for the year ended March 31, 2009.

The Village also offers a 457(b) deferred compensation plan which is available to all eligible employees. The Village does not offer a matching contribution.

NOTE G - HEALTH INSURANCE

The Village pays an allowance of up to \$800 per month for health insurance premiums as an employee benefit on behalf of full-time employees through Municipal Benefits Services for Blue Cross/Blue Shield. In lieu of taking health insurance benefits, employees have the option to receive additional wages of \$100 per month.

NOTE H - LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Village for the year ended March 31, 2009:

	<u>Balance</u> <u>April 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>March 31, 2009</u>	<u>Due within</u> <u>one year</u>
Governmental Activities					
General obligation					
bonds	\$ 92,696	\$ -	\$ 7,130	\$ 85,566	\$ 7,130
Installment purchase					
agreements	<u>18,383</u>	<u>-</u>	<u>6,995</u>	<u>11,388</u>	<u>7,467</u>
Governmental activity					
long-term liabilities	<u>\$ 111,079</u>	<u>\$ -</u>	<u>\$ 14,125</u>	<u>\$ 96,954</u>	<u>\$ 14,597</u>
Business-type Activities					
Revenue bonds					
and other debt	<u>\$ 690,304</u>	<u>\$ -</u>	<u>\$ 75,280</u>	<u>\$ 615,024</u>	<u>\$ 76,445</u>

Village of Hesperia

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

March 31, 2009

NOTE H - LONG-TERM DEBT-CONTINUED

Governmental activities:

General obligation bonds:

Intercounty Drain Note - The intercounty drain project was completed in fiscal year 2002 and the subsequent note payable was established to pay for the Village's portion. The note is payable to the Oceana County Drain Commission over a 20 year period with an interest rate of 5.25% per annum. The first payment was made January 22, 2002 and payments will be made annually until December 1, 2020. The note is backed by the full faith and credit of the Village.

\$ 85,566

Installment purchase agreement:

Police Vehicle Note - This note is a capital lease with quarterly payments of \$2,009 at 5.15% per annum. The lease is scheduled to be paid in full in September 2010. The lease is secured by the vehicle.

\$ 11,388

Business-type activities:

Revenue bonds and other debt

1978 Sewer System Reserve Bond

The Village Council entered into a contract with the County of Newaygo relating to the acquisition, construction, operation and financing of a sanitary sewer system. The annual principal payments of \$25,000 are due January 1 each year with the final payment due in the year 2018. Interest payments at the rate of 5% are due semiannually on January 1 and July 1.

\$ 225,000

Village of Hesperia

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

March 31, 2009

NOTE H - LONG-TERM DEBT-CONTINUED

2005 Contract with Newaygo County

On June 23, 2005 the Village entered into a contract with Newaygo County for the construction of a sewer lift station and project upgrade in the amount of \$414,780. Principal payments are due April 1 of each year varying from \$20,000 to \$30,000 with the final payment due in the year 2025. Interest payments are due semi-annually at a rate of 1.625% per annum and are due October 1 and April 1.

\$ 334,180

Water Tower Note

On October 6, 2005 the Village borrowed \$150,208 from Shelby State Bank to retire a previous bond obligation which was issued for the purpose of constructing a water tower. Principal and interest payments are due quarterly. The interest rate is 3.8% annually. The last payment is due in October, 2010.

55,844

\$615,024

Annual debt service requirements to maturity for debt outstanding as of March 31, 2009 is as follows:

Year ending March 31, 2009	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2010	\$ 14,778	\$ 4,882	\$ 76,445	17,740
2011	11,052	4,215	74,405	14,953
2012	7,131	3,744	50,000	12,834
2013	7,131	3,378	50,000	11,178
2014	7,131	2,995	50,000	10,137
2015-2019	35,653	9,364	250,000	24,261
2020-2024	<u>14,078</u>	<u>1,124</u>	<u>64,174</u>	<u>1,910</u>
Total	\$ <u>96,954</u>	\$ <u>29,702</u>	\$ <u>615,024</u>	\$ <u>93,013</u>

NOTE I - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results.

Village of Hesperia

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

March 31, 2009

NOTE I - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS-CONT.

In the body of the financial statements, the Village's actual expenditures for the budgetary funds have been shown in a line item basis. The budget was adopted on the activity basis.

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (ML 141.42), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. During the year, over-expenditures occurred as listed below:

<u>Activity</u>	<u>Budget</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund			
Governing Body	\$ 30,360	\$ 44,267	\$ 13,907
Clerk	23,923	36,293	12,370
Treasurer	21,082	32,054	10,972
Building and Grounds	11,704	18,495	6,791
Police Department	145,725	176,591	30,866
Department of Public Works	42,890	53,960	11,070
Street Lighting	22,202	27,716	5,514
Parks	31,782	42,764	10,982

NOTE J - ENDOWMENT FUND

The Fremont Area Community Foundation holds a designated endowment fund which has been reserved for the use of the Village of Hesperia. The fund is not available for general operating purposes but is intended to fund charitable community projects and programs as deemed appropriate by the Village Council and the Community Foundation Board of Trustees. As of March 31, 2009, the fair market value of this endowment fund was \$22,939.

REQUIRED SUPPLEMENTAL INFORMATION

Village of Hesperia  
Budgetary Comparison Schedule  
GENERAL FUND

Year Ended March 31, 2009

	<u>Budgeted Amounts</u>		Actual	Variance with final
	Original	Final		Budget - Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 248,500	\$ 248,500	\$ 256,065	\$ 7,565
State revenue sharing	100,000	100,000	99,445	(555)
Interest and rentals	15,500	15,500	30,810	15,310
Other revenue	<u>18,650</u>	<u>18,650</u>	<u>70,682</u>	<u>52,032</u>
Total Revenues	382,650	382,650	457,002	74,352
<b>EXPENDITURES</b>				
Legislative				
Governing body				
Salaries and wages	4,986	4,986	7,810	(2,824)
Benefits	2,022	2,022	1,176	846
Transportation	308	308	270	38
Office Supplies	1,414	1,414	722	692
Professional and contractual	9,172	9,172	17,465	(8,293)
Utilities	2,358	2,358	1,471	887
Community promotion	507	507	-	507
Workshops and dues	946	946	25	921
Printing and publishing	922	922	490	432
Insurance and bonds	7,466	7,466	9,642	(2,176)
Miscellaneous	<u>259</u>	<u>259</u>	<u>5,196</u>	<u>(4,937)</u>
	30,360	30,360	44,267	(13,907)
General Government				
Elections				
Salaries and wages	746	746	1	745
Operating supplies	173	173	4	169
Printing and publishing	1,106	1,106	15	1,091
Miscellaneous	<u>475</u>	<u>475</u>	<u>-</u>	<u>475</u>
	2,500	2,500	20	2,480
Village Streets				
Salaries and wages	9,714	9,714	7,399	2,315
Benefits	3,060	3,060	1,343	1,717
Operating supplies	100	100	44	56
Repairs and maintenance	1,500	1,500	-	1,500
Utilities	365	365	499	(134)
Rentals	2,000	2,000	-	2,000
Miscellaneous	<u>-</u>	<u>-</u>	<u>20</u>	<u>(20)</u>
	16,739	16,739	9,305	7,434

The accompanying notes are an integral part of this statement.

Village of Hesperia  
 Budgetary Comparison Schedule  
 GENERAL FUND-CONTINUED

Year ended March 31, 2009

	<u>Budgeted Amounts</u>		Actual	Variance with final Budget - Favorable (Unfavorable)
	Original	Final		
<b>Clerk</b>				
Salaries and wages	21,632	21,632	21,954	(322)
Benefits	1,860	1,860	12,094	(10,234)
Office supplies	431	431	531	(100)
Transportation	-	-	311	(311)
Utilities	-	-	47	(47)
Miscellaneous	-	-	<u>1,356</u>	<u>(1,356)</u>
	<u>23,923</u>	<u>23,923</u>	36,293	(12,370)
<b>Treasurer</b>				
Salaries and wages	18,720	18,720	18,929	(209)
Benefits	1,611	1,611	11,911	(10,300)
Office supplies	489	489	649	(160)
Transportation	61	61	78	(17)
Printing and publishing	201	201	-	201
Miscellaneous	-	-	<u>487</u>	<u>(487)</u>
	<u>21,082</u>	<u>21,082</u>	32,054	(10,972)
<b>Building and grounds</b>				
Salaries and wages	2,574	2,574	3,034	(460)
Benefits	221	221	430	(209)
Office supplies and postage	402	402	963	(561)
Repairs and maintenance	207	207	1,116	(909)
Professional and contractual services	896	896	5,044	(4,148)
Insurance and bonds	2,087	2,087	2,751	(664)
Utilities	<u>5,317</u>	<u>5,317</u>	<u>5,157</u>	<u>160</u>
	<u>11,704</u>	<u>11,704</u>	<u>18,495</u>	<u>(6,791)</u>
Total General Government	75,948	75,948	96,167	(20,219)
<b>Public Safety</b>				
<b>Police Department</b>				
Salaries and wages	72,714	72,714	99,541	(26,827)
Benefits	21,684	21,684	29,026	(7,342)
Office supplies	150	150	464	(314)
Operating supplies	825	825	3,831	(3,006)
Repairs and maintenance	3,500	3,500	1,472	2,028

The accompanying notes are an integral part of this statement.

Village of Hesperia  
 Budgetary Comparison Schedule  
 GENERAL FUND-CONTINUED  
 Year ended March 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with final Budget - Favorable
	<u>Original</u>	<u>Final</u>		(Unfavorable)
Public Safety - Police Department-Cont.				
Professional and contractual services	1,542	1,542	1,553	(11)
Transportation	700	700	137	563
Gasoline and oil	15,075	15,075	7,845	7,230
Insurance and bonds	11,319	11,319	15,275	(3,956)
Utilities	6,420	6,420	7,163	(743)
Repairs and maintenance	1,758	1,758	1,736	22
Miscellaneous	100	100	-	100
Workshop and dues	400	400	470	(70)
Training	1,500	1,500	41	1,459
Debt service				
Principal	6,994	6,994	6,994	-
Interest	<u>1,044</u>	<u>1,044</u>	<u>1,043</u>	<u>1</u>
Total Public Safety	145,725	145,725	176,591	(30,866)
Public Works				
Department of public works				
Salaries & wages	9,399	9,399	8,261	1,138
Benefits	1,224	1,224	2,646	(1,422)
Operating supplies	3,442	3,442	7,151	(3,709)
Gasoline and oil	7,438	7,438	7,567	(129)
Repairs & maintenance	1,501	1,501	361	1,140
Insurance & bonds	4,175	4,175	5,353	(1,178)
Utilities	15,651	15,651	10,417	5,234
Capital outlay	-	-	11,736	(11,736)
Miscellaneous	<u>60</u>	<u>60</u>	<u>468</u>	<u>(408)</u>
	42,890	42,890	53,960	(11,070)
Street lighting				
Public utilities	<u>22,202</u>	<u>22,202</u>	<u>27,716</u>	<u>(5,514)</u>
Total Public Works	65,092	65,092	81,676	(16,584)
Parks				
Salaries and wages	12,937	12,937	17,848	(4,911)
Benefits	4,284	4,284	3,240	1,044
Operating supplies	1,895	1,895	3,096	(1,201)
Repair and maintenance	535	535	37	498
Professional services	-	-	1,749	(1,749)

The accompanying notes are an integral part of this statement.

Village of Hesperia  
 Budgetary Comparison Schedule  
 GENERAL FUND-CONTINUED  
 Year ended March 31, 2009

Parks - Continued				
Insurance and bonds	1,565	1,565	6,474	(4,909)
Utilities	1,066	1,066	3,372	(2,306)
Capital outlay	<u>9,500</u>	<u>9,500</u>	<u>6,948</u>	<u>2,552</u>
	31,782	31,782	42,764	(10,982)
Other				
Operating transfers out	<u>92,080</u>	<u>92,080</u>	<u>6,080</u>	<u>86,000</u>
TOTAL EXPENDITURES	<u>440,987</u>	<u>440,987</u>	<u>447,545</u>	<u>(6,558)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(58,337)	(58,337)	9,457	67,794
Fund balance - April 1	<u>75,470</u>	<u>75,470</u>	<u>75,470</u>	<u>-</u>
Fund balance - March 31	<u>\$ 17,133</u>	<u>\$ 17,133</u>	<u>\$ 84,927</u>	<u>\$ 67,794</u>

The accompanying notes are an integral part of this statement.

Village of Hesperia

BUDGETARY COMPARISON SCHEDULE  
 MAJOR STREET FUND  
 Year ended March 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenue				
State shared revenue				
Gas and weight tax	\$ 64,495	\$ 64,495	\$ 57,756	\$ (6,739)
Interest	-	-	300	300
Other revenue	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
TOTAL REVENUES	67,495	67,495	58,056	(9,439)
Expenditures				
Construction				
Capital outlay	70,000	70,000	19,705	50,295
Routine maintenance				
Salaries and wages	6,234	6,234	3,758	2,476
Benefits	3,060	3,060	1,932	1,128
Rentals	2,000	2,000	1,934	66
Miscellaneous	100	100	-	100
Winter maintenance				
Salaries and wages	6,718	6,718	6,774	(56)
Benefits	-	-	604	(604)
Supplies	2,000	2,000	2,183	(183)
Rentals	4,500	4,500	8,736	(4,236)
Administration, engineering and recordkeeping				
Professional services	1,625	1,625	1,356	269
Administrative expense	839	839	1,222	(383)
Debt service				
Principal	5,348	5,348	5,348	-
Interest	<u>3,931</u>	<u>3,931</u>	<u>3,660</u>	<u>271</u>
TOTAL EXPENDITURES	<u>106,355</u>	<u>106,355</u>	<u>57,212</u>	<u>49,143</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(38,860)	(38,860)	844	39,704
Other financing sources (uses)				
Operating transfers in (out)	<u>22,000</u>	<u>22,000</u>	<u>-</u>	<u>(22,000)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(16,860)	(16,860)	844	17,704
Fund balance - April 1	<u>10,658</u>	<u>10,658</u>	<u>10,658</u>	<u>-</u>
Fund balance - March 31	\$ <u>(6,202)</u>	\$ <u>(6,202)</u>	\$ <u>11,502</u>	\$ <u>17,704</u>

The accompanying notes are an integral part of this statement.

Village of Hesperia

BUDGETARY COMPARISON SCHEDULE

LOCAL STREET FUND  
Year ended March 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with final Budget - Favorable ( <u>Unfavorable</u> )
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenue				
State shared revenue				
Gas and weight tax	\$ 26,180	\$ 26,180	\$ 25,022	\$ (1,158)
Interest	<u>-</u>	<u>-</u>	<u>225</u>	<u>225</u>
TOTAL REVENUES	26,180	26,180	25,247	(933)
Expenditures				
Construction	68,000	68,000	-	68,000
Routine maintenance				
Salaries and wages	4,143	4,143	3,866	277
Benefits	1,000	1,000	1,434	(434)
Repairs and maintenance	643	643	23,033	(22,390)
Rentals	5,500	5,500	1,721	3,779
Winter maintenance				
Salaries and wages	5,345	5,345	3,241	2,104
Benefits	1,448	1,448	617	831
Repairs and maintenance	994	994	1,458	(464)
Rentals	2,501	2,501	6,918	(4,417)
Administration, engineering and recordkeeping				
Professional services	1,398	1,398	1,356	42
Administrative expense	792	792	725	67
Debt service				
Principal	1,783	1,783	1,783	-
Interest	<u>1,310</u>	<u>1,310</u>	<u>1,220</u>	<u>90</u>
TOTAL EXPENDITURES	<u>94,857</u>	<u>94,857</u>	<u>47,372</u>	<u>47,485</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(68,677)	(68,677)	(22,125)	46,552
Other financing sources (uses)				
Operating transfers in (out)	<u>64,000</u>	<u>64,000</u>	<u>-</u>	<u>(64,000)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(4,677)	(4,677)	(22,125)	(17,448)
Fund balance - April 1	<u>26,057</u>	<u>26,057</u>	<u>26,057</u>	<u>-</u>
Fund balance - March 31	\$ <u>21,380</u>	\$ <u>21,380</u>	\$ <u>3,932</u>	\$ <u>(17,448)</u>

The accompanying notes are an integral part of this statement.

OTHER SUPPLEMENTAL INFORMATION

**CALVIN D. MEEUSEN, C. P. A., PLLC**

CALVIN D. MEEUSEN  
CERTIFIED PUBLIC ACCOUNTANT

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(616) 395-8477

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Village Council  
Village of Hesperia, Michigan

I have audited the financial statements of the governmental activities, the business type activities and each major fund of the Village of Hesperia as of and for the year ended March 31, 2009, which collectively comprises the Village of Hesperia's basic financial statements and have issued my report thereon dated June 25, 2009. I conducted my audit 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.

Compliance

As part of obtaining reasonable assurance about whether the Village of Hesperia's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Responses as items 09-2.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village of Hesperia's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of the Village of Hesperia's internal control over financial reporting. However, I noted certain deficiencies involving the internal control over financial reporting and its operation that I consider to be significant deficiencies.

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 Village of Hesperia'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 Village of

Hesperia's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. I consider the deficiency described in the accompanying Schedule of Findings and Responses as Item 09-1 to be a significant deficiency in internal control over financial reporting.

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 Village of Hesperia's internal control.

My 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. I believe that the significant deficiency described above is a material weakness.

The Village of Hesperia's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit Village of Hesperia's response and, accordingly, we express no opinion on it.

This report is intended for the information of management and the Village Council and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Calvin D. Meeusen C.P.A., PLLC  
June 25, 2009

Village of Hesperia

SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ending March 31, 2009

SUMMARY OF AUDIT RESULTS

1. The Auditor's Report expresses an unqualified opinion on the financial statements of the Village of Hesperia, Michigan.
2. One significant deficiency was disclosed during the audit of the financial statements and is reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. This condition is reported as a material weakness.
3. One instance of noncompliance with State laws and regulations was disclosed during the audit.

FINDINGS - FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

09-1. Cash Receipts and Cash Disbursements

*Condition:* Controls over cash receipts and disbursements are inadequate because of the lack of segregation of duties due to limited numbers of accounting personnel.

*Criteria:* Accounting functions should be delegated to different personnel in such a way that one can consistently act as a "check" on another. Village accounting policies must be constantly monitored and adhered to by all personnel.

*Effect:* The integrity of the accounting records and the Village's mandate to safeguard its assets could be compromised.

*Cause:* Virtually all of the important accounting functions are done by only two part time appointed officials. None of them perform accounting functions on a full-time basis. The Village of Hesperia has traditionally operated very "lean" in the accounting area. The relatively small size of the Village does not justify the hiring of additional accountants.

*Recommendation:* Management should review the cash receipts and disbursements for reasonableness and completeness on a regular basis. Control procedures should be established and maintained that ensure that village accounting policies are being followed by all involved in the accounting process. Cash disbursements over a prescribed dollar amount should be reviewed by the Village Council.

Village of Hesperia

SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ending March 31, 2009

FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED  
SIGNIFICANT DEFICIENCY - CONT.

09-1. Cash Receipts and Cash Disbursements - Cont.

*Response:* Management concurs with the recommendation.

FINDINGS - COMPLIANCE ISSUES

09-2. Budgetary Procedures

*Condition:* The Village exceeded budget in several departments and/or funds and did not make any budget amendments during the fiscal year that anticipated this overspending. The department funds for whom expenditures exceeded budget are as follows:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund				
Governing Body	\$ 30,360	\$ 30,360	\$ 44,267	\$ 13,907
Clerk	23,923	23,923	36,293	12,370
Treasurer	21,082	21,082	32,054	10,972
Building and Grounds	11,704	11,704	18,495	6,791
Police Department	145,725	145,725	176,591	30,866
Dept. of Public Works	42,890	42,890	53,960	11,070
Street Lighting	22,202	22,202	27,716	5,514
Parks	31,782	31,782	42,764	10,982

*Criteria:* A budget is required by the State Constitution and by State Statutes and is the only basis for spending. A local unit cannot overspend its adopted budget unless a change in the budget is approved by the Council. Any amendment to the adopted budget should be made no later than the last day of the fiscal year and should be authorized by resolution of the Village and recorded in the Council minutes.

*Directive:* Budget amendments should be anticipated and then made when appropriate and adequately documented in the Council minutes.

Village of Hesperia

Corrective Action Plan  
2009

United States Department of Agriculture  
Rural Development Division

Village of Hesperia, Michigan, respectfully submits the following summary schedule of audit findings for the year ended March 31, 2009.

Name and address of independent public accounting firm:

Calvin D. Meeusen, C.P.A., PLLC  
600 S. Beacon Blvd., Suite 1A  
Grand Haven, MI 49417

Audit period: April 1, 2008 to March 31, 2009.

The findings from the March 31, 2009 findings and responses are discussed below. The finding is numbered consistently with the number assigned in the prior schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiency

09-1 Cash Receipts and Cash Disbursements

*Condition:* Controls over cash receipts and disbursements are inadequate because of the lack of segregation of duties due to limited numbers of accounting personnel.

*Recommendation:* Management should review the cash receipts and disbursements for reasonableness and completeness on a regular basis. Control procedures should be established and maintained that ensure that Village accounting policies are being followed by all involved with the accounting process. Cash disbursements over a prescribed dollar amount should be reviewed by the Village Council.

*Action taken:* Management concurs with the recommendation. The segregation of duties condition is inherent, a practical remedy is not feasible. They will attempt to put control procedures into place that will accomplish their objective and adequately monitor them.

If the Department of Agriculture, Rural Development Division has questions regarding this plan, please call Linda Stenberg at (231) 854-6205.

Sincerely yours,

Linda Stenberg, Clerk  
Village of Hesperia, MI

**CALVIN D. MEEUSEN, C. P. A., PLLC**

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CERTIFIED PUBLIC ACCOUNTANT

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June 25, 2009

Honorable Village Council  
Village of Hesperia  
Hesperia, Michigan

In connection with my examination of the financial statements as of March 31, 2009, I have reviewed the accounting policies and procedures employed by the Village and the internal controls in effect. As a result of this review, I wish to make certain comments and recommendations.

I have examined the financial statements of the Village of Hesperia for the year ended March 31, 2009, and have issued my report thereon dated June 25, 2009. As part of my examination, I made a study and evaluation of the system of internal accounting control of the Village of Hesperia to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities and Functions". The purpose of my study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Village of Hesperia is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Village taken as a whole. However, my study and evaluation disclosed that the internal accounting controls may not be adequate to reduce to a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of the Village of Hesperia may occur and not be detected within a timely period by Village personnel in the normal course of their duties. This is because of a lack of segregation of duties due to the limited number of accounting personnel. Accordingly, substantive testing has been increased to mitigate this situation.

Cash - The cash reserves for the General Fund is in a positive position and the cash in the combined Water and Sewer Funds is also a positive balance. The cash reserves in the Major and Local Streets Funds are restricted monies and not available for general operating purposes.

The cash balances in the Water and Sewer Funds has substantially improved. The cash situation remains tight and I recommend that the Village continue to monitor revenues and expenditures closely to ensure that the Village can continue to provide essential services. There should be, in all funds, a minimum of four months of operating expenses in the form of cash. At March 31, 2009, only the Water and Sewer Funds were at that level. In addition, the Water Fund still owes \$36,000 to other funds. To the extent possible, the Village should try to pay this down as soon as practicable.

Accounting Software – The Village has converted from a manual accounting system to a computerized accounting software program, per my recommendation from prior years. After some significant transitional problems, it appears to be operating well as the Clerk and Treasurer becomes more experienced with it. The Water and Sewer billing system is still a stand-alone program. I recommend that the utilities billing module of the current software program be purchased and implemented to create a fully integrated accounting system.

Do to/Due From's - Interfund borrowing is improved from last year. The Village Council is encouraged to continue to contain expenses so as to have the ability to repay these interfund loans in the near future. This recommendation is a carryover from last year.

Budgeting Concerns - The Village again had significant budget violations of P.A. 621. There were no budget amendments passed for the governmental funds by the Village Council during the past year and it is important that you monitor the budget in a more meaningful way on an ongoing basis. Amendments should be made when appropriate and adequately documented in the Council minutes. This recommendation is a carryover from last year.

Deficit Fund Balance – The deficit fund balance in the Water Fund has been eliminated ahead of schedule and a full accounting of this will be made to the Michigan Department of Treasury. Management should continue to monitor this and all other funds to prevent any reoccurrences.

Employee Training - Village management should, to the extent possible, arrange to have employees cross trained in each others jobs. This would help ensure continuity in providing service to Village residents and in maintaining the accounting records in case of illness, vacations or other extended absences. This recommendation is a carryover from last year and the Village has made a limited attempt to comply.

Honorable Village Council  
Village of Hesperia

3

Bank Reconciliations – The Village did not perform acceptable bank reconciliations until approximately January 2009. They have since executed all of the monthly bank reconciliations for the year ended March 31, 2009 in an acceptable manner and they are currently being done in a timely fashion.

All of these comments and recommendations have been discussed and reviewed with the finance committee.

In conclusion, I wish to say that my staff and I are very appreciative of the courtesy and assistance extended to us during the engagement. The above comments and recommendations are intended to be only of a constructive nature. I am sure they will help you to improve your accounting system and financial operation. I will be available to meet with you at any time in order to discuss these comments and recommendations.

Respectfully submitted,

Calvin D. Meeusen, C.P.A., PLLC