

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

|  |                           |   |                   |
|--|---------------------------|---|-------------------|
| Local Unit of Government Type<br><input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other |                           | Local Unit Name<br>Village of Akron               | County<br>Tuscola |
| Fiscal Year End<br>March 31, 2007  | Opinion Date<br>8-15-2007 | Date Audit Report Submitted to State<br>8-31-2007 |                   |

We affirm that:

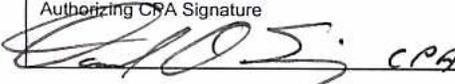
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - The local unit has adopted a budget for all required funds.
  - A public hearing on the budget was held in accordance with State statute.
  - The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - The local unit only holds deposits/investments that comply with statutory requirements.
  - The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - The local unit is free of repeated comments from previous years.
  - The audit opinion is UNQUALIFIED.
  - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - The board or council approves all invoices prior to payment as required by charter or statute.
  - To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| We have enclosed the following:   |  | Enclosed                            | Not Required (enter a brief justification) |                              |
|---|--|-------------------------------------|--|------------------------------|
| Financial Statements  |  | <input checked="" type="checkbox"/> |  |                              |
| The letter of Comments and Recommendations  |  | <input type="checkbox"/>            |  |                              |
| Other (Describe) SAS 112 letter   |  | <input checked="" type="checkbox"/> |  |                              |
| Certified Public Accountant (Firm Name)<br>Weinlander Fitzhugh  |  | Telephone Number<br>989-893-5577    |  |                              |
| Street Address<br>1600 Center Ave   |  | City<br>Bay City                    | State<br>MI                                | Zip<br>48708                 |
| Authorizing CPA Signature<br> CPA |  | Printed Name<br>David D. Quimby     |  | License Number<br>1101015265 |

**VILLAGE OF AKRON  
TUSCOLA COUNTY, MICHIGAN**

**FINANCIAL REPORT  
MARCH 31, 2007**

# VILLAGE OF AKRON, MICHIGAN

## TABLE OF CONTENTS

|  | <b><u>PAGE<br/>NUMBER</u></b> |
|--|-------------------------------|
| <b>INDEPENDENT AUDITOR'S REPORT</b>  |                               |
| <b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>  | i - v                         |
| <b>BASIC FINANCIAL STATEMENTS</b>  | 1                             |
| Government-Wide Financial Statements   |                               |
| Statement of Net Assets  | 2                             |
| Statement of Activities  | 3                             |
| Fund Financial Statements  |                               |
| Balance Sheet – Governmental Funds   | 4                             |
| Reconciliation of Governmental Fund Balances to Governmental<br>Activities Net Assets  | 5                             |
| Statement of Revenue, Expenditures and Changes in Fund<br>Balance – Governmental Funds   | 6                             |
| Reconciliation of the Statement of Revenue, Expenditures and Changes<br>in Fund Balance of Governmental Funds to the Statement of Activities | 7                             |
| Statement of Net Assets – Proprietary Funds  | 8                             |
| Statement of Revenue, Expenses and Changes in Fund Net<br>Assets – Proprietary Funds   | 9                             |
| Statement of Cash Flows  | 10 - 11                       |
| Notes to the Financial Statements  | 12 - 20                       |
| <b>REQUIRED SUPPLEMENTARY INFORMATION</b>  | 21                            |
| Schedule of Revenue, Expenditures and Change in Fund Balance –<br>Budget Actual– General Fund  | 22 – 24                       |
| Schedule of Revenue, Expenditures and Change in Fund Balance –<br>Budget Actual– Major Street  | 25                            |

(CONTINUED)

# VILLAGE OF AKRON, MICHIGAN

## TABLE OF CONTENTS

|   | <b><u>PAGE<br/>NUMBER</u></b> |
|---|-------------------------------|
| Schedule of Revenue, Expenditures and Change in Fund Balance –<br>Budget Actual – Local Street Fund | 26                            |
| Schedule of Revenue, Expenditures and Change in Fund Balance –<br>Budget Actual – Police Fund       | 27                            |
| Schedule of Revenue, Expenditures and Change in Fund Balance –<br>Budget Actual – Fire Fund         | 28                            |



# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

ROBERT E. LIST, CPA  
STEWART J. REID, CPA  
MICHAEL L. HANISKO, CPA  
DAVID D. QUIMBY, CPA  
KATHLYN M. ENGELHARDT, CPA  
RENAE M. CLEVINGER, CPA  
AMY L. RODRIGUEZ, CPA  
SCOTT A. NIETZKE, CPA

## INDEPENDENT AUDITORS' REPORT

August 15, 2007

WALTER G. WEINLANDER, CPA  
ROY A. SCHAIRER, CPA  
JAMES L. WHALEY, CPA  
JEROME L. YANTZ, CPA  
PHILIP T. SOUTHGATE, CPA  
ROBERT J. DUYCK, CPA

To the Honorable Village Council  
Village of Akron  
Tuscola County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Akron, Akron, Michigan as of March 31, 2007, and for the year then ended, which collectively comprise the Village's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Village of Akron's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Akron as of March 31, 2007, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information, as noted in the table of contents, is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

1600 CENTER AVENUE  
POST OFFICE BOX 775  
BAY CITY, MI 48707-0775  
989-893-5577  
800-624-2400  
FAX 989-895-5842  
www.wf-cpas.com  
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE,  
GLADWIN AND WEST BRANCH

**RSM! McGladrey Network**

An Independently Owned Member

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management of the Village of Akron presents to readers of the Village's financial statements this narrative financial information. It contains an objective overview and analysis of the financial position of the Village as of and for the year ended March 31, 2007. As management of the Village, we encourage readers to consider information contained in this discussion and the Village's financial statements, which follows this section.

### **Financial Highlights**

- The Village's assets exceeded its liabilities at the end of the fiscal year by \$2,160,425.
- Net assets increased by a total of \$79,640, or by approximately 3.83% of last years total net assets of \$2,080,785.
- The fund balance of the Village's General Fund increased by \$26,053. The fund balance for the other Governmental Funds (Major Street, Local Street, Police, and Fire Funds) increased by \$64,926.

### **Financial Statements Overview**

This Management Discussion and Analysis serves to introduce to the reader of the Village of Akron's essential financial statements. These financial statements consist of three components as follows:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

The above financial information will provide the reader with a general understanding of the Village's current financial condition. Also, this report contains supplementary information in addition to the basic financial statements which provides a more detailed understanding of the Village's finances.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, similar to private sector businesses.

The **Statement of Net Assets** presents information on all of the assets and liabilities of the Village, with the difference between the two identified as net assets. Over a given period of time increases or decreases in net assets can serve as a useful indicator of improving or declining financial position of the Village.

The Statement of Activities show changes in net assets that occurred during the most recent fiscal year. These changes were recorded on an accrual basis, which distinguishes between the time when a financial transaction occurs and when payment is actually made. An example of accrual accounting is when debt interest payments are scheduled between the fiscal year end. The Statement of Activities will show additional interest expense for the time period between the last interest payment and the end of the fiscal year as an accrual.

The Government-wide Financial Statements, in addition to the Statement of Activities, is broken down into two Activities; Governmental Activities and Business-Type Activities. Governmental activities are primarily supported through tax and intergovernmental revenue. Business-type activities are primarily supported through user fees and charges.

(Continued)

Governmental activities for the Village of Akron include general governmental functions, such as Administration, Village Buildings and Grounds (General government); Police and Fire (Public safety); Major Street, Local Street, Local Street Improvement, Public Works and Park (Highways and public improvements). Business-type activities include the Sewer and Water systems.

## **Fund Financial Statements**

A fund is a set of closely related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The Village of Akron uses fund accounting to demonstrate compliance with legal financial requirements, like all state and local governments. All Village Funds can be categorized as either governmental or proprietary funds.

**Governmental Funds** account for essentially the same activities as the Governmental Activities in the Government-wide financial statements, but with a narrower focus. Governmental Funds concentrate on near-term inflows and outflows of financial resources and the balances of spendable resources available to the government at the end of the fiscal year. This information can be useful in evaluating the government's short-term financing requirements.

Comparing similar information presented in the Government-wide statements for the Governmental Activities with that presented in Governmental Funds statements can provide useful information because the different focus to the two approaches. With the long-term focus of the Government-wide statements, a reader may be able to better understand the long-term effects of the near term financing decisions. To aid in the comparison, both the Governmental Fund balance sheet and the Governmental Fund statement of revenues, expenditures and changes in fund balance show reconciliation between the Governmental Funds statements to the Governmental Activities in the Government-wide statements.

The Village of Akron uses five different individual Governmental Funds. The Village considers all the funds to be major funds of the Village of Akron. The funds are presented separately in the Fund Financial Statements. The Village adopts an annual appropriated budget for all its Governmental Funds.

The basic governmental fund financial statements can be found as listed in the table of contents.

**Proprietary Funds** include enterprise funds and an internal service fund. Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. The Internal Service Fund is used to report activities that provide goods or services to other funds or departments of the Village.

The Enterprise Funds maintained by the Village of Akron include the Sewer fund and the Water fund. The Village uses the Internal Service Fund to account for vehicles, and equipment activities. Because they charge fees and charges to outside users of their systems, the Enterprise Funds are included in the Business-type Activities column of the government-wide financial statements. The Internal Service Fund, which accounts for equipment and vehicle that support the Village functions, is included under the Governmental Activities column.

Proprietary Funds present the same information as in government-wide statements, except in more detail. The fund statements for proprietary funds provide separate information for the Sewer fund and Water fund which are considered to be major funds of the Village of Akron.

The basic proprietary fund financial statements can be found as listed in the table of contents.

**Notes to the Financial Statements** contain additional financial information to give the reader a complete understanding of the information contained in the government-wide and fund financial statements. Although these Notes provide detailed explanation and information related to the financial statements, this information is typically easy for the reader to follow. Notes to the Financial Statements are located after the financial statements as listed in the table of contents.

### **Other Information**

The combining and individual fund statements and schedules are presented as additional information as listed in the table of contents.

### **Government-wide Financial Analysis**

#### **VILLAGE OF AKRON'S NET ASSETS**

|  | Governmental Activities |                  | Business Type Activities |                    | Totals             |                    |
|--|-------------------------|------------------|--------------------------|--------------------|--------------------|--------------------|
|  | <u>2007</u>             | <u>2006</u>      | <u>2007</u>              | <u>2006</u>        | <u>2007</u>        | <u>2006</u>        |
| Current assets                                     | \$682,448               | \$568,721        | \$ 175,731               | \$ 153,137         | \$ 858,179         | \$ 721,858         |
| Capital assets                                     | 119,336                 | 145,790          | 1,185,394                | 1,239,115          | 1,304,730          | 1,384,905          |
| Restricted and other assets                        |                         |                  | <u>67,009</u>            | <u>63,872</u>      | <u>67,009</u>      | <u>63,872</u>      |
| Total assets                                       | <u>\$801,784</u>        | <u>\$741,511</u> | <u>\$1,428,133</u>       | <u>\$1,456,124</u> | <u>\$2,229,918</u> | <u>\$2,170,635</u> |
| Current liabilities                                | \$ 9,671                | \$ 5,642         | \$ 11,710                | \$ 13,055          | \$ 21,381          | \$ 18,697          |
| Noncurrent liabilities                             |                         | <u>16,044</u>    | <u>48,110</u>            | <u>55,109</u>      | <u>48,110</u>      | <u>71,153</u>      |
| Total liabilities                                  | <u>9,671</u>            | <u>21,044</u>    | <u>59,820</u>            | <u>68,164</u>      | <u>69,491</u>      | <u>89,850</u>      |
| Net assets:  |                         |                  |                          |                    |                    |                    |
| Invested in capital assets,<br>net of related debt | 119,336                 | 129,769          | 1,129,318                | 1,177,294          | 1,248,654          | 1,307,040          |
| Restricted   |                         |                  | 67,009                   | 63,872             | 67,009             | 63,872             |
| Unrestricted                                       | <u>672,777</u>          | <u>563,079</u>   | <u>171,986</u>           | <u>146,794</u>     | <u>844,763</u>     | <u>709,873</u>     |
| Total net assets                                   | <u>\$792,113</u>        | <u>\$692,825</u> | <u>\$1,368,313</u>       | <u>\$1,387,960</u> | <u>\$2,160,425</u> | <u>\$2,080,785</u> |

As shown in the Statement of Net Assets provided, the largest portion, by far of the Net Assets of the Village of Akron is its investment in capital assets. The Village of Akron uses these capital assets to provide essential services to citizens who live, work or visit the Village. These assets, by design, are not available for future spending. Additionally, even though these capital assets are reported net of any related debt, resources needed to repay this debt must come from other sources, as these assets cannot be used to satisfy their related obligations.

### **Activities, Governmental and Business-Type**

Net assets of Governmental Activities increased by \$99,288 for the year ended March 31, 2007. This is approximately a 14.33% change from beginning net assets. The increase is due in large by less spending in the governmental funds.

Net assets of Business-type Activities decreased by \$19,647 for the year ended March 31, 2007. The amount of change is approximately 1.42% of beginning net assets.

## VILLAGE OF AKRON'S CHANGES IN NET ASSETS

The following table shows the changes of the net assets, for the year ended March 31, 2006 and 2007:

|                                  | Governmental Activities |                  | Business Type Activities |                    | Totals             |                    |
|----------------------------------|-------------------------|------------------|--------------------------|--------------------|--------------------|--------------------|
|                                  | <u>2007</u>             | <u>2006</u>      | <u>2007</u>              | <u>2006</u>        | <u>2007</u>        | <u>2006</u>        |
| Revenues                         |                         |                  |                          |                    |                    |                    |
| Program revenues                 |                         |                  |                          |                    |                    |                    |
| Charges for service              | \$116,203               | \$ 114,957       | \$ 66,263                | \$ 63,091          | \$ 182,466         | \$ 178,048         |
| General revenues                 |                         |                  |                          |                    |                    |                    |
| Property taxes                   | 72,112                  | 68,778           | 13,266                   | 12,653             | 85,378             | 81,431             |
| State shared revenue             | 98,087                  | 90,809           |                          |                    | 98,087             | 90,809             |
| Unrestricted investment earnings | 22,550                  | 9,628            | 8,302                    | 3,765              | 30,852             | 13,393             |
| Miscellaneous                    | <u>41,159</u>           | <u>20,867</u>    | <u>1,703</u>             | <u>1,167</u>       | <u>42,862</u>      | <u>22,034</u>      |
| Total revenue                    | <u>350,110</u>          | <u>305,039</u>   | <u>89,535</u>            | <u>80,676</u>      | <u>439,645</u>     | <u>385,715</u>     |
| Expenses:                        |                         |                  |                          |                    |                    |                    |
| General government               | 51,795                  | 57,879           |                          |                    | 51,795             | 57,879             |
| Public safety                    | 104,392                 | 121,929          |                          |                    | 104,392            | 121,929            |
| Highways and public improvements | 73,870                  | 80,700           |                          |                    | 73,870             | 80,700             |
| Sanitation                       | 20,765                  |                  |                          |                    | 20,765             | 20,141             |
| Sewer                            |                         |                  | 67,448                   | 70,396             | 67,448             | 70,396             |
| Water                            |                         |                  | <u>41,734</u>            | <u>47,165</u>      | <u>41,734</u>      | <u>47,165</u>      |
| Total Expenses                   | <u>250,822</u>          | <u>280,649</u>   | <u>109,182</u>           | <u>117,561</u>     | <u>360,005</u>     | <u>398,210</u>     |
| Change in net assets             | 99,288                  | 24,390           | (19,647)                 | (36,885)           | 79,640             | (12,495)           |
| Net assets – Beginning           | 692,825                 | 675,325          | 1,387,960                | 1,424,845          | 2,080,785          | 2,100,170          |
| Prior period adjustment          |                         | (6,890)          |                          |                    |                    | (6,890)            |
| Net assets - Ending              | <u>\$792,113</u>        | <u>\$692,825</u> | <u>\$1,368,313</u>       | <u>\$1,387,960</u> | <u>\$2,160,425</u> | <u>\$2,080,785</u> |

### Financial Analysis of Village of Akron's Funds

The Village of Akron's governmental funds provide information on the short-term resource inflows and outflows and account balances at the end of the fiscal year. The total fund balance is a measure of total available resources and the unreserved portion of this total is a measure of the available spendable resources as of March 31, 2007.

For the year ended March 31, 2007, the Village's governmental funds reported a combined fund balance amount of \$612,000. The fund balance increase for the current fiscal year was \$90,797.

### General Fund Budgetary Highlights

A major difference in the original budget versus the final budget was in parks. It was increased by \$5,400. The Village anticipated expenditures to exceed revenue by \$55,280 however actual figures ended up with a surplus of \$26,053.

### Capital Assets

The Village of Akron's investment, net of related debt, in capital assets for its governmental and business-type activities combined totaled \$1,248,654. The types of assets in this category are land, buildings, machinery and equipment, park and recreation equipment, water system and sewer collection system. The Village's investment in capital assets equals over fifty-eight percent (58%) of total net assets. There were no major additions.

(Continued)

**VILLAGE OF AKRON'S CAPITAL ASSETS**  
**March 31, 2007**

|                          | Governmental<br><u>Activities</u> | Business Type<br><u>Activities</u> | <u>Total</u>       |
|--------------------------|-----------------------------------|------------------------------------|--------------------|
| Land                     | \$ 2,000                          | \$ 83,034                          | \$ 85,034          |
| Buildings                | 123,933                           |                                    | 123,933            |
| Equipment                | 522,166                           |                                    | 522,166            |
| Infrastructure           | 16,650                            |                                    | 16,650             |
| Sewer system             |                                   | 1,847,988                          | 1,847,988          |
| Water system             |                                   | 466,617                            | 466,617            |
| Accumulated depreciation | (545,413)                         | (1,212,245)                        | (1,757,658)        |
| Net book value           | <u>\$119,336</u>                  | <u>\$1,185,394</u>                 | <u>\$1,304,730</u> |

**Long-term Debt**

The Village of Akron's debt consists of a note payable to help finance construction of a new well due November 1, 2013 in the amount of \$55,109.

**Economic Factors and Future Budget Issues**

For the past several years the Village revenues have remained nearly the same or decreased; while most of the expenses have increased. The Village continues to have property changes but with little change in property values. The Village also relies on 30 to 40% of its General Fund revenue from state revenue sharing from the State of Michigan. With the state making budget cuts to revenue sharing it makes it difficult to stay within the adopted budget without having to make budgetary amendments.

This year one of the rewards to the Village was a grant received from the Tuscola County Community Foundation. The grant will be used to relocate our Veteran's Memorial and do landscaping around it. The Village is also going to let residents purchase stones in memory of loved ones who have lost their lives, served, or are currently serving in the military.

The Village is constantly looking at ways to improve the service to the residents of the Village while staying within the parameters of the adopted budget.

The sanitary sewer fund is improving its monetary status. However, this year, we had to make some minor improvements to the system. The Village may have to look again at raising sewer rates in order to do some major repairs that are going to be needed in the near future.

**Requests for Information**

This financial report is designed to give the reader a basic understanding of the Village of Akron's finances. Any questions or requests for financial information contained in this report may be obtained by contacting the Village Clerk, Village of Akron, 4380 Beach Street, Akron, Michigan 48701.

## **BASIC FINANCIAL STATEMENTS**

**VILLAGE OF AKRON, MICHIGAN**

**STATEMENT OF NET ASSETS  
MARCH 31, 2007**

|   | <u>GOVERNMENTAL<br/>ACTIVITIES</u> | <u>BUSINESS-TYPE<br/>ACTIVITIES</u> | <u>TOTAL</u>        |
|---|------------------------------------|-------------------------------------|---------------------|
| <b><u>ASSETS</u></b>                            |                                    |                                     |                     |
| Cash  | \$ 666,088                         | \$ 152,156                          | \$ 818,243          |
| Accounts receivable                             | 25,370                             | 17,259                              | 42,629              |
| Less allowance for doubtful accounts            | (7,160)                            |                                     | (7,160)             |
| Accrued interest receivable                     | 1,296                              | 324                                 | 1,620               |
| Prepaid expense                                 | 2,848                              |                                     | 2,848               |
| Internal balances                               | (5,992)                            | 5,992                               | -                   |
| Nondepreciated capital assets                   | 2,000                              | 83,034                              | 85,034              |
| Capital assets                                  | 662,749                            | 2,314,605                           | 2,977,354           |
| Less accumulated depreciation                   | (545,413)                          | (1,212,245)                         | (1,757,658)         |
| Restricted assets:                              |                                    |                                     |                     |
| Cash - Capital improvements                     |                                    | 67,009                              | 67,009              |
| <b>TOTAL ASSETS</b>                             | <b>\$ 801,784</b>                  | <b>\$ 1,428,133</b>                 | <b>\$ 2,229,916</b> |
| <b><u>LIABILITIES</u></b>                       |                                    |                                     |                     |
| Accounts payable                                | \$ 3,976                           | \$ 3,744                            | \$ 7,720            |
| Deferred revenue                                | 5,695                              |                                     | 5,695               |
| Accrued interest payable                        |                                    | 967                                 | 967                 |
| Note payable - water well                       |                                    | 55,109                              | 55,109              |
| <b>Total liabilities</b>                        | <b>9,671</b>                       | <b>59,820</b>                       | <b>69,491</b>       |
| <b><u>NET ASSETS</u></b>                        |                                    |                                     |                     |
| Invested in capital assets, net of related debt | 119,336                            | 1,129,318                           | 1,248,654           |
| Restricted for:                                 |                                    |                                     |                     |
| Capital improvements                            |                                    | 67,009                              | 67,009              |
| Unrestricted                                    | 672,777                            | 171,985                             | 844,762             |
| <b>Total net assets</b>                         | <b>\$ 792,113</b>                  | <b>\$ 1,368,313</b>                 | <b>\$ 2,160,425</b> |

The accompanying notes are an integral part of the financial statements.



**VILLAGE OF AKRON, MICHIGAN**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**MARCH 31, 2007**

|   | <u>GENERAL</u>    | <u>MAJOR STREET</u> | <u>LOCAL STREET</u> | <u>POLICE</u>    | <u>FIRE</u>      | <u>TOTAL GOVERNMENTAL FUNDS</u> |
|---|-------------------|---------------------|---------------------|------------------|------------------|---------------------------------|
| <b><u>ASSETS</u></b>                      |                   |                     |                     |                  |                  |                                 |
| Cash                                      | \$ 125,750        | \$ 272,527          | \$ 122,812          | \$ 10,302        | \$ 67,927        | \$ 599,318                      |
| Accounts receivable                       | 11,155            | 5,321               | 1,733               |                  | 7,160            | 25,370                          |
| Less: Allowance for doubtful accounts     |                   |                     |                     |                  | (7,160)          | (7,160)                         |
| Accrued interest receivable               |                   | 972                 | 324                 |                  |                  | 1,296                           |
| Prepaid expense                           | 2,848             |                     |                     |                  |                  | 2,848                           |
| <b>TOTAL ASSETS</b>                       | <u>\$ 139,753</u> | <u>\$ 278,821</u>   | <u>\$ 124,868</u>   | <u>\$ 10,302</u> | <u>\$ 67,927</u> | <u>\$ 621,671</u>               |
| <b><u>LIABILITIES AND FUND EQUITY</u></b> |                   |                     |                     |                  |                  |                                 |
| <b>Liabilities:</b>                       |                   |                     |                     |                  |                  |                                 |
| Accounts payable                          | \$ 3,791          |                     |                     | \$ 83            | \$ 103           | \$ 3,976                        |
| Deferred revenue                          | 5,695             |                     |                     |                  |                  | 5,695                           |
| <b>Total liabilities</b>                  | <u>9,486</u>      |                     |                     | <u>83</u>        | <u>103</u>       | <u>9,671</u>                    |
| <b>Fund equity:</b>                       |                   |                     |                     |                  |                  |                                 |
| Fund balance                              |                   |                     |                     |                  |                  |                                 |
| Unrestricted                              | 130,268           | \$ 278,821          | \$ 124,868          | 10,219           | 67,825           | 612,000                         |
| <b>Total fund equity</b>                  | <u>130,268</u>    | <u>278,821</u>      | <u>124,868</u>      | <u>10,219</u>    | <u>67,825</u>    | <u>612,000</u>                  |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b>  | <u>\$ 139,753</u> | <u>\$ 278,821</u>   | <u>\$ 124,868</u>   | <u>\$ 10,302</u> | <u>\$ 67,927</u> | <u>\$ 621,671</u>               |

The accompanying notes are an integral part of the financial statements.

VILLAGE OF AKRON, MICHIGAN

RECONCILIATION OF GOVERNMENTAL FUND BALANCES  
TO GOVERNMENTAL ACTIVITIES NET ASSETS  
MARCH 31, 2007

|   |                          |
|---|--------------------------|
| <b>Total governmental fund balances</b>   | \$ 612,000               |
| 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 therefore, are not reported in the funds. The cost of the assets is \$664,749 less the accumulated depreciation of \$545,413 | 119,336                  |
| Internal service fund is not included in the governmental funds.  | 60,777                   |
| <b>Net assets - governmental activities</b>   | <u><u>\$ 792,113</u></u> |

**VILLAGE OF AKRON, MICHIGAN**

**STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2007**

|   | <u>GENERAL</u>    | <u>MAJOR<br/>STREET</u> | <u>LOCAL<br/>STREET</u> | <u>POLICE</u>    | <u>FIRE</u>      | <u>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</u> |
|---|-------------------|-------------------------|-------------------------|------------------|------------------|---|
| <b>REVENUE:</b>   |                   |                         |                         |                  |                  |   |
| Taxes   | \$ 72,112         |                         |                         |                  |                  | \$ 72,112                               |
| Intergovernmental   | 50,494            | \$ 35,195               | \$ 12,398               |                  |                  | 98,087                                  |
| Charges for services  | 26,738            |                         |                         |                  |                  | 26,738                                  |
| Protection  |                   |                         |                         | \$ 36,324        | \$ 53,141        | 89,465                                  |
| Miscellaneous   | <u>39,629</u>     | <u>10,633</u>           | <u>4,689</u>            | <u>4,556</u>     | <u>2,555</u>     | <u>62,062</u>                           |
| <b>TOTAL REVENUE</b>  | <u>188,974</u>    | <u>45,828</u>           | <u>17,087</u>           | <u>40,880</u>    | <u>55,695</u>    | <u>348,464</u>                          |
| <b>EXPENDITURES:</b>  |                   |                         |                         |                  |                  |   |
| Administration  | 31,196            |                         |                         |                  |                  | 31,196                                  |
| Streets   |                   | 8,318                   | 13,229                  |                  |                  | 21,546                                  |
| Buildings and grounds   | 13,130            |                         |                         |                  |                  | 13,130                                  |
| Public safety   | 32,512            |                         |                         | 33,720           | 39,298           | 105,530                                 |
| Public works  | 35,006            |                         |                         |                  |                  | 35,006                                  |
| Park department   | 22,186            |                         |                         |                  |                  | 22,186                                  |
| Sanitation  | 20,765            |                         |                         |                  |                  | 20,765                                  |
| Capital outlay  | <u>8,126</u>      |                         |                         |                  |                  | <u>8,126</u>                            |
| <b>TOTAL EXPENDITURES</b>   | <u>162,921</u>    | <u>8,318</u>            | <u>13,229</u>           | <u>33,720</u>    | <u>39,298</u>    | <u>257,485</u>                          |
| <b>EXCESS OF REVENUE OVER<br/>EXPENDITURES</b>                                      | <u>26,053</u>     | <u>37,511</u>           | <u>3,858</u>            | <u>7,160</u>     | <u>16,398</u>    | <u>90,979</u>                           |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                   |                         |                         |                  |                  |   |
| Operating transfer in   |                   |                         | 7,435                   |                  |                  | 7,435                                   |
| Operating transfer out  |                   | <u>(7,435)</u>          |                         |                  |                  | <u>(7,435)</u>                          |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>   |                   | <u>(7,435)</u>          | <u>7,435</u>            |                  |                  | <u>-</u>                                |
| <b>EXCESS OF REVENUE AND<br/>OTHER SOURCES OVER<br/>EXPENDITURES AND OTHER USES</b> | <u>26,053</u>     | <u>30,075</u>           | <u>11,294</u>           | <u>7,160</u>     | <u>16,398</u>    | <u>90,979</u>                           |
| <b>FUND BALANCE - APRIL 1</b>   | 104,215           | 248,746                 | 113,574                 | 3,059            | 51,427           | 521,021                                 |
| <b>FUND BALANCE - MARCH 31</b>  | <u>\$ 130,268</u> | <u>\$ 278,821</u>       | <u>\$ 124,868</u>       | <u>\$ 10,219</u> | <u>\$ 67,825</u> | <u>\$ 612,000</u>                       |

**VILLAGE OF AKRON, MICHIGAN**

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2007**

**Net change in fund balances - governmental funds** **\$ 90,979**

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

Governmental funds report capital outlays as expenditures. However, in the *Statement of Activities*, assets with an initial individual cost of more than \$1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

|                      |                 |          |
|----------------------|-----------------|----------|
| Capital outlays      | 10,280          |          |
| Depreciation expense | <u>(27,564)</u> | (17,284) |

Fire apparatus repayments are reflected as an expenditure in the governmental funds but are not reflected in the *Statements of Activities*. 16,044

The net revenue (loss) of certain activities of internal service fund is reported with governmental activities. 9,548

**Change in net assets of governmental activities** \$ 99,288

**VILLAGE OF AKRON, MICHIGAN**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
MARCH 31, 2007**

|   | <b>BUSINESS-TYPE ACTIVITIES<br/>ENTERPRISE FUNDS</b> |              |               | <b>GOVERNMENTAL<br/>ACTIVITIES<br/>INTERNAL<br/>SERVICE FUND</b> |
|---|--|--------------|---------------|--|
|   | <b>SEWER</b>   | <b>WATER</b> | <b>TOTALS</b> |  |
| <b>ASSETS</b>   |  |              |               |  |
| <b>Current assets:</b>  |  |              |               |  |
| Cash  | \$ 17,764  | \$ 134,392   | \$ 152,156    | \$ 66,770  |
| Accounts receivable   | 7,169  | 10,090       | 17,259        |  |
| Accrued interest receivable   | -  | 324          | 324           |  |
| <b>Total current assets</b>   | 24,933   | 144,806      | 169,739       | 66,770   |
| <b>Noncurrent:</b>  |  |              |               |  |
| Capital assets  | 1,929,754  | 467,885      | 2,397,639     | 114,211  |
| Less accumulated depreciation   | (960,779)  | (251,466)    | (1,212,245)   | (87,520)   |
| <b>Total noncurrent assets</b>  | 968,975  | 216,419      | 1,185,394     | 26,691   |
| <b>Other assets:</b>  |  |              |               |  |
| Cash-Capital improvements   | 67,009   |              | 67,009        |  |
| <b>TOTAL ASSETS</b>   | \$ 1,060,916   | \$ 361,225   | \$ 1,422,141  | \$ 93,460  |
| <br><b>LIABILITIES</b>  |  |              |               |  |
| <b>Current liabilities:</b>   |  |              |               |  |
| Accounts payable  | \$ 3,024   | \$ 721       | \$ 3,744      |  |
| Current portion of loan   |  | 6,999        | 6,999         |  |
| Accrued interest payable  |  | 967          | 967           |  |
| <b>Total current</b>  | 3,024  | 8,687        | 11,711        |  |
| <b>Noncurrent:</b>  |  |              |               |  |
| Loan payable  |  | 48,110       | 48,110        |  |
| <b>Total liabilities</b>  | 3,024  | 56,797       | 59,820        |  |
| <br><b>NET ASSETS</b>   |  |              |               |  |
| Invested in capital assets, net of related debt   | 968,975  | 161,310      | 1,130,285     | \$ 26,691  |
| Restricted for:   |  |              |               |  |
| Capital improvements  | 67,009   |              | 67,009        |  |
| Unrestricted  | 21,909   | 143,118      | 165,027       | 66,769   |
| <b>Total net assets</b>   | \$ 1,057,892   | \$ 304,428   | 1,362,321     | \$ 93,460  |
| Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds |  |              | 5,992         |  |
| Net assets of business-type activities  |  |              | \$ 1,368,313  |  |

**VILLAGE OF AKRON, MICHIGAN**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED MARCH 31, 2007**

|   | <b>BUSINESS-TYPE ACTIVITIES<br/>ENTERPRISE FUNDS</b> |                   |                    | <b>GOVERNMENTAL<br/>ACTIVITIES<br/>INTERNAL<br/>SERVICE FUND</b> |
|---|--|-------------------|--------------------|--|
|   | <u>SEWER</u>   | <u>WATER</u>      | <u>TOTALS</u>      |  |
|   |  |                   |                    | <u>INTERNAL<br/>SERVICE FUND</u>                                 |
| <b>OPERATING REVENUE:</b>   |  |                   |                    |  |
| Charges for services  | \$ 27,809  | \$ 40,158         | \$ 67,966          | \$ 34,763  |
| Property taxes  |  | 13,266            | 13,266             |  |
| <b>TOTAL OPERATING REVENUE</b>  | <u>27,809</u>  | <u>53,424</u>     | <u>81,233</u>      | <u>34,763</u>  |
| <b>OPERATING EXPENSES:</b>  |  |                   |                    |  |
| Salaries  | 7,414  | 5,683             | 13,097             | 4,672  |
| Employee benefits   | 2,839  | 2,184             | 5,023              | 1,874  |
| Office supplies   | 413  | 958               | 1,371              | 42   |
| Operating supplies  | 110  | 441               | 551                | 2,850  |
| Administrative fee  |  | 107               | 107                | 1,108  |
| Contracted services   | 1,148  | 2,945             | 4,092              | -  |
| Professional fees   | 1,643  | 1,496             | 3,139              | 757  |
| Insurance   | -  | 777               | 777                | 2,378  |
| Utilities   | 2,911  | 6,908             | 9,819              |  |
| Repairs and maintenance   | 500  | -                 | 500                | 2,139  |
| Operations board expense  | 9,671  |                   | 9,671              |  |
| Equipment rental  | 3,802  | 2,855             | 6,657              |  |
| Depreciation  | 38,066   | 15,655            | 53,721             | 9,170  |
| <b>TOTAL OPERATING EXPENSES</b>   | <u>68,517</u>  | <u>40,008</u>     | <u>108,525</u>     | <u>24,989</u>  |
| <b>OPERATING INCOME (LOSS)</b>  | <u>(40,708)</u>                                      | <u>13,416</u>     | <u>(27,293)</u>    | <u>9,773</u>   |
| <b>NONOPERATING REVENUE (EXPENSES):</b>   |  |                   |                    |  |
| Interest on investments   | 3,685  | 4,617             | 8,302              | 1,646  |
| Interest expense  |  | (2,528)           | (2,528)            |  |
| <b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>  | <u>3,685</u>   | <u>2,090</u>      | <u>5,774</u>       | <u>1,646</u>   |
| <b>CHANGE IN NET ASSETS</b>   | <u>(37,024)</u>                                      | <u>15,505</u>     | <u>(21,518)</u>    | <u>11,419</u>  |
| <b>TOTAL NET ASSETS - BEGINNING</b>   | 1,094,916  | 288,923           |                    | 82,041   |
| <b>TOTAL NET ASSETS - ENDING</b>  | <u>\$ 1,057,892</u>                                  | <u>\$ 304,428</u> |                    | <u>\$ 93,460</u>   |
| Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds |  |                   | <u>1,871</u>       |  |
| Changes in net assets of business-type activities   |  |                   | <u>\$ (19,647)</u> |  |

**VILLAGE OF AKRON, MICHIGAN**

**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS  
FOR THE YEAR ENDED MARCH 31, 2007**

|  | <u>SEWER</u>     | <u>WATER</u>      | <u>TOTAL</u>      | <u>GOVERNMENTAL<br/>ACTIVITIES<br/>INTERNAL<br/>SERVICE FUND</u> |
|--|------------------|-------------------|-------------------|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                           |                  |                   |                   |  |
| Receipts from customers  | \$ 27,383        | \$ 39,415         | \$ 66,798         |  |
| Property taxes collected   |                  | 13,266            | 13,266            |  |
| Receipts from interfund services                                       |                  |                   |                   | \$ 34,763  |
| Payments to suppliers of goods and services                            | (17,730)         | (13,617)          | (31,347)          | (9,295)  |
| Payments to interfund services   | (3,802)          | (2,855)           | (6,657)           |  |
| Payments to employees  | (7,414)          | (5,683)           | (13,097)          | (4,672)  |
| Payments for fringe benefits   | (2,839)          | (2,184)           | (5,023)           | (1,874)  |
| <b>NET CASH PROVIDED (USED) BY<br/>OPERATING ACTIVITIES</b>            | <u>(4,402)</u>   | <u>28,342</u>     | <u>23,940</u>     | <u>18,922</u>  |
| <b>CASH FLOWS FROM CAPITAL AND<br/>RELATED FINANCING ACTIVITIES:</b>   |                  |                   |                   |  |
| Principal paid on note   |                  | (6,712)           | (6,712)           |  |
| Interest paid on note  |                  | (2,645)           | (2,645)           |  |
| <b>NET CASH (USED) BY CAPITAL AND<br/>RELATED FINANCING ACTIVITIES</b> |                  | <u>(9,357)</u>    | <u>(9,357)</u>    |  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                           |                  |                   |                   |  |
| Interest on investments  | 3,685            | 4,607             | 8,292             | 1,646  |
| <b>NET INCREASE (DECREASE) IN CASH</b>                                 | <u>(718)</u>     | <u>23,593</u>     | <u>22,875</u>     | <u>20,568</u>  |
| <b>CASH AND RESTRICTED CASH - APRIL 1</b>                              | 85,491           | 110,799           | 196,290           | 46,202   |
| <b>CASH AND RESTRICTED CASH - MARCH 31</b>                             | <u>\$ 84,773</u> | <u>\$ 134,392</u> | <u>\$ 219,165</u> | <u>\$ 66,770</u>   |
| <b>Cash Reconciliation:</b>  |                  |                   |                   |  |
| Cash in bank   | \$ 17,764        | \$ 134,392        | \$ 152,156        | \$ 66,770  |
| Restricted cash-Capital improvements                                   | 67,009           |                   | 67,009            |  |
| <b>Total</b>   | <u>\$ 84,773</u> | <u>\$ 134,392</u> | <u>\$ 219,165</u> | <u>\$ 66,770</u>   |

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF AKRON, MICHIGAN**

**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS  
FOR THE YEAR ENDED MARCH 31, 2007**

|  | <u>SEWER</u>      | <u>WATER</u>     | <u>TOTAL</u>     | <u>GOVERNMENTAL<br/>ACTIVITIES<br/>INTERNAL<br/>SERVICE FUND</u> |
|--|-------------------|------------------|------------------|--|
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b> |                   |                  |                  |  |
| Operating income (loss)  | \$ (40,708)       | \$ 13,416        | \$ (27,292)      | \$ 9,773   |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities-       |                   |                  |                  |  |
| Depreciation   | 38,066            | 15,655           | 53,721           | 9,170  |
| Change in assets and liabilities:  |                   |                  |                  |  |
| (Increase) in accounts receivable  | (234)             | (743)            | (977)            |  |
| (Decrease) Increase in accounts payable  | (1,526)           | 14               | (1,512)          | (21)   |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>  | <b>\$ (4,402)</b> | <b>\$ 28,342</b> | <b>\$ 23,940</b> | <b>\$ 18,922</b>   |

## VILLAGE OF AKRON, MICHIGAN

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the Village are discussed below.

#### Reporting Entity

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB 14 pronouncement. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Village's reporting entity.

Excluded from the reporting entity:

**Akron-Fairgrove School District** - This potential component unit has a separate elected board and provides services to local residents of the Akron and Fairgrove, Michigan area. The Village does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

**Board of Operations Akron-Fairgrove Wastewater** - The Village of Akron and the Village of Fairgrove jointly appoint the board members of the Board of Operations. The Board of Operations is a separate reporting entity with a separate financial statement issued annually. Although the Board of Operations is not considered a component unit, it is considered a jointly governed organization by the Village of Akron and the Village of Fairgrove. The Board operates a raw sewage treatment facility (lagoon) for the Village of Akron and the Village of Fairgrove. The Board of Operations generates revenue by monthly user fees based on gallons pumped by the two Villages. The Village of Akron user fees amounted to \$9,671 the fiscal year ended March 31, 2007. The Villages do not have the ability to exercise influence or control over its daily operations. The related party payable for the fiscal year ended March 31, 2007 is \$2,350 and is included in the Sewer Funds Accounts Payable.

#### Government Wide and Fund Financial Statements:

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's public safety and general administrative services are classified as governmental activities. The Village sewer system and water system are classified as business-type activities.

# VILLAGE OF AKRON, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### Government Wide and Fund Financial Statements: (Continued)

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. 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 charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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.

#### 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Village are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

State revenue sharing, charges for services, and earned but unreimbursed state and federal grants 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. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Village.

(CONTINUED)

# VILLAGE OF AKRON, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

The accounts of the Village are organized on the basis of funds, 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, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Village reports the following major 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 that are legally restricted to expenditures for specified purposes. The Major Street Fund and the Local Street Fund are special revenue funds used to account for revenue from state revenue sharing. The Fire Fund is a special revenue fund used to account for revenue from charges for service for fire protection. The Police Fund is a special revenue fund used to account for revenue from charges for service for police protection.

The Village reports the following major proprietary funds:

**Enterprise Funds** - The Sewer Fund is used to account for the sewer operations in the Village and the Water Fund provides water to residents of the Village.

Additionally, the Village reports the following nonmajor fund type:

**Internal Service Funds (Equipment Rental Fund)** - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the utility enterprise funds and the Village's internal service fund are charges to customers for use of the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

# VILLAGE OF AKRON, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### Budgets and Budgetary Accounting:

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

1. In accordance with the Village charter, prior to March 1, the Village Clerk 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 for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Village submits the budget in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31 the budget is legally enacted through passage of a resolution.
4. The Village Clerk presents a monthly report to the Village Council explaining any variance from the approved budget.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse at the end of each fiscal year.
8. The Village Council may authorize supplemental appropriations during the year. Budget amendments are approved at monthly council meetings. The Village Council did approve amendments to the adopted budget for the fiscal year ended March 31, 2007.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the Major Funds are presented as Required Supplemental information.

#### Cash and Cash Equivalents:

Cash and cash equivalents of the Village include cash on hand and all deposits with financial institutions, including all certificates of deposits.

#### Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Other receivables at March 31, 2007 consist of billings for user charged services, including utility services.

#### Property Taxes:

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through September 1. The Village bills and collects its own property taxes. Village property tax revenue is recognized as revenue in the fiscal year levied to the extent that they are measurable and available in accordance with NCGA interpretation 3 (Revenue Recognition - Property Taxes).

**VILLAGE OF AKRON, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets 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 estimated useful lives:

| <u>Assets</u>                     | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings                         | 20 to 50     |
| Office equipment                  | 5 to 7       |
| Machinery and equipment           | 5 to 7       |
| Vehicles                          | 5            |
| Improvements other than buildings | 15 to 20     |
| Sewer collection and water system | 10 to 50     |

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental fund Statement of Net Assets. Depreciation expense for the year ended March 31, 2007, was \$36,734. Capital asset acquisitions in the governmental funds totaled \$10,280 for the year ended March 31, 2007. A summary of Governmental Fund Capital assets at March 31, 2007, follows:

|   | <b>March 31,</b>         |                          |
|---|--------------------------|--------------------------|
|   | <b><u>2007</u></b>       | <b><u>2006</u></b>       |
| Land  | \$ 2,000                 | \$ 2,000                 |
| Buildings                                   | 123,933                  | 123,933                  |
| Equipment                                   | 407,955                  | 397,675                  |
| Infrastructure                              | 16,650                   | 16,650                   |
| Internal Service Fund assets                | <u>114,211</u>           | <u>114,211</u>           |
| Total capital assets                        | 664,749                  | 654,469                  |
| Less accumulated depreciation               | <u>(545,413)</u>         | <u>(508,679)</u>         |
| <b>Net Governmental Fund Capital Assets</b> | <b><u>\$ 119,336</u></b> | <b><u>\$ 145,790</u></b> |

(CONTINUED)

**VILLAGE OF AKRON, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Capital Assets: (Continued)**

Depreciation of capital assets used by business-type funds is charged as an expense against their operations. Accumulated depreciation is reported on business-type fund balance sheets. Depreciation expense for the year ended March 31, 2007, was \$53,721. There were no capital asset acquisitions or disposals in the business-type funds for the year ended March 31, 2007. A summary of Business-Type Fund capital assets at March 31, 2007, follows:

|   | <b>March 31,</b>           |                            |
|---|----------------------------|----------------------------|
|   | <b><u>2007</u></b>         | <b><u>2006</u></b>         |
| Land                                    | \$ 83,034                  | \$ 83,034                  |
| Water system                            | 466,617                    | 466,617                    |
| Sewer system                            | <u>1,847,988</u>           | <u>1,847,988</u>           |
| Total capital assets                    | 2,397,639                  | 2,397,639                  |
| Less accumulated depreciation           | <u>(1,212,245)</u>         | <u>(1,158,524)</u>         |
| <b>Net Business Type Capital Assets</b> | <b><u>\$ 1,185,394</u></b> | <b><u>\$ 1,239,115</u></b> |

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

|   |                 |
|---|-----------------|
| Governmental activities:                                |                 |
| General government                                      | \$ 7,469        |
| Public safety   | 17,061          |
| Highways and public improvement                         | 3,034           |
| Equipment rental service                                | 9,170           |
| Total depreciation expense -<br>governmental activities | <u>\$36,734</u> |
| Business-type activities:                               |                 |
| Utility service   | <u>\$53,721</u> |

**Long-term Debt:**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Compensated Absences:**

The Village of Akron employees are allowed to accumulate a maximum of sixty days of sick leave. In the event of death, termination of employment or retirement of an employee, sick leave accumulation is paid to the employee at one-half his current rate of pay. There is no accumulation of unused vacation days allowed. The compensated absences accrual for the year ended March 31, 2007 is insignificant and not reported in governmental funds or government-wide statements.

(CONTINUED)

**VILLAGE OF AKRON, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Use of Estimates:**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statement. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 - CASH DEPOSITS:**

Michigan Compiled Laws Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an 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; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and 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 involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority. The Village has authorized management to deposit and invest in the accounts of federally insured banks and savings and loan associations within the State of Michigan and bonds, securities and other obligations of the United States, or any agency of the United States in which the principal and interest is fully guaranteed by the United States. The Village's deposits and investments are within the authorization as set forth by the Village of Akron. The Village's investment policy does not identify interest rate risk, foreign currency risk or concentration credit risk.

The carrying amount of cash and deposits with financial institutions of the Village of Akron amounted to \$885,252 at March 31, 2007. Of the deposits, \$67,009 is restricted for capital improvements. The total bank balance as of the same date was \$892,552. Deposits with financial institutions are categorized as follows:

|   |                         |
|---|-------------------------|
| Amount insured by the FDIC                        | \$200,000               |
| Amount insured by the NCUA                        | 67,009                  |
| Uncollateralized/uninsured                        | <u>652,543</u>          |
| <b>Total deposits with financial institutions</b> | <b><u>\$892,552</u></b> |

All deposits categorized as uncollateralized are the property of the Village of Akron.

The amount of uncollateralized deposits throughout the fiscal year did not significantly exceed the amount of uncollateralized deposits at March 31, 2007.

**VILLAGE OF AKRON, MICHIGAN**

**NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2007**

**NOTE 3 – LONG-TERM DEBT:**

The Village of Akron purchased a commercial fire pumper in the amount of \$158,124 on March 29, 1999. The Village of Akron helped finance this purchase with a note payable in the amount of \$99,999 from a local bank. The note is secured by the commercial fire pumper. The note terms are annual installments on May 15, in the amount of \$17,500 including interest. The note carries a fixed interest rate of 5.25% per annum. The note was paid in full on April 6, 2006.

The Village of Akron drilled and tested a new water well. To help finance the project the Village obtained a loan from Chemical Bank. Following is a payment schedule and the terms of the note.

| <u>YEARS ENDING</u> | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>TOTAL</u>    |
|---------------------|------------------|-----------------|-----------------|
| 2008                | \$ 6,999         | \$2,359         | \$ 9,358        |
| 2009                | 7,295            | 2,063           | 9,358           |
| 2010                | 7,611            | 1,747           | 9,358           |
| 2011                | 7,937            | 1,421           | 9,358           |
| 2012                | 8,277            | 1,081           | 9,358           |
| 2013 – 2014         | <u>16,990</u>    | <u>1,086</u>    | <u>18,076</u>   |
|                     | <u>\$55,109</u>  | <u>\$9,757</u>  | <u>\$64,866</u> |

Payment of the note is due in annual installments of \$9,358 including interest of 4.24% per annum. The note matures on November 1, 2013.

**NOTE 4 – INTERFUND TRANSFERS:**

Transfers were made between funds to subsidize operations. Interfund transfers reported in the fund statements are as follows:

|              | <u>Operating<br/>Transfer In</u> |              | <u>Operating<br/>Transfer Out</u> |
|--------------|----------------------------------|--------------|-----------------------------------|
| Local Street | \$ 7,435                         | Major Street | \$ 7,435                          |

**NOTE 5 - CONTINGENT LIABILITY:**

The Village is a reimbursing employer for purposes of unemployment insurance claims against the Village. The Village reimburses the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. The contingent liability for unemployment insurance claims is not recognized in the accompanying financial statements. This expense is recognized as incurred.

**NOTE 6 - RISK MANAGEMENT:**

**General Liability:**

Village of Akron participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$894,720 for real and personal property losses and \$2 million for liability losses. Village of Akron is required to pay annual premiums to the Michigan Municipal Liability and Property Pool for the liability coverage. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(CONTINUED)

**VILLAGE OF AKRON, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

**NOTE 6 - RISK MANAGEMENT: (CONTINUED)**

**Worker's Compensation:**

Village of Akron participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool for the coverage of losses related to worker's compensation claims. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$500,000. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**Employee Health Care:**

Village of Akron purchased commercial insurance coverage for its employee and dependents.

**VILLAGE OF AKRON, MICHIGAN**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2007**

|                                   | <u>BUDGET</u>   |                | <u>ACTUAL</u>  | <u>VARIANCE<br/>FAVORABLE<br/>(UNFAVORABLE)</u> |
|-----------------------------------|-----------------|----------------|----------------|---|
|                                   | <u>ORIGINAL</u> | <u>FINAL</u>   |                |   |
| <b>REVENUE:</b>                   |                 |                |                |   |
| <b>Taxes:</b>                     |                 |                |                |   |
| Current property taxes            | \$ 76,968       | \$ 76,968      | \$ 72,112      | \$ (4,856)                                      |
| <b>Intergovernmental:</b>         |                 |                |                |   |
| State revenue sharing             | 51,486          | 51,486         | 50,494         | (992)   |
| <b>Charges for services:</b>      |                 |                |                |   |
| Garbage service                   | 28,000          | 28,000         | 25,943         | (2,057)   |
| Penalties and interest            | 700             | 700            | 796            | 96  |
| <b>Total charges for services</b> | <u>28,700</u>   | <u>28,700</u>  | <u>26,738</u>  | <u>(1,962)</u>                                  |
| <b>Miscellaneous:</b>             |                 |                |                |   |
| Interest income                   | 2,000           | 2,000          | 2,865          | 865   |
| Miscellaneous                     | 19,800          | 19,800         | 36,764         | 16,964  |
| <b>Total miscellaneous</b>        | <u>21,800</u>   | <u>21,800</u>  | <u>39,629</u>  | <u>17,829</u>                                   |
| <b>TOTAL REVENUE</b>              | <u>178,954</u>  | <u>178,954</u> | <u>188,974</u> | <u>10,020</u>                                   |
| <b>EXPENDITURES:</b>              |                 |                |                |   |
| <b>Administration:</b>            |                 |                |                |   |
| Salaries-Elected officials        | 28,000          | 28,000         | 14,137         | 13,863  |
| Employee benefits                 | 9,445           | 13,826         | 1,081          | 12,745  |
| Printing and supplies             | 2,500           | 2,500          | 1,473          | 1,027   |
| Accounting and audit fees         | 2,600           | 2,600          | 2,234          | 366   |
| Contracted services               | 1,600           | 1,600          | 1,596          | 4   |
| Insurance and bonds               | 8,000           | 8,000          | 7,339          | 661   |
| Legal fees                        | 2,000           | 2,000          | 471            | 1,529   |
| Telephone                         | 600             | 600            | 703            | (103)   |
| Publishing of legal notices       | 500             | 500            | 252            | 248   |
| Miscellaneous                     | 1,000           | 1,100          | 1,394          | (294)   |
| Membership dues                   | 100             | 160            | 208            | (48)  |
| Conferences and workshops         | 100             | 350            | 308            | 42  |
| <b>Total administration</b>       | <u>56,445</u>   | <u>61,236</u>  | <u>31,196</u>  | <u>30,040</u>                                   |

**VILLAGE OF AKRON, MICHIGAN**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2007**

|                                      | <u>BUDGET</u>   |               | <u>ACTUAL</u> | <u>VARIANCE<br/>FAVORABLE<br/>(UNFAVORABLE)</u> |
|--------------------------------------|-----------------|---------------|---------------|---|
|                                      | <u>ORIGINAL</u> | <u>FINAL</u>  |               |   |
| <b>EXPENDITURES: (CONTINUED)</b>     |                 |               |               |   |
| <b>Buildings and grounds:</b>        |                 |               |               |   |
| Salaries                             | 3,000           | 5,000         | 4,800         | 200   |
| Employee benefits                    | 2,000           | 2,000         | 1,838         | 162   |
| Contracted services                  | 1,500           | 1,500         |               | 1,500   |
| Utilities                            | 4,300           | 4,300         | 3,784         | 516   |
| Repairs and maintenance              | 500             | 1,200         | 1,101         | 99  |
| Miscellaneous                        | 1,000           | 1,000         | 663           | 337   |
| Insurance                            | 1,000           | 1,000         | 652           | 348   |
| Supplies                             | 1,000           | 1,000         | 292           | 708   |
| <b>Total buildings and grounds</b>   | <u>14,300</u>   | <u>17,000</u> | <u>13,130</u> | <u>3,870</u>                                    |
| <b>Public safety:</b>                |                 |               |               |   |
| Fire department                      | 7,514           | 7,514         | 7,514         | -   |
| Police department                    | 24,998          | 24,998        | 24,998        | -   |
| <b>Total public safety</b>           | <u>32,512</u>   | <u>32,512</u> | <u>32,512</u> | <u>-</u>  |
| <b>Public works department:</b>      |                 |               |               |   |
| Salaries                             | 7,000           | 7,000         | 7,314         | (314)   |
| Employee benefits                    | 5,000           | 5,000         | 2,800         | 2,200   |
| Street lighting                      | 15,000          | 15,000        | 13,091        | 1,909   |
| Equipment rental                     | 7,200           | 8,000         | 8,086         | (86)  |
| Christmas decorations                | 200             | 200           | 45            | 155   |
| Contracted services                  | 2,500           | 2,900         | 2,833         | 67  |
| Parking lot maintenance              | 17,000          | 17,000        | -             | 17,000  |
| Tools and supplies                   | 2,000           | 2,000         | 188           | 1,812   |
| Miscellaneous                        | 1,400           | 1,636         | 649           | 987   |
| <b>Total public works department</b> | <u>57,300</u>   | <u>58,736</u> | <u>35,006</u> | <u>23,730</u>                                   |
| <b>Park department:</b>              |                 |               |               |   |
| Salaries                             | 9,000           | 9,000         | 5,563         | 3,437   |
| Employee benefits                    | 4,000           | 4,000         | 2,130         | 1,870   |
| Utilities                            | 1,500           | 1,500         | 2,168         | (668)   |
| Repairs and maintenance              | 500             | 500           |               | 500   |
| Equipment rental                     | 8,000           | 10,300        | 10,260        | 40  |
| Insurance                            | 300             | 300           | 126           | 174   |
| Materials and supplies               | 4,400           | 7,500         | 1,939         | 5,561   |
| <b>Total park department</b>         | <u>27,700</u>   | <u>33,100</u> | <u>22,186</u> | <u>10,914</u>                                   |

**VILLAGE OF AKRON, MICHIGAN**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2007**

|  | <u>BUDGET</u>    |                  | <u>ACTUAL</u>     | <u>VARIANCE<br/>FAVORABLE<br/>(UNFAVORABLE)</u> |
|--|------------------|------------------|-------------------|---|
|  | <u>ORIGINAL</u>  | <u>FINAL</u>     |                   |   |
| <b>EXPENDITURES: (CONTINUED)</b>                       |                  |                  |                   |   |
| <b>Sanitation:</b>                                     |                  |                  |                   |   |
| Contracted services-garbage                            | <u>22,400</u>    | <u>22,400</u>    | <u>20,765</u>     | <u>1,635</u>                                    |
| <b>Capital outlay:</b>                                 |                  |                  |                   |   |
| Administration   | 3,000            | 4,500            | 4,195             | 305   |
| Buildings and grounds                                  | 1,000            | 1,500            | 1,100             | 400   |
| Public works   | 750              | 750              |                   | 750   |
| Park department  | <u>1,000</u>     | <u>2,500</u>     | <u>2,831</u>      | <u>(331)</u>                                    |
| <b>Total capital outlay</b>                            | <u>5,750</u>     | <u>9,250</u>     | <u>8,126</u>      | <u>1,124</u>                                    |
| <b>TOTAL EXPENDITURES</b>                              | <u>216,407</u>   | <u>234,234</u>   | <u>162,921</u>    | <u>71,313</u>                                   |
| <b>EXCESS OF REVENUE OVER<br/>(UNDER) EXPENDITURES</b> | <u>(37,453)</u>  | <u>(55,280)</u>  | <u>26,053</u>     | <u>81,333</u>                                   |
| <b>FUND BALANCE - APRIL 1</b>                          | 104,215          | 104,215          | 104,215           |   |
| <b>FUND BALANCE - MARCH 31</b>                         | <u>\$ 66,762</u> | <u>\$ 48,935</u> | <u>\$ 130,268</u> | <u>\$ 81,333</u>                                |

**VILLAGE OF AKRON, MICHIGAN**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - MAJOR STREET FUND  
FOR THE YEAR ENDED MARCH 31, 2007**

|   | <b>BUDGET</b>     |                   | <b>ACTUAL</b>     | <b>VARIANCE<br/>FAVORABLE<br/>(UNFAVORABLE)</b> |
|---|-------------------|-------------------|-------------------|---|
|   | <b>ORIGINAL</b>   | <b>FINAL</b>      |                   |   |
| <b>REVENUE:</b>   |                   |                   |                   |   |
| Intergovernmental:  |                   |                   |                   |   |
| County - Road improvement                                     | \$ 10,000         | \$ 10,000         | \$ 5,453          | \$ (4,547)                                      |
| Gas and weight tax  | 31,000            | 31,000            | 29,742            | (1,258)   |
| Miscellaneous:  |                   |                   |                   |   |
| Interest income   | 4,000             | 4,000             | 10,633            | 6,633   |
| Miscellaneous   | 200               | 200               | -                 | (200)   |
| <b>TOTAL REVENUE</b>  | <b>45,200</b>     | <b>45,200</b>     | <b>45,828</b>     | <b>628</b>                                      |
| <b>EXPENDITURES:</b>  |                   |                   |                   |   |
| Construction  | 2,525             | 2,525             | 76                | 2,449   |
| Routine maintenance   | 4,400             | 5,200             | 4,536             | 664   |
| Traffic services  | 1,450             | 1,450             | 895               | 555   |
| Winter maintenance  | 2,800             | 2,800             | 1,278             | 1,522   |
| Administrative  | 1,870             | 1,870             | 1,532             | 338   |
| <b>TOTAL EXPENDITURES</b>                                     | <b>13,045</b>     | <b>13,845</b>     | <b>8,318</b>      | <b>5,527</b>                                    |
| <b>EXCESS OF REVENUE OVER<br/>EXPENDITURES</b>                | <b>32,155</b>     | <b>31,355</b>     | <b>37,511</b>     | <b>6,156</b>                                    |
| <b>OTHER FINANCING (USES):</b>                                |                   |                   |                   |   |
| Operating transfers out                                       | (9,675)           | (7,435)           | (7,435)           | -   |
| <b>EXCESS OF REVENUE OVER<br/>EXPENDITURES AND OTHER USES</b> | <b>22,480</b>     | <b>23,920</b>     | <b>30,075</b>     | <b>6,156</b>                                    |
| <b>FUND BALANCE - APRIL 1</b>                                 | 248,746           | 248,746           | 248,746           |   |
| <b>FUND BALANCE - MARCH 31</b>                                | <b>\$ 271,226</b> | <b>\$ 272,666</b> | <b>\$ 278,821</b> | <b>\$ 6,156</b>                                 |

**VILLAGE OF AKRON, MICHIGAN**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - LOCAL STREET FUND  
FOR THE YEAR ENDED MARCH 31, 2007**

|  | <u>BUDGET</u>     |                   |                   | <u>VARIANCE</u>      |
|--|-------------------|-------------------|-------------------|----------------------|
|  | <u>ORIGINAL</u>   | <u>FINAL</u>      | <u>ACTUAL</u>     | <u>FAVORABLE</u>     |
|  |                   |                   |                   | <u>(UNFAVORABLE)</u> |
| <b>REVENUE:</b>  |                   |                   |                   |                      |
| Intergovernmental:   |                   |                   |                   |                      |
| Gas and weight tax   | \$ 8,300          | \$ 8,300          | \$ 9,685          | \$ 1,385             |
| Voted bridge tax   | 2,800             | 2,800             | 2,713             | (87)                 |
| Miscellaneous:   |                   |                   |                   |                      |
| Interest income  | <u>1,500</u>      | <u>1,500</u>      | <u>4,689</u>      | <u>3,189</u>         |
| <b>TOTAL REVENUE</b>   | <u>12,600</u>     | <u>12,600</u>     | <u>17,087</u>     | <u>4,487</u>         |
| <b>EXPENDITURES:</b>   |                   |                   |                   |                      |
| Construction   | 1,500             | 5,300             | 4,329             | 971                  |
| Routine maintenance  | 5,200             | 6,704             | 5,811             | 893                  |
| Traffic services   | 350               | 350               | -                 | 350                  |
| Winter maintenance   | 3,250             | 3,250             | 2,327             | 923                  |
| Administrative   | <u>750</u>        | <u>950</u>        | <u>762</u>        | <u>189</u>           |
| <b>TOTAL EXPENDITURES</b>  | <u>11,050</u>     | <u>16,554</u>     | <u>13,229</u>     | <u>3,325</u>         |
| <b>EXCESS OF REVENUE OVER<br/>(UNDER) EXPENDITURES</b>           | <u>1,550</u>      | <u>(3,954)</u>    | <u>3,858</u>      | <u>7,812</u>         |
| <b>OTHER FINANCING SOURCES:</b>                                  |                   |                   |                   |                      |
| Operating transfers in   | 9,675             | 7,435             | 7,435             | -                    |
| <b>EXCESS OF REVENUE AND OTHER<br/>SOURCES OVER EXPENDITURES</b> | <u>11,225</u>     | <u>3,481</u>      | <u>11,294</u>     | <u>7,812</u>         |
| <b>FUND BALANCE - APRIL 1</b>                                    | 113,574           | 113,574           | 113,574           |                      |
| <b>FUND BALANCE - MARCH 31</b>                                   | <u>\$ 124,799</u> | <u>\$ 117,055</u> | <u>\$ 124,868</u> | <u>\$ 7,812</u>      |

**VILLAGE OF AKRON, MICHIGAN**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - POLICE FUND  
FOR THE YEAR ENDED MARCH 31, 2007**

|  | <u>BUDGET</u>   |                 |                  | <u>VARIANCE</u>      |
|--|-----------------|-----------------|------------------|----------------------|
|  | <u>ORIGINAL</u> | <u>FINAL</u>    | <u>ACTUAL</u>    | <u>FAVORABLE</u>     |
|  |                 |                 |                  | <u>(UNFAVORABLE)</u> |
| <b>REVENUE:</b>                                |                 |                 |                  |                      |
| <b>Protection</b>                              |                 |                 |                  |                      |
| Police protection                              | \$ 36,324       | \$ 36,324       | \$ 36,324        |                      |
| Fines and fees                                 | <u>3,000</u>    | <u>3,000</u>    | <u>3,774</u>     | \$ 774               |
| <b>Total protection</b>                        | <u>39,324</u>   | <u>39,324</u>   | <u>40,098</u>    | <u>774</u>           |
| <b>Miscellaneous:</b>                          |                 |                 |                  |                      |
| Miscellaneous income                           | -               | -               | 120              | 120                  |
| Interest earnings                              | <u>-</u>        | <u>-</u>        | <u>662</u>       | <u>662</u>           |
| <b>Total miscellaneous</b>                     |                 |                 | 782              | 782                  |
| <b>TOTAL REVENUE</b>                           | <u>39,324</u>   | <u>39,324</u>   | <u>40,880</u>    | <u>1,556</u>         |
| <b>EXPENDITURES:</b>                           |                 |                 |                  |                      |
| Salaries and wages                             | 22,421          | 22,421          | 23,141           | (720)                |
| Employee benefits                              | 2,433           | 2,433           | 1,786            | 647                  |
| Office supplies                                | 850             | 1,350           | 752              | 598                  |
| Administrative fees                            | 200             | 200             | 200              | 0                    |
| Education and training                         | 250             | 250             |                  | 250                  |
| Gas and oil                                    | 2,600           | 2,600           | 1,574            | 1,026                |
| Professional fees                              | 400             | 500             | 388              | 112                  |
| Insurance                                      | 4,000           | 4,000           | 2,785            | 1,216                |
| Utilities                                      | 600             | 1,000           | 901              | 99                   |
| Police car maintenance                         | 400             | 740             | 634              | 106                  |
| Uniforms                                       | 400             | 400             | 255              | 145                  |
| Miscellaneous                                  | 800             | 1,770           | 334              | 1,437                |
| Capital outlay                                 | <u>970</u>      | <u>970</u>      | <u>970</u>       | <u>-</u>             |
| <b>TOTAL EXPENDITURES</b>                      | <u>36,324</u>   | <u>38,634</u>   | <u>33,720</u>    | <u>4,914</u>         |
| <b>EXCESS OF REVENUE<br/>OVER EXPENDITURES</b> | <u>3,000</u>    | <u>690</u>      | <u>7,160</u>     | <u>6,470</u>         |
| <b>FUND BALANCE - APRIL 1</b>                  | 3,059           | 3,059           | 3,059            |                      |
| <b>FUND BALANCE - MARCH 31</b>                 | <u>\$ 6,059</u> | <u>\$ 3,749</u> | <u>\$ 10,219</u> | <u>\$ 6,470</u>      |

**VILLAGE OF AKRON, MICHIGAN**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - FIRE FUND  
FOR THE YEAR ENDED MARCH 31, 2007**

|  | <u>BUDGET</u>    |                  | <u>ACTUAL</u>    | <u>VARIANCE</u>                          |
|--|------------------|------------------|------------------|--|
|  | <u>ORIGINAL</u>  | <u>FINAL</u>     |                  | <u>FAVORABLE</u><br><u>(UNFAVORABLE)</u> |
| <b>REVENUE:</b>  |                  |                  |                  |  |
| <b>Fire runs and protection</b>                        | <u>\$ 33,643</u> | <u>\$ 33,643</u> | <u>\$ 53,141</u> | <u>\$ 19,498</u>                         |
| <b>Miscellaneous:</b>                                  |                  |                  |                  |  |
| Miscellaneous income                                   | -                | -                | 500              | 500                                      |
| Interest income  | -                | -                | 2,055            | 2,055                                    |
| <b>Total Miscellaneous</b>                             |                  |                  | 2,555            | 2,555                                    |
| <b>TOTAL REVENUE</b>                                   | <u>33,643</u>    | <u>33,643</u>    | <u>55,695</u>    | <u>22,052</u>                            |
| <b>EXPENDITURES:</b>                                   |                  |                  |                  |  |
| Firemen's pay  | 12,500           | 12,500           | 8,368            | 4,132                                    |
| Employee benefits                                      | 800              | 800              | 640              | 160                                      |
| Supplies   | 2,000            | 2,000            | 2,009            | (9)                                      |
| Professional fees                                      | 800              | 800              | 516              | 284                                      |
| Education and training                                 | 1,000            | 1,000            | -                | 1,000                                    |
| Gas and oil  | 1,800            | 1,800            | 1,103            | 697                                      |
| Insurance  | 3,500            | 3,500            | 2,714            | 786                                      |
| Utilities  | 1,200            | 1,200            | 931              | 269                                      |
| Repairs and maintenance                                | 8,000            | 8,000            | 3,253            | 4,747                                    |
| Miscellaneous  | 600              | 600              | 676              | (76)                                     |
| Memberships and dues                                   | 150              | 150              | 75               | 75                                       |
| Capital outlay   | 600              | 2,600            | 2,154            | 446                                      |
| Debt service   | 17,500           | 17,500           | 16,858           | 642                                      |
| <b>TOTAL EXPENDITURES</b>                              | <u>50,450</u>    | <u>52,450</u>    | <u>39,298</u>    | <u>13,152</u>                            |
| <b>EXCESS OF REVENUE OVER<br/>(UNDER) EXPENDITURES</b> | <u>(16,807)</u>  | <u>(18,807)</u>  | <u>16,398</u>    | <u>35,205</u>                            |
| <b>FUND BALANCE - APRIL 1</b>                          | 51,427           | 51,427           | 51,427           |  |
| <b>FUND BALANCE - MARCH 31</b>                         | <u>\$ 34,620</u> | <u>\$ 32,620</u> | <u>\$ 67,825</u> | <u>\$ 35,205</u>                         |



# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

ROBERT E. LIST, CPA  
STEWART J. REID, CPA  
MICHAEL L. HANISKO, CPA  
DAVID D. QUIMBY, CPA  
KATHLYN M. ENGELHARDT, CPA  
RENAE M. CLEVINGER, CPA  
AMY L. RODRIGUEZ, CPA  
SCOTT A. NIETZKE, CPA

August 15, 2007

WALTER G. WEINLANDER, CPA  
ROY A. SCHAIRER, CPA  
JAMES L. WHALEY, CPA  
JEROME L. YANTZ, CPA  
PHILIP T. SOUTHGATE, CPA  
ROBERT J. DUYCK, CPA

Council Members  
Village of Akron  
Tuscola County, Michigan

In planning and performing our audit of the financial statements of the Village of Akron as of and for the year ended March 31, 2007, in accordance with U.S. generally accepted auditing standards, we considered the Village of Akron's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Akron's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Akron's internal control.

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

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

A material weakness is a significant deficiency, or a 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 Akron's internal control. We believe that the following deficiencies constitute material weaknesses.

## Segregation of Duties

One of the strongest controls in an internal control system is known as "segregation of duties". This means that there are different individuals performing different duties within a specific accounting function. Having multiple individuals performing duties in the same accounting area acts as a check and balance .

1600 CENTER AVENUE  
POST OFFICE BOX 775  
BAY CITY, MI 48707-0775  
989-893-5577  
800-624-2400  
FAX 989-895-5842  
www.wf-cpas.com  
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE,  
GLADWIN AND WEST BRANCH

**RSM! McGladrey Network**

An Independently Owned Member



# WEINLANDER FITZHUGH

Council Members  
Village of Akron  
August 15, 2007  
Page 2

As is common in many small organizations, there is often only a few people, sometimes only one person, performing the accounting and financial functions. And it is also common to have these individuals concentrate their efforts in one area. While this is usually more efficient, it lends to a weakened internal control system. There are generally insufficient checks and balances in place.

This is the situation with the Village of Akron. Due to a limited staff size, the Village of Akron has a lack of segregation of duties with respect to the cash receipt accounting functions because the duties are centralized with two individuals.

## **Safeguarding of Assets**

Another important control in an internal control system is the “safeguarding of assets”. This means there is a secure location for all assets within the organization to prevent misappropriation of assets.

Due to a limited staff size and convenience, the Treasurer has all tax payments mailed directly to her home where she records the collection and performs the bank deposit. Having the payments mailed directly to her home limits the ability of the Village to establish compensating controls over the tax collection process.

The above comments are not intended to reflect on the performance or capability of any employee.

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

*Weinlander Fitzhugh*