VILLAGE OF BREEDSVILLE, MICHIGAN

Report on Audit of Financial Statements
For the Year Ended
March 31, 2005

Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

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

Local Government Type	Local Government Name	County
☐ City ☐ Township ☒ Village ☐ Other	Village of Breedsville	Van Buren

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
3/31/2005	8/16/2005	10/27/2005

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

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

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

You must check the applicable box for each item below.

☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

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

Certified Public Accountant (Firm Name)			
Cutting & Cutting P.C.			
Street Address	City	State	ZIP
303 Paw Paw St., Suite 4	Paw Paw	MI	49079
Accountant Signature William A. Cutting		Date	

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CUTTING & CUTTING, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CENTER BUILDING
303 PAW PAW STREET, SUITE 4
PAW PAW, MICHIGAN 49079-1434

WILLIAM A. CUTTING
BRUCE T. CUTTING

TELEPHONE
269-657-4720

August 16, 2005

INDEPENDENT AUDITOR'S REPORT

Members of Village Council
Breedsville, Michigan

We have audited the accompanying general purpose financial statements of Village of Breedsville as of March 31, 2005, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of Breedsville Village management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Village's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Village of Breedsville, as of March 31, 2005, or the changes in its financial position for the year then ended.

Cutting & Cutting, P.C.

COMBINED BALANCE SHEET-CASH BASIS-ALL FUND TYPES
VILLAGE OF BREEDSVILLE
March 31, 2005

	General	Special Revenue	Total (Memorandum Only)
Assets			
Cash	$ 83,387	$ 25,046	$ 108,433
Taxes Receivable	2,638		2,638
	$ 86,025	$ 25,046	$ 111,071
Liabilities and Fund Balance			
Deferred revenue	$ 2,638		$ 2,638
Fund balance	83,387	$ 25,046	108,433
	$ 86,025	$ 25,046	$ 111,071

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-CASH BASIS-ALL FUND TYPES
VILLAGE OF BREEDSVILLE
Year ended March 31, 2005

	General	Special Revenue	Total (Memorandum Only)
Revenues			
Taxes	$ 11,240		$ 11,240
State shared revenues	24,736	$ 29,830	54,566
Interest income	773	218	991
Other	1,177		1,177
	37,926	30,048	67,974
Expenditures			
General government	20,527		20,527
Public safety	135		135
Public works	12,137	53,303	65,440
Other	3,923		3,923
	36,722	53,303	90,025
Excess of revenues over expenditures	1,204	(23,255)	(22,051)
Beginning fund balance	82,183	48,301	130,484
Ending fund balance	$ 83,387	$ 25,046	$ 108,433

See notes to financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
CASH BASIS-BUDGET AND ACTUAL-GENERAL AND SPECIAL REVENUE FUNDS
VILLAGE OF BREEDSVILLE
Year ended March 31, 2005

	General Fund			Special Revenue Funds		
	Amended Budget	Actual	Variance Favorable (Unfavorable)	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	$ 10,700	$ 11,240	$ 540			
State shared revenues	19,000	24,736	5,736	$ 27,000	$ 29,830	$ 2,830
Interest income	650	773	123	285	218	(67)
Other	1,046	1,177	131			
	31,396	37,926	6,530	27,285	30,048	2,763
Expenditures						
General government	32,550	20,527	12,023			
Public safety	149	135	14			
Public works	12,300	12,137	163	52,650	53,303	(653)
Other	4,050	3,923	127			
	49,049	36,722	12,327	52,650	53,303	(653)
Excess of revenues over expenditures	$ (17,653)	1,204	$ 18,857	$ (25,365)	(23,255)	$ 2,110
Beginning fund balance		82,183			48,301	
Ending fund balance		$ 83,387			$ 25,046	

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
VILLAGE OF BREEDSVILLE
March 31, 2005

Breedsville is a general law village in Van Buren County, Michigan. It has a population of approximately 235.

1. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared using the cash basis of accounting.

A. Reporting Entity

The Village's general purpose financial statements include the accounts of all Village operations. The criteria for including organizations within the Council's reporting entity, as set forth in GASB No. 14, *"The Financial Reporting Entity"*, is financial accountability. Financial Accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

B. Fund Accounting

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

C. Basis of Accounting

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

All governmental funds are accounted for using the cash basis of accounting. Their revenues are recognized when the cash is received. Expenditures are recognized when the cash is disbursed.

D. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

E. Budgets and Budgetary Accounting

The Village prepares a budget that is adopted at the March meeting for the following year. The budget is amended as necessary.

2. Property Tax

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on June 2. The Village bills and collects its own property taxes. Village property tax revenues are recognized when levied to the extent that they result in current receivables.

The Village is permitted by State to levy taxes up to 12.5 mills of state equalized valuation for general governmental services and 5 mills for streets. The tax rate levied to finance general government services for the year ended March 31, 2005 was 6.3628 mills for the General Fund; no millage was levied for the Street Funds.

3. Cash and Equivalents

State statutes authorize the Village to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Certificates of deposit with a maturity over three months are considered investments.

The Village's deposits are in accordance with statutory authority.

The Government Accounting Standards Board Statement No. 3 risk disclosures for the Library's cash deposits are as follows:

Deposits	Book Carrying Amount	Bank Deposit Amount	GASB Category of Risk
Insured	$ 125,616	$ 126,440	(1)

GASB Category of Risk
(1) Insured or registered

4. Risk Management

The Village of Breedsville is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Village insures with Michigan Municipal Liability and Property Pool.

COMBINING BALANCE SHEET-CASH BASIS-SPECIAL REVENUE FUNDS
VILLAGE OF BREEDSVILLE
March 31, 2005

	Major Street	Local Street	Total
Assets			
Cash	$ 8,378	$ 16,668	$ 25,046
Liabilities and Fund Balance			
Fund balance	$ 8,378	$ 16,668	$ 25,046

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended March 31, 2005

Revenues			
State shared revenues	$ 22,226	$ 7,604	$ 29,830
Interest income	115	103	218
	22,341	7,707	30,048
Expenditures			
Routine maintenance	34,603	627	35,230
Winter maintenance	9,016	5,852	14,868
Other	1,105	2,100	3,205
	44,724	8,579	53,303
Excess of revenues over expenditures	(22,383)	(872)	(23,255)
Beginning fund balance	30,761	17,540	48,301
Ending fund balance	$ 8,378	$ 16,668	$ 25,046

BALANCE SHEET-CASH BASIS
GENERAL FUND
VILLAGE OF BREEDSVILLE
March 31, 2005

Assets	
Cash	$ 83,387
Taxes receivable	2,638
	$ 86,025

Liabilities and Fund Balance	
Deferred revenue	$ 2,638
Fund balance	83,387
	$ 86,025

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
CASH BASIS-GENERAL FUND
VILLAGE OF BREEDSVILLE
Year ended March 31, 2005

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 10,700	$ 11,240	$ 540
State shared revenues	19,000	24,736	5,736
Interest income	650	773	123
Other	1,046	1,177	131
	31,396	37,926	6,530
Expenditures			
General government			
Village council	20,550	13,337	7,213
Elections	1,100	331	769
Clerk	1,800	1,926	(126)
Treasurer	2,600	2,101	499
Village Hall	6,500	2,832	3,668
	32,550	20,527	12,023
Liquor law enforcement	149	135	14
Public works	12,300	12,137	163
Recreation and parks	4,050	3,923	127
	49,049	36,722	12,327
Excess of revenues over expenditures	$(17,653)	1,204	$ 18,857
Beginning fund balance		82,183	
Ending fund balance		$ 83,387	

BALANCE SHEET-CASH BASIS
MAJOR STREET FUND
VILLAGE OF BREEDSVILLE
March 31, 2005

Assets	
Cash	$ 8,378
Liabilities and Fund Balance	
Fund balance	$ 8,378

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-CASH BASIS
Year ended March 31, 2005

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
State shared revenues	$ 20,000	$ 22,226	$ 2,226
Interest income	110	115	5
	20,110	22,341	2,231
Expenditures			
Routine maintenance	35,000	34,603	397
Winter maintenance	6,000	9,016	(3,016)
Other	2,150	1,105	1,045
	43,150	44,724	(1,574)
Excess of revenues over expenditures	(23,040)	(22,383)	657
Other financing sources and uses			
Transfer to Local Street Fund	(2,000)	———	2,000
Excess of revenues and other sources over expenditures and other uses	$(25,040)	(22,383)	$ 2,657
Beginning fund balance		30,761	
Ending fund balance		$ 8,378	

BALANCE SHEET-CASH BASIS
LOCAL STREET FUND
VILLAGE OF BREEDSVILLE
March 31, 2005

Assets	
Cash	$ 16,668
Liabilities and Fund Balance	
Fund balance	$ 16,668

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-CASH BASIS
Year ended March 31, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
State shared revenues	$ 7,000	$ 7,604	$ 604
Interest income	175	103	(72)
	7,175	7,707	532
Expenditures			
Routine maintenance	3,000	627	2,373
Winter maintenance	4,000	5,852	(1,852)
Tree trimming	2,500	2,100	400
	9,500	8,579	921
Excess of revenues over expenditures	(2,325)	(872)	1,453
Other financing sources and uses			
Transfer from Major Street Fund	2,000		(2,000)
Excess of revenues and other sources over expenditures and other uses	$ (325)	(872)	$ 547
Beginning fund balance		17,540	
Ending fund balance		$ 16,668	

CUTTING & CUTTING, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CENTER BUILDING
303 PAW PAW STREET, SUITE 4
PAW PAW, MICHIGAN 49079-1434

WILLIAM A. CUTTING
BRUCE T. CUTTING

TELEPHONE
269-657-4720

August 16, 2005

Members of the Village Council
Breedsville, Michigan

The audit work necessary to express an opinion on the financial statements of the Village of Breedsville included a review of the Village's accounting procedures and the related internal controls. As a result of this review we offer comments and recommendations for your consideration.

Internal Control
There is an absence of appropriate segregation of duties. However, this condition is not unusual in small governmental units.

The above comment is submitted to you to develop good accounting procedures and are not intended to reflect upon the performance of any individual.

Cutting & Cutting, P.C.