

**VILLAGE OF BEULAH, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2014**

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## INDEPENDENT AUDITOR'S REPORT

To the Village Council  
Village of Beulah

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Village of Beulah, Michigan (the "Village") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Beulah, Michigan, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The other information and combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the

combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2015, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC  
Grand Rapids, Michigan  
June 26, 2015

## **Management's Discussion and Analysis**

## Management's Discussion and Analysis

As management of the Village of Beulah, Michigan (The "Village" or "government") we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements.

### Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$3,599,124 (net position). Of this amount, \$1,091,579 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the Village's governmental funds reported combined fund balances of \$1,095,905, a decrease of \$120,260 in comparison with the prior year. Approximately 73% of this amount (\$800,068) is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$800,068, or approximately 214% of current year general fund expenditures.

### Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the Village's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, streets, community and economic development, and culture and recreation. The business-type activities of the Village include water and sewer services.

The government-wide financial statements can be found on pages 15 - 16 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the major streets fund, and the local streets fund, which are considered to be major funds.

The Village adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 17 - 20 of this report.

**Proprietary Funds.** The Village maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprises funds to account for its water and sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Village's various functions.



The Village uses internal service funds to account for equipment costs and allocating the cost to the funds that are using the resources. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer operations, which is considered to be a major fund of the Village.

The basic proprietary fund financial statements can be found on pages 21 - 24 of this report.

***Fiduciary Funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Village maintains one fiduciary fund. The *Agency fund* reports resources held by the Village in a custodial capacity for individuals, private organizations and other governments.

The fiduciary fund financial statement can be found on page 25 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 27 – 40 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Village's budgetary comparison schedules.

Required supplementary information can be found on pages 42 – 44 of this report.

The combining general fund statements are presented immediately following the required supplementary information.

Combining and individual fund statements for all funds consolidated with the general fund can be found on pages 46 – 47 of this report.

## Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$3,599,124 at the close of the most recent fiscal year.

### Village of Beulah Statement of Net Position for Fiscal Years Ended December 31, 2014 and December 31, 2013

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash & Cash Equivalents	\$ 867,004	\$ 958,517	\$ 120,876	\$ 115,889	\$ 987,880	\$ 1,074,406
Due from Agency	261,714	251,926	-	-	261,714	251,926
Receivables (Net)	-	-	57,028	49,940	57,028	49,940
Due from State	10,753	10,474	-	-	10,753	10,474
Prepaid Expenditures	-	5,002	-	1,123	-	6,125
Inventory	379	488	-	-	379	488
<b>Total Current Assets</b>	<b>1,139,850</b>	<b>1,226,407</b>	<b>177,904</b>	<b>166,952</b>	<b>1,317,754</b>	<b>1,393,359</b>
<i>Noncurrent Assets</i>						
Restricted Cash	-	-	296,403	291,487	296,403	291,487
Capital Assets not being Depreciated	29,781	29,781	-	-	29,781	29,781
Capital Assets being Depreciated	887,853	858,561	2,492,469	2,660,371	3,380,322	3,518,932
<b>Total Assets</b>	<b>2,057,484</b>	<b>2,114,749</b>	<b>2,966,776</b>	<b>3,118,810</b>	<b>5,024,260</b>	<b>5,233,559</b>
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	15,714	8,663	2,530	1,859	18,244	10,522
Accrued Payroll & Related Liabilities	7,931	8,324	727	-	8,658	8,324
Accrued Interest	-	-	13,107	14,867	13,107	14,867
Current Portion of Long-term Debt	-	-	83,000	82,000	83,000	82,000
Internal Balances	(18,318)	(18,318)	18,318	18,318	-	-
<b>Total Current Liabilities</b>	<b>5,327</b>	<b>(1,331)</b>	<b>117,682</b>	<b>117,044</b>	<b>123,009</b>	<b>115,713</b>
<i>Noncurrent Liabilities</i>						
Long-term Debt	-	-	1,302,127	1,386,127	1,302,127	1,386,127
<b>Total Liabilities</b>	<b>5,327</b>	<b>(1,331)</b>	<b>1,419,809</b>	<b>1,503,171</b>	<b>1,425,136</b>	<b>1,501,840</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	917,634	888,342	1,107,342	1,192,244	2,024,976	2,080,586
Restricted	186,166	111,688	296,403	291,487	482,569	403,175
Unrestricted	948,357	1,116,050	143,222	131,908	1,091,579	1,247,958
<b>Total Net Position</b>	<b>\$ 2,052,157</b>	<b>\$ 2,116,080</b>	<b>\$ 1,546,967</b>	<b>\$ 1,615,639</b>	<b>\$ 3,599,124</b>	<b>\$ 3,731,719</b>

By far, the largest portion of the Village's net position (56% or \$2,024,976) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Village uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net position (13% or \$482,569) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,091,579 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

The Village's overall net position decreased \$132,594 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

**Governmental Activities.** During the current fiscal year, net position for governmental activities decreased \$63,922 from the prior fiscal year for an ending balance of \$2,052,157. The decrease in the overall net position of governmental activities in comparison with the previous year is the result of greater overall expenses of \$146,453 and a decrease in a capital grant of \$92,015 for the main street improvements.

### Changes in Net Position

<b>Village of Beulah</b>						
<b>Change in Net Position for Fiscal Years Ended December 31, 2014 and December 31, 2013</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Revenue</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 157,296	\$ 111,619	\$ 254,009	\$ 281,585	\$ 411,305	\$ 393,204
Operating Grants & Contributions	53,721	40,816	-	-	53,721	40,816
Capital Grants & Contributions	-	92,015	-	-	-	92,015
<b>Total Program Revenues</b>	<b>211,017</b>	<b>244,450</b>	<b>254,009</b>	<b>281,585</b>	<b>465,026</b>	<b>526,035</b>
<b>General Revenues</b>						
Taxes	262,656	252,084	59,812	57,227	322,468	309,311
State Revenue Sharing	24,139	23,579	-	-	24,139	23,579
Other	-	6,755	-	-	-	6,755
Interest	1,309	2,086	146	170	1,455	2,256
Transfers In (Out)	-	(10,000)	-	10,000	-	-
<b>Total General Revenues &amp; Transfers</b>	<b>288,104</b>	<b>274,504</b>	<b>59,958</b>	<b>67,397</b>	<b>348,062</b>	<b>341,901</b>
<b>Total Revenues</b>	<b>499,121</b>	<b>518,954</b>	<b>313,967</b>	<b>348,982</b>	<b>813,088</b>	<b>867,936</b>
<b>Expenses</b>						
Legislative	32,854	40,447	-	-	-	-
General Government	207,212	150,573	-	-	207,212	150,573
Public Safety	6,420	6,120	-	-	6,420	6,120
Public Works	235,602	137,213	-	-	235,602	137,213
Community & Economic Development	5,282	6,503	-	-	5,282	6,503
Recreation & Culture	75,673	75,734	-	-	75,673	75,734
Water & Sewer	-	-	382,639	350,141	382,639	350,141
<b>Total Expenses</b>	<b>563,043</b>	<b>416,590</b>	<b>382,639</b>	<b>350,141</b>	<b>945,682</b>	<b>766,731</b>
<b>Change in Net Position</b>	<b>(63,922)</b>	<b>102,364</b>	<b>(68,672)</b>	<b>(1,159)</b>	<b>(132,594)</b>	<b>101,205</b>
Net Position at the Beginning of Period	2,116,079	2,013,715	1,615,639	1,616,798	3,731,718	3,630,513
<b>Net Position at the End of Period</b>	<b>\$ 2,052,157</b>	<b>\$ 2,116,079</b>	<b>\$ 1,546,967</b>	<b>\$ 1,615,639</b>	<b>\$ 3,599,124</b>	<b>\$ 3,731,718</b>

**Business-type Activities.** For the Village's business-type activities, the results for the current fiscal year were a decrease in overall net position. The total decrease in net position for the business-type activities (water and sewer funds) was \$68,672, with an ending balance of \$1,546,967. The smaller decrease in net position was attributable to an increase in revenue while expenses remained roughly the same as prior year.

### **Financial Analysis of Governmental Funds**

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Village itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Village Council.

At December 31, 2014, the Village's governmental funds reported combined fund balances of \$1,095,905, a decrease of \$120,260 in comparison with the prior year. Approximately 73% of this amount (\$800,068) constitutes *unassigned fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the general fund was \$800,068. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 214 percent of total general fund expenditures.

The fund balance of the Village's general fund decreased by \$194,738 during the current fiscal year. Transfers out to subsidize other funds of \$236,307 was the most significant reason for the current year reduction in fund balance.

The major streets fund had an increase in fund balance during the year of \$65,297. This increase led to an ending fund balance of \$159,471. The most significant reason for the increase in fund balance was a transfer in from the general fund of \$74,518 during the year.

The local streets fund had an increase in fund balance during the year of \$9,181. This increase led to an ending fund balance of \$26,695. The most significant reason for the increase in fund balance was a transfer in from the general fund of \$48,020 during the year. This transfer in was needed to subsidize the costs in the local streets fund related to an unusually harsh winter.

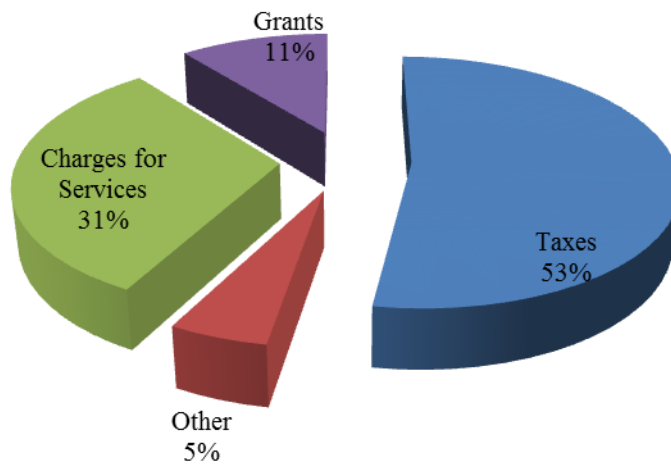
**Proprietary Funds.** The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water & sewer system fund at the end of the year was \$143,222. The decrease in net position for the water & sewer system fund was \$68,672. The decrease in net position was attributable to a decrease in revenue while operating expenses increased \$35,186 over the previous year.

### Governmental Activities

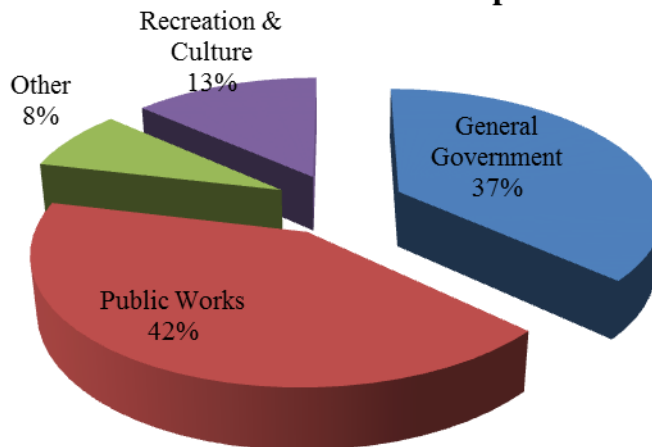
The following chart summarizes the revenue sources for the governmental activities of the Village for the most recent fiscal year end.

**Governmental Activities Revenues**



The following chart summarizes the expenses for the governmental activities of the Village for the most recent fiscal year end.

**Governmental Activities Expenses**



## General Fund Budgetary Highlights

*Original budget compared to final budget.* During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations.

*Final budget compared to actual results.* During the current fiscal year the Village had the following expenditures in excess of appropriations:

	<u>Final Budget</u>		<u>Actual</u>		<u>Variance</u>
<b>General Fund</b>					
Hall & Grounds	\$ 47,650		\$ 82,281	\$	(34,631)
Parks & Recreation	42,100		59,632		(17,532)

## Capital Assets and Debt Administration

### *Capital assets*

The Village's investment in capital assets for its governmental and business-type activities as of December 31, 2014, amounts to \$3,410,103 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, and water and sewer infrastructure. The total decrease in capital assets for the current fiscal year was approximately 3.9%.

### *Long-term Debt*

As described in Note 5 to the financial statements, the Village had \$1,385,127 in water & sewer system fund bonds outstanding at the end of the fiscal year.

## Economic Condition and Outlook

About \$400,000 of revenues are expected to be available for appropriation in the general fund. Expenditures are expected to change by small amounts compared to 2014. The Village continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2015, the Village plans again to use current revenues to provide essential services and to maintain the Village's financial reserves at similar levels. Property tax revenues are expected to change minimally reflecting fairly stable property values. The ongoing costs of providing essential services for the citizens of the Village will again need to be monitored in order to maintain the financial condition of the Village.

## **Contacting the Village**

This financial report is designed to provide a general overview of the Village's finances to its citizens, customers, investors, and creditors and to demonstrate the Village's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Village of Beulah  
7226 Commercial St.  
PO Box 326  
Beulah, MI 49617

## **Basic Financial Statements**



**Village of Beulah  
Statement of Net Position  
December 31, 2014**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash & Cash Equivalents	\$ 867,004	\$ 120,876	\$ 987,880
Receivables (Net)	--	57,028	57,028
Taxes Receivable	261,714	--	261,714
Due from State	10,753	--	10,753
Inventory	379	--	379
<b>Total Current Assets</b>	<b>1,139,850</b>	<b>177,904</b>	<b>1,317,754</b>
<i>Noncurrent Assets</i>			
Capital Assets not being Depreciated	29,781	--	29,781
Capital Assets being Depreciated	887,853	2,492,469	3,380,322
Restricted Cash	--	296,403	296,403
<b>Total Assets</b>	<b>2,057,484</b>	<b>2,966,776</b>	<b>5,024,260</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	15,714	2,530	18,244
Accrued Payroll & Related Liabilities	7,931	727	8,658
Current Portion of Long-term Debt	--	83,000	83,000
Accrued Interest Payable	--	13,107	13,107
Internal Balances	(18,318)	18,318	--
<b>Total Current Liabilities</b>	<b>5,327</b>	<b>117,682</b>	<b>123,009</b>
<i>Noncurrent Liabilities</i>			
Bonds Payable	--	1,302,127	1,302,127
<b>Total Liabilities</b>	<b>5,327</b>	<b>1,419,809</b>	<b>1,425,136</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	917,634	1,107,342	2,024,976
<i>Restricted for:</i>			
Major Streets	159,471	--	159,471
Local Streets	26,695	--	26,695
Debt Service	--	296,403	296,403
<i>Unrestricted</i>	948,357	143,222	1,091,579
<b>Total Net Position</b>	<b>\$ 2,052,157</b>	<b>\$ 1,546,967</b>	<b>\$ 3,599,124</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Village of Beulah  
Statement of Activities  
For the Year Ended December 31, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
Legislative	\$ 32,854	\$ --	\$ --	\$ --	\$ (32,854)	\$ --	\$ (32,854)
General Government	207,212	110,821	--	--	(96,391)	--	(96,391)
Public Safety	6,420	--	--	--	(6,420)	--	(6,420)
Public Works	235,602	38,137	53,721	--	(143,744)	--	(143,744)
Community & Economic Development	5,282	--	--	--	(5,282)	--	(5,282)
Recreation & Culture	75,673	8,338	--	--	(67,335)	--	(67,335)
<b>Total Governmental Activities</b>	<u>563,043</u>	<u>157,296</u>	<u>53,721</u>	<u>--</u>	<u>(352,026)</u>	<u>--</u>	<u>(352,026)</u>
<b>Business-type Activities:</b>							
Water & Sewer System Fund	<u>382,639</u>	<u>254,009</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(128,630)</u>	<u>(128,630)</u>
<b>Total Business-type Activities</b>	<u>382,639</u>	<u>254,009</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(128,630)</u>	<u>(128,630)</u>
<b>Total Primary Government</b>	<u>\$ 945,682</u>	<u>\$ 411,305</u>	<u>\$ 53,721</u>	<u>\$ --</u>	<u>\$ (352,026)</u>	<u>\$ (128,630)</u>	<u>\$ (480,656)</u>
<b>General Purpose Revenues and Transfers:</b>							
<b>Revenues</b>							
					262,656	59,812	322,468
					24,139	--	24,139
					1,309	146	1,455
<b>Transfers</b>							
					--	--	--
<b>Total General Revenues and Transfers</b>					<u>288,104</u>	<u>59,958</u>	<u>348,062</u>
<b>Change in Net Position</b>					<u>(63,922)</u>	<u>(68,672)</u>	<u>(132,594)</u>
<i>Net Position at Beginning of Period</i>					2,116,079	1,615,639	3,731,718
<b>Net Position at End of Period</b>					<u>\$ 2,052,157</u>	<u>\$ 1,546,967</u>	<u>\$ 3,599,124</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Village of Beulah  
Balance Sheet  
Governmental Funds  
December 31, 2014**

	<u>Special Revenue</u>			<b>Total Governmental Funds</b>
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 663,470	\$ 141,519	\$ 20,473	\$ 825,462
Taxes Receivable	261,714	--	--	261,714
Due from State	4,420	4,576	1,757	10,753
Inventory	379	--	--	379
Due from Other Funds	148,085	18,233	4,661	170,979
<b>Total Assets</b>	<b>\$ 1,078,068</b>	<b>\$ 164,328</b>	<b>\$ 26,891</b>	<b>\$ 1,269,287</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 13,124	\$ --	\$ --	\$ 13,124
Accrued Payroll & Related Liabilities	7,205	196	196	7,597
Due to Other Funds	148,000	4,661	--	152,661
<b>Total Liabilities</b>	<b>168,329</b>	<b>4,857</b>	<b>196</b>	<b>173,382</b>
<b>FUND BALANCE</b>				
Nonspendable	379	--	--	379
Restricted	--	159,471	26,695	186,166
Assigned	109,292	--	--	109,292
Unassigned	800,068	--	--	800,068
<b>Total Fund Balance</b>	<b>909,739</b>	<b>159,471</b>	<b>26,695</b>	<b>1,095,905</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,078,068</b>	<b>\$ 164,328</b>	<b>\$ 26,891</b>	<b>\$ 1,269,287</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Village of Beulah**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2014**

Total Fund Balance - Governmental Funds	\$ 1,095,905
Net position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements.	149,641
General government capital assets of \$1,508,117, net of accumulated depreciation of \$701,506, are not financial resources and accordingly are not reported in the funds.	806,611
<b>Total Net Position - Governmental Funds</b>	<b>\$ <u>2,052,157</u></b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Village of Beulah**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2014**

	<u>Special Revenue</u>			<b>Total Governmental Funds</b>
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	
<b>Revenues</b>				
Taxes	\$ 262,656	\$ --	\$ --	\$ 262,656
Licenses & Permits	13,600	--	--	13,600
State Revenue Sharing	24,139	35,746	16,997	76,882
Grants	7,500	--	--	7,500
Charges for Services	75,398	--	--	75,398
Other Revenue	30,161	31,615	--	61,776
Interest Income	1,260	43	6	1,309
<b>Total Revenues</b>	<u>414,714</u>	<u>67,404</u>	<u>17,003</u>	<u>499,121</u>
<b>Expenditures</b>				
Legislative	32,854	--	--	32,854
General Government	195,668	--	--	195,668
Public Safety	6,420	--	--	6,420
Public Works	73,289	76,625	55,842	205,756
Community & Economic Development	5,282	--	--	5,282
Recreation & Culture	59,632	--	--	59,632
<b>Total Expenditures</b>	<u>373,145</u>	<u>76,625</u>	<u>55,842</u>	<u>505,612</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>41,569</u>	<u>(9,221)</u>	<u>(38,839)</u>	<u>(6,491)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	--	74,518	48,020	122,538
Transfers Out	(236,307)	--	--	(236,307)
<b>Net Other Financing Sources (Uses)</b>	<u>(236,307)</u>	<u>74,518</u>	<u>48,020</u>	<u>(113,769)</u>
<b>Net Change in Fund Balance</b>	<b>(194,738)</b>	<b>65,297</b>	<b>9,181</b>	<b>(120,260)</b>
<i>Fund Balance at Beginning of Period</i>	1,104,477	94,174	17,514	1,216,165
<b>Fund Balance at End of Period</b>	<b>\$ 909,739</b>	<b>\$ 159,471</b>	<b>\$ 26,695</b>	<b>\$ 1,095,905</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Village of Beulah**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended December 31, 2014**

Total Net Change in Fund Balances - Governmental Funds	\$ (120,260)
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements.	91,328
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the current year depreciation expense of \$34,990.	(34,990)
<b>Changes in Net Position - Governmental Funds</b>	<b>\$ <u>(63,922)</u></b>

**Village of Beulah  
Statement of Net Position  
Proprietary Funds  
December 31, 2014**

	<b>Business-type Activities - Enterprise Funds</b>		<b>Governmental Activities</b>
	<b>Water &amp; Sewer System Fund</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash & Cash Equivalents	\$ 120,876	\$ 120,876	\$ 41,542
Receivables (Net)	57,028	57,028	--
<b>Total Current Assets</b>	<b>177,904</b>	<b>177,904</b>	<b>41,542</b>
<i>Noncurrent Assets</i>			
Capital Assets being Depreciated	2,492,469	2,492,469	111,023
Restricted Cash	296,403	296,403	--
<b>Total Assets</b>	<b>2,966,776</b>	<b>2,966,776</b>	<b>152,565</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	2,530	2,530	2,590
Accrued Payroll & Related Liabilities	727	727	334
Current Portion of Long-term Debt	83,000	83,000	--
Accrued Interest Payable	13,107	13,107	--
Due to Other Funds	18,318	18,318	--
<b>Total Current Liabilities</b>	<b>117,682</b>	<b>117,682</b>	<b>2,924</b>
<i>Noncurrent Liabilities</i>			
Bonds Payable	1,302,127	1,302,127	--
<b>Total Liabilities</b>	<b>1,419,809</b>	<b>1,419,809</b>	<b>2,924</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	1,107,342	1,107,342	--
<i>Restricted for:</i>			
Debt Service	296,403	296,403	--
<i>Unrestricted</i>	143,222	143,222	149,641
<b>Total Net Position</b>	<b>\$ 1,546,967</b>	<b>\$ 1,546,967</b>	<b>\$ 149,641</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Village of Beulah**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2014**

	<b>Business-type Activities - Enterprise Funds</b>		<b>Governmental Activities</b>
	<b>Water &amp; Sewer System Fund</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>Operating Revenues</b>			
Charges for Service - Water	\$ 116,005	\$ 116,005	\$ --
Charges for Service - Sewer	128,004	128,004	--
Equipment Rental	--	--	66,140
Other Revenue	10,000	10,000	1,844
<b><i>Total Operating Revenues</i></b>	<b>254,009</b>	<b>254,009</b>	<b>67,984</b>
<b>Operating Expenses</b>			
Supply & Distribution - Water	91,563	91,563	--
Supply & Distribution - Sewer	91,095	91,095	--
Operations & Maintenance	--	--	75,994
Depreciation Expense	167,903	167,903	14,442
<b><i>Total Operating Expenses</i></b>	<b>350,561</b>	<b>350,561</b>	<b>90,436</b>
<b><i>Operating Income (Loss)</i></b>	<b>(96,552)</b>	<b>(96,552)</b>	<b>(22,452)</b>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	146	146	11
Taxes - Debt Service	59,812	59,812	--
Interest Expense	(32,078)	(32,078)	--
<b><i>Net Non-Operating Revenues (Expenses)</i></b>	<b>27,880</b>	<b>27,880</b>	<b>11</b>
<b><i>Income Before Contributions and Transfers</i></b>	<b>(68,672)</b>	<b>(68,672)</b>	<b>(22,441)</b>
Transfers In	--	--	113,769
<b><i>Change In Net Position</i></b>	<b>(68,672)</b>	<b>(68,672)</b>	<b>91,328</b>
<i>Net Position at Beginning of Period</i>	1,615,639	1,615,639	58,313
<b><i>Net Position at End of Period</i></b>	<b>\$ 1,546,967</b>	<b>\$ 1,546,967</b>	<b>\$ 149,641</b>

The Notes to the Financial Statements are an integral part of these Financial Statements



**Village of Beulah  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2014**

	<b>Business-type Activities</b>		<b>Governmental Activities Internal Service Funds</b>
	<b>Enterprise Funds</b>		
	<b>Water &amp; Sewer System Fund</b>	<b>Total Enterprise Funds</b>	
<b>Cash flows from operating activities</b>			
Cash Received from Customers	\$ 236,921	\$ 236,921	\$ 66,140
Other Miscellaneous Income	10,000	10,000	1,844
Cash Payments to Employees and Suppliers	(180,137)	(180,137)	(71,555)
<b>Total cash flows from operating activities</b>	<b>66,784</b>	<b>66,784</b>	<b>(3,571)</b>
<b>Cash flows from non-capital financing activities</b>			
Transfers in (out) to Other Funds	-	-	-
Transfers from (to) Other Funds	-	-	113,769
<b>Total cash flows from non-capital financing activities</b>	<b>-</b>	<b>-</b>	<b>113,769</b>
<b>Cash flows from capital and related financing activities</b>			
Debt Service Property Taxes	59,812	59,812	-
Payments Received from Connection Fees	-	-	-
Short-term Installment Agreement on Capital Assets	-	-	-
Disposal of Capital Assets	-	-	-
Acquisition of Capital Assets	-	-	(78,725)
Interest Payments on Bonds	(33,839)	(33,839)	-
Principal Payments on Bonds	(83,000)	(83,000)	-
<b>Total cash flows from capital and related financing activities</b>	<b>(57,027)</b>	<b>(57,027)</b>	<b>(78,725)</b>
<b>Cash flows from investing activities</b>			
Interest on Investments	146	146	11
<b>Total cash flows from investing activities</b>	<b>146</b>	<b>146</b>	<b>11</b>
Net Increase (Decrease) in Cash and Equivalents	9,903	9,903	31,484
<i>Cash and Equivalents - Beginning of Year</i>	407,376	407,376	10,058
<b>Cash and Equivalents - End of Year</b>	<b>\$ 417,279</b>	<b>\$ 417,279</b>	<b>\$ 41,542</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Village of Beulah  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2014**

	<b>Business-type Activities</b>		<b>Governmental Activities Internal Service Funds</b>
	<b>Enterprise Funds</b>		
	<b>Water &amp; Sewer System Fund</b>	<b>Total Enterprise Funds</b>	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
<b>Operating Income</b>	\$ (96,552)	(96,552)	\$ (22,452)
Adjustments to Reconcile Operating Income to Net Cash <b>Provided (Used) by Operating Activities</b>			
Depreciation Expense	167,903	167,903	14,442
<b>Changes in Assets &amp; Liabilities</b>			
Receivables (Net)	(7,088)	(7,088)	-
Prepaid Expenses	1,123	1,123	1,515
Accounts Payable and Accrued Payroll Expenses	1,398	1,398	2,924
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 66,784</b>	<b>66,784</b>	<b>\$ (3,571)</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Village of Beulah  
Statement of Fiduciary Net Position  
Fiduciary Funds  
December 31, 2014**

	<b>Agency</b>
	<b>Tax Collection Fund</b>
<b>ASSETS</b>	
Cash & Cash Equivalents	\$ 261,714
<i>Total Assets</i>	261,714
<b>LIABILITIES</b>	
Due to General Fund	261,714
<i>Total Liabilities</i>	261,714
<b>NET POSITION</b>	
Held in Trust	\$ --

The Notes to the Financial Statements are an integral part of these Financial Statements

## **Notes to the Financial Statements**

# Village of Beulah

## Notes to the Financial Statements

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Beulah (the “Village” or “government”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village’s accounting policies are described below.

#### Reporting Entity

The Village was incorporated in 1932 as a home rule Village. The Village operates under a charter adopted on January 25, 1932, as amended and is governed by an elected President-Council form of government. The Village population as of the 2010 census was 317.

The criteria established by Statement 14 of the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity’s financial statements are based primarily on the concept of financial accountability. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Village.

#### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, 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 that are clearly identifiable with a specific function or segment. *Program revenues* include; 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

## Village of Beulah

### Notes to the Financial Statements

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#### 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 and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized 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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

**General Fund** - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, and other intergovernmental revenues.

**Major Street Fund** – This fund accounts for the maintenance and improvement activities for streets designated as “major” within the Village. Funding is primary through state shared gas and weight taxes.

**Local Street Fund** – This fund accounts for the maintenance and improvement activities for streets designated as “local” within the Village. Funding is primary through state sources.

The Village reports the following major proprietary fund:

**Water & Sewer System Fund** – This fund accounts for the activities of the Village’s sewage

## Village of Beulah

### Notes to the Financial Statements

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collection and water distribution system.

Additionally, The Village reports the following governmental fund types:

**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 special revenue funds maintained by the Village are the major streets, local streets, public improvement, and the water & sewer improvement funds.

**Internal Service Fund** - The Village's internal service fund is used to account for equipment rental and related goods or services provided by the equipment pool fund to other governmental and business-type funds on a cost-reimbursement basis.

**Fiduciary Funds** - are used to account for assets held in a trustee capacity or as an agent for others.

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-in-lieu of taxes and other charges between the Village's water and sewer function and various other functions of the government. 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 *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses are not meeting this definition are reported as nonoperating revenues and expenses.

### **Assets, Liabilities, and Net Position or Equity**

#### **Cash and Cash Equivalents**

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and Village policy authorize the Village to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

## Village of Beulah

### Notes to the Financial Statements

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- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

#### **Investments**

Investments are stated at fair market value in accordance with GASB Statement No. 31. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

#### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable.

#### **Inventories**

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

#### **Vacation and Sick Leave**

The Village has a formal personnel policy relating to vacation and sick leave. All vacations must be taken within twelve months of the seniority date. Each employee will be entitled to six days per year sick leave, cumulative up to ninety days. Upon termination of employment, the employee will not receive pay for any unused portion. Because of this, unused sick leave is recognized when paid, and



## Village of Beulah

### Notes to the Financial Statements

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no liability is reflected in the financial statements.

#### **Restricted Assets**

The revenue bonds of the enterprise fund require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and bond reserve. These amounts have been classified as restricted assets.

#### **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of two years and an initial individual cost of more than \$500. 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.

Depreciation has been provided on these fixed assets using the straight line method over their estimated useful lives, as follows:

<u>Decription</u>	<u>Method</u>	<u>Life</u>
Furniture & Office Equipment	Straight Line	5 years
Maintenance Equipment	Straight Line	7 years
Park Equipment and Structures	Straight Line	10 years
Buildings and Improvements	Straight Line	30 years
Water & Sewer Fund	Straight Line	10 - 50 years
Motor Vehicle Fund	Straight Line	5 - 10 years

#### **Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

## Village of Beulah

### Notes to the Financial Statements

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#### **Fund Balance Flow Assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### **Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Village Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Village Council has authorized the Village President to assign fund balance. The Village Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

#### **Revenues and Expenditures / Expenses**

##### ***Property tax revenue recognition***

Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before September 15, at which time the bill becomes delinquent and penalties and interest may be assessed by the Village. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Village levy date is July 1, and

# Village of Beulah

## Notes to the Financial Statements

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accordingly, the total levy is recognized as revenue.

### 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 expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgets

The general fund and special revenue fund types are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis. It is used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Village.

In the body of the financial statements the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown at the activity level for the general fund and the functional level for all special revenue funds. The approved budgets of the Village for these budgetary funds were adopted at the activity level for the general fund and the functional level for all special revenue funds.

Management prepares the budget for Council approval at a public hearing prior to December 31 of each year. Encumbrance accounting is not used and appropriations lapse at year-end. Budget amendments are authorized by council during the year to prevent expenditures in excess of appropriations.

#### Public Act 621 of 1978 Disclosure

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Village had the following expenditures in excess of the amount appropriated during the current year:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund</b>			
Hall & Grounds	\$ 47,650	\$ 82,281	\$ (34,631)
Parks & Recreation	42,100	59,632	(17,532)

## Village of Beulah

### Notes to the Financial Statements

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#### **NOTE 3- DEPOSITS WITH FINANCIAL INSTITUTIONS**

##### **Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the Village's deposits might not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year-end, \$1,295,845 of the Village's bank balance of \$1,545,845 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Village believes it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

##### **Interest Rate Risk**

Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Village's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

##### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the Village's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Village's investment policy does not limit investments in a single financial institution of a single security type (with the exception of U.S. treasuries and agencies and authorized pools) to a % of the total investment portfolio.

## Village of Beulah

### Notes to the Financial Statements

#### NOTE 4 - SUMMARY OF CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year is summarized as follows:

<b><u>Governmental Activities</u></b>	Balance at January 1, 2014	Additions	Disposals	Balance at December 31, 2014
<b>Capital Assets not Being Depreciated</b>				
Land	\$ 29,781	\$ -	\$ -	\$ 29,781
Construction in Progress	412,730	-	412,730	-
Total Capital Assets not Being Depreciated	<u>442,511</u>	<u>-</u>	<u>-</u>	<u>29,781</u>
<b>Capital Assets Being Depreciated</b>				
Land Improvements	150,391	412,730	-	563,121
Buildings	544,488	-	-	544,488
Equipment	224,434	-	-	224,434
Roads / Paving	146,293	-	-	146,293
<b>Total Capital Assets Being Depreciated</b>	<u>1,065,606</u>	<u>412,730</u>	<u>-</u>	<u>1,478,336</u>
Less Accumulated Depreciation				
Land Improvements	56,905	12,990	-	69,895
Buildings	338,190	11,897	-	350,087
Equipment	216,009	2,788	-	218,797
Roads / Paving	55,412	7,315	-	62,727
<b>Total Accumulated Depreciation</b>	<u>666,516</u>	<u>34,990</u>	<u>-</u>	<u>701,506</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 841,601</u>	<u>\$ 377,740</u>	<u>\$ -</u>	<u>\$ 806,611</u>
<b>Internal Service Fund</b>				
Net Capital Assets	<u>46,740</u>	<u>78,725</u>	<u>14,442</u>	<u>111,023</u>
<b>Net Capital Assets per Statement of Net Position:</b>	<u>\$ 888,341</u>	<u>\$ 456,465</u>	<u>\$ 14,442</u>	<u>\$ 917,634</u>

**Village of Beulah**

Notes to the Financial Statements

Capital asset activity of the business-type activities for the current year is summarized as follows:

<b><u>Business-type Activities</u></b>	Balance at January 1, 2014	Additions	Disposals	Balance at December 31, 2014
<b>Capital Assets Being Depreciated</b>				
Water Plant & Systems	1,916,966	-	-	1,916,966
Sewage Systems	3,515,251	-	-	3,515,251
<b><i>Total Capital Assets Being Depreciated</i></b>	<u>5,432,217</u>	<u>-</u>	<u>-</u>	<u>5,432,217</u>
<b>Less Accumulated Depreciation</b>				
Water Plant & Systems	965,925	70,680	-	1,036,605
Sewage Systems	1,805,920	97,223	-	1,903,143
<b><i>Total Accumulated Depreciation</i></b>	<u>2,771,845</u>	<u>167,903</u>	<u>-</u>	<u>2,939,748</u>
<b>Business-type Activities Capital Assets, Net</b>	<u>\$ 2,660,372</u>	<u>\$ (167,903)</u>	<u>\$ -</u>	<u>\$ 2,492,469</u>

Depreciation expense was allocated as follows:

<b>Governmental Activities</b>	
General Government	\$ 11,544
Public Works	7,405
Recreation & Culture	16,041
<b><i>Total Governmental Activities</i></b>	<u>\$ 34,990</u>
<b>Business-type Activities</b>	
Water Fund	\$ 70,680
Sewer Fund	97,223
<b><i>Total Business-type Activities</i></b>	<u>\$ 167,903</u>
<b>Internal Service Fund</b>	
Equipment Pool Fund	<u>\$ 14,442</u>

## Village of Beulah

### Notes to the Financial Statements

#### NOTE 5 – LONG-TERM DEBT

The following is a summary of transactions that occurred in long-term debt during the year ended December 31, 2014:

	Interest Rate	Maturity	12/31/2013 Balance	Reductions	12/31/2014 Balance	Due Within One Year
<b>Business-type Activities</b>						
1999 Limited Tax Sewer Bonds	2.50%	2019	\$ 60,000	\$ 10,000	\$ 50,000	\$ 10,000
1999 Unlimited Tax Sewer Bonds	2.50%	2019	404,127	60,000	344,127	60,000
2007 Sewer Bonds	4.50%	2049	440,000	6,000	434,000	6,000
2010 Water Supply Revenue Bond	3.75%	2050	564,000	7,000	557,000	7,000
<b>Total Business-type</b>			<u>\$ 1,468,127</u>	<u>\$ 83,000</u>	<u>\$ 1,385,127</u>	<u>\$ 83,000</u>

1999 General Obligation Sewer Improvement Bonds - On August 5, 1999, the Village approved bonds in the principal amount of \$1,340,000 for the purpose of defraying a part of the cost of constructing Sewer System improvements. The bonds are payable through an annual property tax levy and special user fee sufficient to pay the interest and principal as they fall due.

**1999 General Obligation Limited Tax Bonds.** The payment schedule is as follows:

	Principal	Interest	Total
2015	\$ 10,000	\$ 1,350	\$ 11,350
2016	10,000	1,150	11,150
2017	10,000	950	10,950
2018	10,000	350	10,350
2019	10,000	150	10,150
	<u>\$ 50,000</u>	<u>\$ 3,950</u>	<u>\$ 53,950</u>

## Village of Beulah

### Notes to the Financial Statements

1999 General Obligation Unlimited Tax Sewer Bonds - Interest payable October 1 and April 1 of each year, with principal due on October 1 of each year.

**1999 General Obligation Unlimited Tax Bonds.** The payment schedule is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 60,000	\$ 8,803	\$ 68,803
2016	60,000	7,403	67,403
2017	60,000	6,003	66,003
2018	60,000	4,603	64,603
2019	60,000	3,203	63,203
2020	44,127	1,803	45,930
	<u>\$ 344,127</u>	<u>\$ 31,818</u>	<u>\$ 375,945</u>

The 2007 Construction Bond was interest only until the project was completed. The first payment of principal of \$4,000 was made during 2008. Future principal payments are as listed below. The interest is charged on the principal balance due at a rate of 4.5%.

**2007 Sewer Construction Bond.** The payment schedule is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 6,000	\$ 19,755	\$ 25,755
2016	6,400	19,455	25,855
2017	6,400	19,155	25,555
2018	6,600	18,855	25,455
2019	6,600	18,555	25,155
2020-2024	33,600	73,721	107,321
2025-2029	43,400	65,328	108,728
2030-2034	59,400	53,951	113,351
2035-2039	66,800	40,814	107,614
2040-2044	80,200	26,405	106,605
2045-2049	118,600	16,857	135,457
	<u>\$ 434,000</u>	<u>\$ 372,851</u>	<u>\$ 806,851</u>



**Village of Beulah**

Notes to the Financial Statements

The 2010 Water Supply Revenue Bond was used in 2011 to finance certain water system improvements. Interest on the bond is payable on each April 1 and October 1 for the life of the bond at a rate of 3.75%. Principal payments are payable annually on October 1. The final payment is scheduled for October 1, 2050.

**2010 Water Supply Revenue Bond.** The payment schedule is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 7,000	\$ 20,888	\$ 27,888
2016	8,000	20,588	28,588
2017	8,000	20,288	28,288
2018	8,000	19,988	27,988
2019	9,000	19,688	28,688
2020-2024	49,000	93,263	142,263
2025-2029	59,000	83,325	142,325
2030-2034	71,000	71,363	142,363
2035-2039	85,000	57,037	142,037
2040-2044	102,000	39,863	141,863
2045-2049	124,000	19,162	143,162
2050	27,000	1,013	28,013
	<u>\$ 557,000</u>	<u>\$ 466,466</u>	<u>\$ 1,023,466</u>

**NOTE 6 – INTERFUND BALANCES**

Following is a schedule of the Village’s interfund transfers during the year:

<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>	<u>Amount</u>
General	Major Streets	\$ 74,518
General	Local Streets	48,020
General	Equipment Fund	113,769
Water System Improvement	Water and Sewer	28,150
	<b><i>Total</i></b>	<u>\$ 264,457</u>

Transfers are used to; 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## Village of Beulah

### Notes to the Financial Statements

The Village had the following interfund balances as of December 31, 2014:

<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Amount</u>
Streetscape	General Fund	\$ 148,000
Major Streets	Local Streets	4,661
Water & Sewer	Major Streets	18,233
Water & Sewer	General Fund	85
	<b>Total</b>	<u>\$ 170,979</u>

All of the Village's interfund balances result from the time lag between the dates that; 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

#### **NOTE 7 - RETIREMENT PLANS**

A SIMPLE IRA Plan was made available to all Village employees beginning in January of 2002. Employees may contribute a portion of their annual wages before taxes to the Plan. The Village matches employee contributions 100%, up to 3% of gross wages. The contribution expense for the year ended December 31, 2014 was \$1,836.

#### **NOTE 8 - LEASES**

The Friends of the Betsie Valley Trail, Rotary charities and the Village joined to build a visitors' center at the Betsie Valley trailhead in the Village of Beulah. The building is built on property owned by the State of Michigan and leased to the Village of Beulah. The initial term of the lease is 25 years beginning July 1, 2005 with no lease payment. However, the Village is responsible for the maintenance and upkeep of the building according to the terms of the lease. For 2014, the Village has budgeted for the maintenance as part of its buildings and grounds budget activity in the general fund of the Village.

#### **NOTE 9 - RISK MANAGEMENT**

The Village pays an annual premium to Michigan Municipal Underwriters for its general insurance coverage through the Michigan Village Participating Plan. The Village carries coverage for property damage, liability, wrongful acts, automobile, crime, and inland marine claims. Also, the Village carries workers' compensation insurance with Michigan Municipal League Workers' Compensation Fund. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **NOTE 10 – CONTINGENT LIABILITIES**

As of June 26, 2015, management is not aware of any contingent liabilities that would have a significant impact on the financial condition of the Village.

## **Required Supplementary Information**

**Village of Beulah**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund (a consolidated component of the General Fund)**  
**For the Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Favorable (Unfavorable) Final to Actual</b>
<b>Revenues</b>				
Taxes	\$ 237,250	\$ 237,250	\$ 262,656	\$ 25,406
Licenses & Permits	14,000	14,000	13,600	(400)
State Sources	20,000	20,000	24,139	4,139
Charges for Services	76,500	76,500	75,398	(1,102)
Interest & Rents	1,000	1,000	1,172	172
Other Revenue	102,000	102,000	30,161	(71,839)
<b>Total Revenues</b>	<u>450,750</u>	<u>450,750</u>	<u>407,126</u>	<u>(43,624)</u>
<b>Other Financing Sources</b>				
<b>Total Revenues and Other Financing Sources</b>	<u>450,750</u>	<u>450,750</u>	<u>407,126</u>	<u>(43,624)</u>
<b>Expenditures</b>				
<b>Legislative</b>				
Village Council	31,000	31,000	22,646	8,354
Accounting	10,600	10,600	10,208	392
<b>Total Legislative</b>	<u>41,600</u>	<u>41,600</u>	<u>32,854</u>	<u>8,746</u>
<b>General Government</b>				
Clerk	11,091	11,091	10,037	1,054
Treasurer	15,350	15,350	13,840	1,510
Hall & Grounds	47,650	47,650	82,281	(34,631)
Other General Government	93,800	93,800	89,510	4,290
<b>Total General Government</b>	<u>167,891</u>	<u>167,891</u>	<u>195,668</u>	<u>( 27,777 )</u>
<b>Public Safety - Police Department</b>	<u>7,000</u>	<u>7,000</u>	<u>6,420</u>	<u>580</u>
<b>Public Works</b>				
Street Lighting	16,000	16,000	6,057	9,943
Sanitation	12,000	12,000	9,045	2,955
Planning Commission	1,500	1,500	--	1,500
Zoning	10,100	10,100	5,282	4,818
<b>Total Public Works</b>	<u>39,600</u>	<u>39,600</u>	<u>20,384</u>	<u>19,216</u>
<b>Recreation &amp; Culture - Parks &amp; Rec.</b>	<u>42,100</u>	<u>42,100</u>	<u>59,632</u>	<u>(17,532)</u>
<b>Total Expenditures</b>	<u>298,191</u>	<u>298,191</u>	<u>314,958</u>	<u>(16,767)</u>
<b>Other Financing Uses</b>				
Transfers Out	122,725	122,725	236,307	(113,582)
<b>Total Expenditures and Other Financing Uses</b>	<u>420,916</u>	<u>420,916</u>	<u>551,265</u>	<u>(130,349)</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>29,834</u>	<u>29,834</u>	<u>(144,139)</u>	<u>(173,973)</u>
<b>Net Change in Fund Balance</b>	<u>29,834</u>	<u>29,834</u>	<u>(144,139)</u>	<u>(173,973)</u>
<b>Fund Balance at Beginning of Period</b>	1,014,559	1,014,559	1,014,559	--
<b>Fund Balance at End of Period</b>	<u>\$ 1,044,393</u>	<u>\$ 1,044,393</u>	<u>\$ 870,420</u>	<u>\$ (173,973)</u>

**Village of Beulah**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Local Streets**  
**For the Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Favorable (Unfavorable) Final to Actual</b>
<b>Revenues</b>				
State Sources	\$ 16,000	\$ 16,000	\$ 16,997	\$ 997
Investment Income	--	--	6	6
<b>Total Revenues</b>	<u>16,000</u>	<u>16,000</u>	<u>17,003</u>	<u>1,003</u>
<b>Other Financing Sources</b>				
Transfers In	<u>39,985</u>	<u>39,985</u>	<u>48,020</u>	<u>8,035</u>
<b>Total Revenues and Other Financing Sources</b>	<u>55,985</u>	<u>55,985</u>	<u>65,023</u>	<u>9,038</u>
<b>Expenditures</b>				
Public Works	<u>55,985</u>	<u>55,985</u>	<u>55,842</u>	<u>143</u>
<b>Total Expenditures</b>	<u>55,985</u>	<u>55,985</u>	<u>55,842</u>	<u>143</u>
<b>Other Financing Uses</b>				
<b>Total Expenditures and Other Financing Uses</b>	<u>55,985</u>	<u>55,985</u>	<u>55,842</u>	<u>143</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>--</u>	<u>--</u>	<u>9,181</u>	<u>9,181</u>
<b>Net Change in Fund Balance</b>	<u>--</u>	<u>--</u>	<u>9,181</u>	<u>9,181</u>
<i>Fund Balance at Beginning of Period</i>	<u>17,514</u>	<u>17,514</u>	<u>17,514</u>	<u>--</u>
<b>Fund Balance at End of Period</b>	<u>\$ 17,514</u>	<u>\$ 17,514</u>	<u>\$ 26,695</u>	<u>\$ 9,181</u>

**Village of Beulah**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Major Streets**  
**For the Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable) Final to Actual</u>
<b>Revenues</b>				
State Sources	\$ 88,045	\$ 88,045	\$ 110,264	\$ 22,219
Investment Income	--	--	31,658	31,658
<i>Total Revenues</i>	<u>88,045</u>	<u>88,045</u>	<u>141,922</u>	<u>53,877</u>
<b>Other Financing Sources</b>				
<i>Total Revenues and Other Financing Sources</i>	<u>88,045</u>	<u>88,045</u>	<u>141,922</u>	<u>53,877</u>
<b>Expenditures</b>				
Public Works	55,995	55,995	74,175	(18,180)
Capital Outlay	34,050	34,050	2,450	31,600
<i>Total Expenditures</i>	<u>90,045</u>	<u>90,045</u>	<u>76,625</u>	<u>13,420</u>
<b>Other Financing Uses</b>				
<i>Total Expenditures and Other Financing Uses</i>	<u>90,045</u>	<u>90,045</u>	<u>76,625</u>	<u>13,420</u>
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</i>	<u>(2,000)</u>	<u>(2,000)</u>	<u>65,297</u>	<u>67,297</u>
<i>Net Change in Fund Balance</i>	<u>(2,000)</u>	<u>(2,000)</u>	<u>65,297</u>	<u>67,297</u>
<i>Fund Balance at Beginning of Period</i>	94,174	94,174	94,174	--
<i>Fund Balance at End of Period</i>	<u>\$ 92,174</u>	<u>\$ 92,174</u>	<u>\$ 159,471</u>	<u>\$ 67,297</u>

## **Other Supplementary Information**

**Village of Beulah**  
**General Fund Combining Balance Sheet**  
**All Funds Treated as General**  
**December 31, 2014**

	<u>General Fund</u>	<u>Public Improvement Fund</u>	<u>Water &amp; Sewer Improvement Fund</u>	<u>Streetscape Fund</u>	<u>Total General Funds</u>
<b>ASSETS</b>					
Cash & Cash Equivalents	\$ 476,151	\$ 104,117	\$ 5,175	\$ 78,027	\$ 663,470
Taxes Receivable	261,714	--	--	--	261,714
Due from State	4,420	--	--	--	4,420
Inventory	379	--	--	--	379
Due from Other Funds	148,085	--	--	--	148,085
<i>Total Assets</i>	<u>\$ 890,749</u>	<u>\$ 104,117</u>	<u>\$ 5,175</u>	<u>\$ 78,027</u>	<u>\$ 1,078,068</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 13,124	\$ --	\$ --	\$ --	\$ 13,124
Accrued Payroll & Related Liabilities	7,205	--	--	--	7,205
Due to Other Funds	--	--	--	148,000	148,000
<i>Total Liabilities</i>	<u>20,329</u>	<u>--</u>	<u>--</u>	<u>148,000</u>	<u>168,329</u>
<b>FUND BALANCE</b>					
Nonspendable	379	--	--	--	379
Assigned	--	104,117	5,175	--	109,292
Unassigned	870,041	--	--	(69,973)	800,068
<i>Total Fund Balance</i>	<u>870,420</u>	<u>104,117</u>	<u>5,175</u>	<u>(69,973)</u>	<u>909,739</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 890,749</u>	<u>\$ 104,117</u>	<u>\$ 5,175</u>	<u>\$ 78,027</u>	<u>\$ 1,078,068</u>



**Village of Beulah**  
**General Fund Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**All Funds Treated as General**  
**For the Year Ended December 31, 2014**

	<u>General Fund</u>	<u>Public Improvement Fund</u>	<u>Water &amp; Sewer Improvement Fund</u>	<u>Streetscape Fund</u>	<u>Total General Funds</u>
<b>Revenues</b>					
Taxes	\$ 262,656	\$ --	\$ --	\$ --	\$ 262,656
Licenses & Permits	13,600	--	--	--	13,600
State Revenue Sharing	24,139	--	--	--	24,139
Grants	--	--	--	7,500	7,500
Charges for Services	75,398	--	--	--	75,398
Other Revenue	30,161	--	--	--	30,161
Interest Income	1,172	86	2	--	1,260
<b>Total Revenues</b>	<u>407,126</u>	<u>86</u>	<u>2</u>	<u>7,500</u>	<u>414,714</u>
<b>Expenditures</b>					
Legislative	32,854	--	--	--	32,854
General Government	195,668	--	--	--	195,668
Public Safety	6,420	--	--	--	6,420
Public Works	15,102	--	--	58,187	73,289
Community & Economic Development	5,282	--	--	--	5,282
Recreation & Culture	59,632	--	--	--	59,632
<b>Total Expenditures</b>	<u>314,958</u>	<u>--</u>	<u>--</u>	<u>58,187</u>	<u>373,145</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>92,168</u>	<u>86</u>	<u>2</u>	<u>(50,687)</u>	<u>41,569</u>
<b>Other Financing Sources (Uses)</b>					
Transfers Out	(236,307)	--	--	--	(236,307)
<b>Net Other Financing Sources (Uses)</b>	<u>(236,307)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(236,307)</u>
<b>Net Change in Fund Balance</b>	<b>(144,139)</b>	<b>86</b>	<b>2</b>	<b>(50,687)</b>	<b>(194,738)</b>
<i>Fund Balance at Beginning of Period</i>	1,014,559	104,031	5,173	(19,286)	1,104,477
<b>Fund Balance at End of Period</b>	<b>\$ 870,420</b>	<b>\$ 104,117</b>	<b>\$ 5,175</b>	<b>\$ (69,973)</b>	<b>\$ 909,739</b>

## **Other Information**

**Village of Beulah**  
**Combining Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2014**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Total Enterprise Funds</b>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash & Cash Equivalents	\$ 109,265	\$ 11,611	\$ 120,876
Receivables (Net)	25,092	31,936	57,028
<b>Total Current Assets</b>	<b>134,357</b>	<b>43,547</b>	<b>177,904</b>
<i>Noncurrent Assets</i>			
Capital Assets (Net)	880,360	1,612,109	2,492,469
Restricted Cash	--	296,403	296,403
<b>Total Assets</b>	<b>1,014,717</b>	<b>1,952,059</b>	<b>2,966,776</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Account Payable	--	2,530	2,530
Accrued Payroll & Related Benefits	--	727	727
Current Portion of Long-term Debt	7,000	76,000	83,000
Accrued Interest Payable	5,222	7,885	13,107
Due to Other Funds	--	18,318	18,318
<b>Total Current Liabilities</b>	<b>12,222</b>	<b>105,460</b>	<b>117,682</b>
<i>Noncurrent Liabilities</i>			
Bonds Payable	550,000	752,127	1,302,127
<b>Total Liabilities</b>	<b>562,222</b>	<b>857,587</b>	<b>1,419,809</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	323,360	783,982	1,107,342
<i>Restricted for:</i>			
Debt Service	--	296,403	296,403
<i>Unrestricted</i>	134,219	9,003	143,222
<b>Total Net Position</b>	<b>\$ 457,579</b>	<b>\$ 1,089,388</b>	<b>\$ 1,546,967</b>

**Village of Beulah**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2014**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Total Enterprise Funds</b>
<b>Operating Revenues</b>			
Charges for Service - Water	\$ 116,005	\$ --	\$ 116,005
Charges for Service - Sewer	--	128,004	128,004
Other Revenue	5,000	5,000	10,000
<b><i>Total Operating Revenues</i></b>	<b>121,005</b>	<b>133,004</b>	<b>254,009</b>
<b>Operating Expenses</b>			
Supply & Distribution - Water	91,563	--	91,563
Supply & Distribution - Sewer	--	91,095	91,095
Depreciation Expense	70,680	97,223	167,903
<b><i>Total Operating Expenses</i></b>	<b>162,243</b>	<b>188,318</b>	<b>350,561</b>
<b><i>Operating Income (Loss)</i></b>	<b>(41,238)</b>	<b>(55,314)</b>	<b>(96,552)</b>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	--	146	146
Taxes - Debt Service	--	59,812	59,812
Interest Expense	(12,324)	(19,754)	(32,078)
<b><i>Net Non-Operating Revenues (Expenses)</i></b>	<b>(12,324)</b>	<b>40,204</b>	<b>27,880</b>
<b><i>Change In Net Position</i></b>	<b>(53,562)</b>	<b>(15,110)</b>	<b>(68,672)</b>
<i>Net Position at Beginning of Period</i>	511,141	1,104,498	1,615,639
<b><i>Net Position at End of Period</i></b>	<b>\$ 457,579</b>	<b>\$ 1,089,388</b>	<b>\$ 1,546,967</b>

**Village of Beulah**  
**Combining Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2014**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Total Enterprise Funds</b>
<b>Cash flows from operating activities</b>			
Cash Received from Customers	\$ 112,887	\$ 124,034	\$ 236,921
Cash Payments to Employees & Suppliers	(91,563)	(88,574)	(180,137)
Other Miscellaneous Income	5,000	5,000	10,000
<b>Total cash flows from operating activities</b>	<u>26,324</u>	<u>40,460</u>	<u>66,784</u>
<b>Cash flows from capital and related financing activities</b>			
Debt Service Property Taxes	-	59,812	59,812
Interest Payments on Bonds	(12,157)	(21,682)	(33,839)
Principal Payments on Bonds	(7,000)	(76,000)	(83,000)
<b>Total cash flows from capital and related financing activities</b>	<u>(19,157)</u>	<u>(37,870)</u>	<u>(57,027)</u>
<b>Cash flows from investing activities</b>			
Interest on Investments	-	146	146
<b>Total cash flows from investing activities</b>	<u>-</u>	<u>146</u>	<u>146</u>
Net Increase (Decrease) in Cash and Equivalents	7,167	2,736	9,903
<i>Cash and Equivalents - Beginning of Year</i>	107,182	300,194	407,376
<b>Cash and Equivalents - End of Year</b>	<u>\$ 114,349</u>	<u>\$ 302,930</u>	<u>\$ 417,279</u>

**Village of Beulah  
Combining Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2014**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
<b>Operating Income</b>	\$ (41,238)	(55,314)	\$ (96,552)
Adjustments to Reconcile Operating Income to Net Cash <b>Provided (Used) by Operating Activities</b>			
Depreciation Expense	70,680	97,223	167,903
<b>Changes in Assets &amp; Liabilities</b>			
Receivables (Net)	(3,118)	(3,970)	(7,088)
Prepaid Expenses	-	1,123	1,123
Accounts Payable and Accrued Payroll Expenses	-	1,398	1,398
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 26,324</u>	<u>40,460</u>	<u>\$ 66,784</u>

June 26, 2015

To the Village Council  
Village of Beulah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Village of Beulah, Michigan (the "Village") for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standard*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 19, 2015. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended December 31, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

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

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

### *Corrected and Uncorrected Misstatements*

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

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 26, 2015.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### *Other Matters*

We applied certain limited procedures to the budgetary comparison schedules and management's discussion and analysis, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.



We were engaged to report on the combining and individual fund statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Villages other information, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

*Restriction on Use*

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

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Gabridge & Company, PLC  
Grand Rapids, MI

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Village Council  
Village of Beulah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Beulah, Michigan (the "Village"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Village's basic financial statements, and have issued our report thereon dated June 26, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

Gabridge & Company, PLC  
Grand Rapids, MI  
June 26, 2015