
**VILLAGE OF CEMENT CITY
LENAWEE COUNTY AND
JACKSON COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
JUNE 30, 2014**

VILLAGE OF CEMENT CITY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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October 17, 2014

INDEPENDENT AUDITOR'S REPORT

Members of the Village Council
Village of Cement City
P.O. Box 187
Cement City, Michigan 49233

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Cement City, Michigan's, as of and for the year ended June 30, 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. 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.

**Members of the Village Council
Village of Cement City
October 17, 2014**

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, each major fund, and the aggregate remaining fund information of the Village of Cement City, Michigan as of June 30, 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 on pages 3-9 and pages 31-33 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 of Cement City, Michigan's basic financial statements.

PRR/cab

Respectfully Submitted,

Philip R. Rubley, CPA

VILLAGE OF CEMENT CITY
Management's Discussion and Analysis
June 30, 2014

Using This Annual Report

As management of Village of Cement City, Michigan, we offer readers of Village of Cement City, Michigan's financial statements this narrative overview and analysis of the financial activities of Village of Cement City, Michigan for the fiscal year ended June 30, 2014.

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of Village of Cement City, Michigan's government-wide basis. They are designed to present a longer-term view of the Village's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

Financial Highlights

The assets of the Village of Cement City, Michigan exceeded its liabilities at the end of the fiscal year by \$582,011 (net assets), of this amount \$192,255 represents unrestricted net assets which may be used to meet the Village's ongoing obligations to citizens and creditors.

The Village's total net assets increased by \$14,438, which were applicable to governmental activities. The expenses of the Village increased in general government and public works expenses by \$11,052. Revenue for charges for services increased by \$10,594 and other revenues increased in the aggregate \$1,724. The results were an increase in net assets over the prior year increase of \$1,260.

The Village's basic financial statements are comprised of three components:

- A) Government-wide financial statements.
- B) Fund financial statements.
- C) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 in this statement for some items that will only result in cash flows in future fiscal periods.

VILLAGE OF CEMENT CITY
Management's Discussion and Analysis
June 30, 2014

Both of the government-wide financial statements distinguish functions of Village of Cement City, Michigan 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 Village of Cement City, Michigan include general government, public safety, recreation and culture, public works, community and economic development and other functions. The Village of Cement City, Michigan has no business type activities.

The government-wide financial statements can be found on pages 10-11 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. Village of Cement City, Michigan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of Village of Cement City, Michigan can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 evaluating a government's near-term financial 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 balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Village of Cement City, Michigan maintains three individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. The General Fund, Major Street and Local Street Fund are considered to be a major funds.

Village of Cement City, Michigan adopts an annual appropriated budget for the General Fund, Major Street and Local Street Funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with budget.

The basic governmental fund financial statements can be found on pages 14-15 of this report.

Proprietary Fund. Village of Cement City, Michigan maintains one type of Proprietary Fund. The internal service fund reports activities of the department of public works and is included in the governmental activities for the government-wide financial statements.

The basic Proprietary financial statements can be found on pages 16-19 of this report.

VILLAGE OF CEMENT CITY
Management's Discussion and Analysis
June 30, 2014

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

The basic Fiduciary financial statements can be found on Page 20 of this report.

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 in this statement of some times that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Village include general government, public safety, public works, recreation and culture, community promotion/development and other functions.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Village's financial position. The assets of the Village exceeded the liabilities by \$582,011 at the end of the fiscal year.

By far the largest portion of the Village's net assets (67%) reflects its investment in capital assets (e.g. land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire these assets that are still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

VILLAGE OF CEMENT CITY
Management's Discussion and Analysis
June 30, 2014

VILLAGE OF CEMENT CITY, MICHIGAN
STATEMENT OF NET ASSETS

Governmental Activities

	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current and Other Assets	\$196,934	\$246,775
Capital Assets	<u>389,756</u>	<u>336,688</u>
Total Assets	<u>586,690</u>	<u>583,463</u>
<u>Liabilities</u>		
Other Liabilities	4,679	5,979
Notes Payable	<u>---</u>	<u>9,911</u>
Total Liabilities	<u>4,679</u>	<u>15,890</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	389,756	326,777
Unrestricted	<u>192,255</u>	<u>240,796</u>
Total Net Assets	<u>\$582,011</u>	<u>\$567,573</u>

A portion of the Village of Cement City, Michigan's net assets \$192,255 which is unrestricted, may be used to cover ongoing obligations to citizens and creditors.

VILLAGE OF CEMENT CITY
Management's Discussion and Analysis
June 30, 2014

VILLAGE OF CEMENT CITY, MICHIGAN
STATEMENT OF ACTIVITIES

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
<u>Revenue</u>		
Program Revenue:		
Charges for Services	\$ 39,718	\$ 29,124
Grants	48,927	48,362
General Revenue:		
Property Taxes	74,900	74,859
Grants and Contributions Not		
Restricted To Specific Program	38,071	37,198
Interest Income	1,749	1,920
Gain on Sale of Assets	419	---
Total Revenue	<u>203,784</u>	<u>191,463</u>
<u>Expenses</u>		
General Government	58,337	50,269
Public Safety	24,259	24,104
Public Works	102,372	99,388
Community and Economic Development	1,564	1,435
Recreation	2,200	2,201
Other Functions	539	---
Interest on Long-Term Debt	75	888
Total Expenses	<u>189,346</u>	<u>178,285</u>
Increase In Net Assets	14,438	13,178
Net Assets Beginning of Year	<u>567,573</u>	<u>554,395</u>
Net Assets End of Year	<u>\$582,011</u>	<u>\$567,573</u>

Year end showed a positive balance of net assets for the Village as a whole, as well as for its separate governmental activities. The Village's net assets increased \$14,438 over the prior year.

VILLAGE OF CEMENT CITY, MICHIGAN
Management's Discussion and Analysis
June 30, 2014

Government Activities

Governmental activities increased the Village's net assets by \$14,438 in the current fiscal year; by comparison, in the prior year, governmental activities net assets increased by \$13,178.

Key elements in the change of the current year:

- Charges for services increased by \$10,594.
- Expenditures for Public Works Operations and Maintenance increased by \$2,984.
- Expenditures for general government increased by \$8,068.

Financial Analysis of Village's Funds

The Village uses fund accounting to insure and demonstrate compliance with finance related legal requirements.

Governmental Funds

As mentioned in the beginning of the Discussion and Analysis the focus of the Village's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. The unassigned fund balance may serve as a useful indicator of the Village's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$189,046, a decrease of \$47,868, in comparison to the prior year. Approximately 69% of this total amount is unassigned fund balances, which is available for spending at the Village's discretion.

The general fund reported an increase in fund balance of \$3,118 over the prior year, resulting in a unassigned fund balance of \$130,017 and total fund balance of \$135,382. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 109% of the total general fund expenditures and transfers out.

The decrease of \$47,868 is the result of an increase in general government expenses over the prior year of \$8,068 and public works expenses of \$3,917. Capital outlay for infrastructure of streets increased by \$67,067. Revenues increased slightly by \$3,836.

The major street fund reported a decrease in fund balance of \$13,333 over the prior year, resulting in restricted fund balance of \$46,659. The decrease is the result of increased infrastructure capital outlay of \$20,807.

The local street fund reported a decrease in fund balance of \$37,653 over the prior year, resulting in restricted fund balance of \$7,005. The decrease was applicable to increased infrastructure capital outlay of \$46,260.

**VILLAGE OF CEMENT CITY
Management's Discussion and Analysis
June 30, 2014**

General Fund Budgetary Highlights

There were no differences between the original and amended budget.

For the fiscal year of 2014, the budgetary estimate for the net change in fund balance was a decrease of \$2,750; the actual was \$3,118 for an increase of \$5,868.

Capital Assets And Debt Administration

The Village's investment in capital assets for its governmental activities as of June 30, 2014, amounted to \$389,756 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment. The total increase in the Village's investment in capital assets for the current year was \$86,177. See Page 28.

Economic Factors And Next Year's Budget And Rates

The Village's budget for 2015 year has taken inconsideration, the economic condition and its effect on revenues. This will require close tabs on expenditures for the upcoming year and adjustments will be made to mirror, when possible, the revenue base, with expenses.

The following factors were considered in preparing the Village's budget.

- To maintain services to the community and maintain an adequate fund balance in reserve.
- To be aware of economic conditions, sources of revenue and potential changes within the community.
- To continue to improve infrastructure.

Contacting The Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at P.O. Box 187, Cement City, Michigan 49233.

VILLAGE OF CEMENT CITY
Government-wide Statement of Net Assets
June 30, 2014

	Governmental Activities
<u>Assets</u>	
Cash and Equivalents	\$169,488
Receivables - Net	22,081
Prepaid Expenses	5,365
Capital Assets Not Being Depreciated	45,000
Capital Assets Being Depreciated - Net	<u>344,756</u>
Total Assets	<u>\$586,690</u>
<u>Liabilities</u>	
Accounts Payable and Accrued Expenses	\$ 4,679
Notes Payable	<u>---</u>
Total Liabilities	<u>4,679</u>
<u>Net Assets</u>	
Invested In Capital Assets, Net of Related Debt	389,756
Unrestricted	<u>192,255</u>
Total Net Assets	<u>582,011</u>
Total Liabilities and Net Assets	<u>\$586,690</u>

VILLAGE OF CEMENT CITY
Government-wide Statement of Activities
For The Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Net (Expenses) Revenues</u>
Primary Government				
Governmental Activities:				
General Government	\$ 58,337	\$ 4,200	\$ ---	\$ (54,137)
Public Safety	24,259	1,619	---	(22,640)
Public Works	102,372	33,754	48,927	(19,691)
Community and Economic Development	1,564	145	---	(1,419)
Recreation	2,200	---	---	(2,200)
Other Functions	539	---	---	(539)
Interest on Long-Term Debt	75	---	---	(75)
Total Governmental Activities	<u>189,346</u>	<u>39,718</u>	<u>48,927</u>	<u>(100,701)</u>
General Revenues:				
Property Taxes				74,900
Grants and Contributions Not Restricted To Specific Programs				38,071
Unrestricted Investment Earnings				1,749
Gain on Sale of Assets				<u>419</u>
Total General Revenues, Contributions and Transfers				<u>115,139</u>
Change in Net Assets				14,438
Net Assets, Beginning of Year				<u>567,573</u>
Net Assets, End of Year				<u><u>\$ 582,011</u></u>

VILLAGE OF CEMENT CITY
Governmental Funds
Balance Sheet
June 30, 2014

	General Fund	Major Street Fund	Local Street Fund	Total Governmental Fund
<u>Assets</u>				
Cash and Cash Equivalents	\$120,011	\$41,695	\$4,806	\$166,512
Prepaid Expenses	5,365	---	---	5,365
Due From Other Funds	756	---	655	1,411
Receivable From Other Governments	12,806	5,952	1,754	20,512
Receivable - Other	<u>813</u>	<u>---</u>	<u>---</u>	<u>813</u>
Total Assets	<u>\$139,751</u>	<u>\$47,647</u>	<u>\$7,215</u>	<u>\$194,613</u>
<u>Deferred Outflow of Resources</u>				
Property Taxes	<u>\$ 7</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 7</u>
<u>Liabilities</u>				
Accounts Payable/ Accrued Liabilities	4,362	---	---	4,362
Due to Other Funds	<u>---</u>	<u>988</u>	<u>210</u>	<u>1,198</u>
Total Liabilities	<u>4,362</u>	<u>988</u>	<u>210</u>	<u>5,560</u>
<u>Fund Balances</u>				
Non-Spendable: Prepaid Expenses	5,365	---	---	5,365
Restricted For: Public Works - Roads	---	46,659	7,005	53,664
Unassigned	<u>130,017</u>	<u>---</u>	<u>---</u>	<u>130,017</u>
Total Fund Balances	<u>135,382</u>	<u>46,659</u>	<u>7,005</u>	<u>189,046</u>
Total Liabilities and Fund Balances	<u>\$139,751</u>	<u>\$47,647</u>	<u>\$7,215</u>	<u>\$194,613</u>

The notes to financial statements are an integral part of this statement.

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VILLAGE OF CEMENT CITY
Reconciliation of Fund Balances On The Balance Sheet For Governmental Funds
To Net Assets Of Governmental Activities On The Statement of Net Assets
June 30, 2014

Fund Balances – Total Governmental Funds \$ 189,046

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: Capital assets. 1,912,941

Deduct: Accumulated depreciation. (1,523,185)

An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Deduct: Net adjustment for governmental activities
Accounted for in the internal service fund. 3,209

Net Assets of Governmental Activities \$ 582,011

VILLAGE OF CEMENT CITY
Governmental Fund Statement Of Revenues, Expenditures, And Changes In Fund Balance
June 30, 2014

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Total Governmental Fund</u>
<u>Revenues</u>				
Taxes	\$ 74,900	\$ ---	\$ ---	\$ 74,900
Intergovernmental	38,071	36,184	10,655	84,910
Fines and Penalties	203	---	---	203
Licenses and Permits	1,700	---	---	1,700
Interest	1,605	78	66	1,749
Other	948	2,224	656	3,828
Franchise Fee	3,113	---	---	3,113
Metro Act	2,088	---	---	2,088
Total Revenues	<u>122,628</u>	<u>38,486</u>	<u>11,377</u>	<u>172,491</u>
<u>Expenditures</u>				
Current:				
General Government	56,390	---	---	56,390
Public Safety	23,215	---	---	23,215
Public Works	32,802	21,280	12,502	66,584
Community Economic Development	1,564	---	---	1,564
Other Functions	539	---	---	539
Capital Outlay	---	20,807	46,260	67,067
Total Expenditures	<u>114,510</u>	<u>42,087</u>	<u>58,762</u>	<u>215,359</u>
Excess of Revenue Over (Under) Expenditures	<u>8,118</u>	<u>(3,601)</u>	<u>(47,385)</u>	<u>(42,868)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	---	---	9,732	9,732
Transfers (Out)	(5,000)	(9,732)	---	(14,732)
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>(9,732)</u>	<u>9,732</u>	<u>(5,000)</u>
Net Change In Fund Balance	3,118	(13,333)	(37,653)	(47,868)
Fund Balances – Beginning of Year	<u>132,264</u>	<u>59,992</u>	<u>44,658</u>	<u>236,914</u>
Fund Balances – End of Year	<u>\$135,382</u>	<u>\$46,659</u>	<u>\$ 7,005</u>	<u>\$189,046</u>

The notes to financial statements are an integral part of this statement.

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VILLAGE OF CEMENT CITY
Reconciliation Of The Statement Of Revenues, Expenditures,
And Changes In Fund Balances Of Governmental Statement Of Activities
June 30, 2014

Net Change In Fund Balances – Total Governmental Funds \$ (47,868)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Deduct: Depreciation expense. (30,928)

Add: Capital Outlay. 67,077

Add: Net change in Internal Service Fund included with governmental funds on government-wide basis before depreciation expense. 26,157

Change In Net Assets Of Governmental Activities Increase \$ 14,438

VILLAGE OF CEMENT CITY
Statement of Net Assets
Proprietary Funds
June 30, 2014

	Governmental Activities
	<u>Internal Service Fund</u>
<u>Assets</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 2,976
Due From Other Funds	543
Noncurrent Assets:	
Property and Equipment - Net	<u>65,742</u>
Total Non-Current Assets	<u>65,742</u>
Total Assets	<u>\$69,261</u>
<u>Liabilities</u>	
Current Liabilities:	
Accounting Payable	\$ 317
Total Current Liabilities	<u>317</u>
Total Liabilities	<u>317</u>
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	65,742
Unrestricted	<u>3,202</u>
Total Net Assets	<u>\$68,944</u>

The accompanying notes are an integral part of this financial statement.

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VILLAGE OF CEMENT CITY
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For The Year Ended June 30, 2014

	Governmental Activities
	<u>Internal Service Fund</u>
<u>Operating Revenues</u>	
Charges for Services	\$30,874
<u>Operating Expenses</u>	
Salaries and Wages	3,028
Fringe Benefits	159
Contractual Services	1,200
Supplies and Materials	6,822
Depreciation	13,511
Utilities	2,204
Total Operating Expenses	<u>26,924</u>
Operating Income	<u>3,950</u>
<u>Other Income/Deduction</u>	
Interest (Expense)	(75)
Transfers In	5,000
Gain Sale of Assets	419
Total Other Income (Expense)	<u>5,344</u>
Net Income	9,294
Net Assets, Beginning of Year	<u>59,650</u>
Net Assets, End of Year	<u>\$68,944</u>

The accompanying notes are an integral part of this financial statement.

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VILLAGE OF CEMENT CITY
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2014

	Governmental Activities
	<u>Internal Service Fund</u>
<u>Cash Flows From Operating Activities</u>	
Cash Received Usage Charged	\$ 30,874
Cash Payment to Suppliers For Goods and Services/Employees	<u>(12,416)</u>
Net Cash Provided (Used)	<u>18,458</u>
 <u>Cash Flows From Capital and Related Financing Activities</u>	
Purchase of Capital Assets	(15,755)
Loan Principal Payments	(9,911)
Interest Payments	(75)
Transfers In	5,000
Net Book Value of Sold Assets	2,181
Gain Sale of Assets	<u>419</u>
Net Cash (Used) by Capital and Related Financing Activities)	<u>(18,141)</u>
 Net Increase in Cash and Cash Equivalents	317
Cash and Cash Equivalents, Beginning of Year	<u>2,659</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,976</u>
 <u>Reconciliation to Statement of Net Assets</u>	
Cash and Cash Equivalents Internal Service Fund	\$ 2,976
Cash and Cash Equivalents - Governmental Funds	<u>166,512</u>
	<u>\$169,488</u>

VILLAGE OF CEMENT CITY
Statement of Cash Flows (Concluded)
Proprietary Funds
For The Year Ended June 30, 2014

	Governmental Activities	Internal Service Fund
<u>Reconciliation of Operating Income (Loss)</u>		
<u>to Net Cash Provided by Operating Activities:</u>		
Operating Income	\$ 3,950	
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation/Amortization	13,511	
Changes in Assets and Liabilities:		
Prepaid Expense	---	
Due to Other Funds	955	
Current Portion Long-Term Debt	(9,911)	
Accounts Payable	42	
	<u>8,547</u>	
Net Cash Provided (Used) by Operating Activities		<u>8,547</u>
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Interest Paid on Note	(75)	
Notes Payable - Equipment - Long Term	---	
Transfers In	5,000	
Purchase of Capital Assets	(15,755)	
Net Book Value of Sold Assets	2,181	
Gain on Sale of Assets	419	
	<u>(8,230)</u>	
Net Cash (Used) by Capital and Related Financing Activities		<u>(8,230)</u>
Net Increase in Cash and Cash Equivalents		317
Cash and Cash Equivalents, Beginning of Year		<u>2,659</u>
Cash and Cash Equivalents, End of Year		<u>\$ 2,976</u>
<u>Reconciliation to Statement of Net Assets</u>		
Cash and Cash Equivalents - Internal Service Fund	\$ 2,976	
Cash and Cash Equivalents - Governmental Funds	166,512	
		<u>\$169,488</u>

The accompanying notes are an integral part of this financial statement.

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VILLAGE OF CEMENT CITY
Fiduciary Funds – Statement of Net Assets
June 30, 2014

	<u>Other Agency Funds</u>
<u>Assets</u>	
Cash and Cash Equivalents	<u>\$2,971</u>
Total Assets	<u>\$2,971</u>
<u>Liabilities</u>	
Other Payables	\$2,215
Due to General Fund	<u>756</u>
Total Liabilities	<u>\$2,971</u>

VILLAGE OF CEMENT CITY
Notes to Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Village Operations

The Village of Cement City, Michigan operates under a Council form of government and provides services to its residents in many areas including public safety, public works, community and economic development and human services. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The Village of Cement City, Michigan is a municipal corporation governed by an elected board. The accompanying financial statement presents the government for which the government is considered to be financially accountable. Presently there are no other entities besides the primary government.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Government-Wide Statements – 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 agency funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

VILLAGE OF CEMENT CITY
Notes to Financial Statements
June 30, 2014

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

Fund - Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property 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 government.

The government reports the following major governmental funds:

General Fund - This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund - This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the major street functions of the Village.

Local Street Fund - This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the local street functions of the Village.

The government reports the following major proprietary fund:

Internal Service Fund - This fund is a proprietary type fund which accounts for activities of the department of public works within the government unit, providing use of the capital assets of the Village.

The government reports the following fiduciary fund:

Other Agency Fund - This fund is a fiduciary type fund which accounts for assets held by the Village acting as an agent for individuals, private organizations and other governments and/or other funds.

VILLAGE OF CEMENT CITY
Notes to Financial Statements
June 30, 2014

Additional Financial Statement Presentation Information – Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector standards issued after November 30, 1989 for its business-type activities. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 government's internal service fund are charges to customers for services. Operating expenses for internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, Liabilities, and Net Assets or Equity

1. Bank Deposits and Investment

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

VILLAGE OF CEMENT CITY
Notes to Financial Statements
June 30, 2014

4. Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20 - 50
Building	10 - 50
Machinery, Equipment, And Furnishings	5 - 35
Utility Systems	50 - 100
Infrastructure	15 - 100
Vehicles	5 - 15

6. Fund Balance Classification Policies and Procedures

Fund balance classifications shown in the governmental funds financial statements are non-spendable, restricted, committed, assigned and unassigned.

Non-Spendable Fund Balance Classification includes amounts that cannot be spent because they are either non-spendable in form or legally or contractually required to be maintained intact.

Restricted Fund Balance Classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

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.

Assigned Fund Balance Classification are intended to be used by the government for specific purposes but do not meet the criteria of restricted or committed.

Unassigned Fund Balance Classification is the residual.

VILLAGE OF CEMENT CITY
Notes to Financial Statements
June 30, 2014

Restricted Resources

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balances first, then committed, assigned and finally unassigned fund balances.

7. Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

8. Long-Term Obligations

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

9. Property Taxes

The government's property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through September 30; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by the counties.

Assessed values as established annually by the government, and subject to acceptance by the counties, are equalized by the State at an estimated 50% of current market value. The Village's general operating tax rate for fiscal year 2013-2014 was 10.0 mills.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

- a) The Village submits a proposed operating budget for the fiscal year commencing July 1.
- b) A public hearing is conducted by the Village to obtain taxpayer comments.
- c) The budget is then legally enacted through passage of the appropriations act.
- d) The budget is adopted on the governmental activity basis and control is exercised at the activity level.
- e) The budget for the general fund and special revenue funds are prepared on a basis consistent with generally accepted accounting principles.
- f) Appropriations lapse at year end and therefore cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.
- g) Once the budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Village Council. Amendments are presented to the Council at their regular meetings. Each amendment must have Council approval. Such amendments are made before the fact, are reflected in the official minutes of the Village Council, and are not made after fiscal year-end as dictated by law.

VILLAGE OF CEMENT CITY
Notes to Financial Statements
June 30, 2014

Excess of Expenditures Over Appropriations In Budgeted Funds - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2014, the government incurred expenditures in excess of amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government:			
Attorney/Auditing	\$ 4,000	\$ 8,359	\$4,359
Public Safety:			
Inspections	500	655	155
Community Economic Development:			
Zoning	1,000	1,564	564
Public Works:			
Repairs/Maintenance	5,100	5,209	109
Sanitation	17,000	18,575	1,575
Major Street Fund:			
Public Works	26,665	42,087	15,422
Transfer to Other Funds	6,500	9,732	3,232
Capital Outlay	---	20,807	20,807
Local Street Fund:			
Public Works	19,565	58,762	39,197
Capital Outlay	---	46,260	46,260

NOTE 3 – DEPOSITS AND INVESTMENTS

The Village deposits and investment policy are in accordance with the statutory authority. Below is a reconciliation of deposits as of June 30, 2014:

Statement of Net Assets

Cash and Cash Equivalents	\$169,488
---------------------------	-----------

Statement of Fiduciary Net Assets

Cash and Cash Equivalents	<u>2,971</u>
	<u>\$172,459</u>

Deposit

Bank deposits (checking, savings, money markets and certificate of deposits)	<u>\$172,459</u>
--	------------------

The government complies with state law regarding their investment policy. All deposits are uncollateralized and in the government's name. Due to the dollar amounts of cash deposits and limits of FDIC insurance, the government believes it is impractical to insure all bank deposits. The government does evaluate the financial institutions as to risk. The government has no policy regarding custodial credit risk for deposits. The amount insured thru FDIC for primary government was \$172,459.

VILLAGE OF CEMENT CITY
Notes to Financial Statements
June 30, 2014

Custodial Credit Risk - Investment

The government's only investments are in certificate of deposits which are insured thru the FDIC. In accordance with the government's investment policy, all investments are held in the name of the government and thus are not exposed to custodial credit risks.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The government's investment policy will limit the government to the safest types of investments, thus minimizing credit risk. Presently the government has only savings, money markets, and certificates of deposits which are insured thru FDIC.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The government's policy does not limit investments to one user. Below is the percentage by issuer and type of investment at June 30, 2014.

At June 30, 2014, the Village had greater than 5% of its total investment portfolio concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
Savings Money Market (FDIC)	OSB Community Bank	100.00%

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. In accordance with the government's investment policy, the government limits interest rate risk by purchasing a mix of short and longer term investments. This laddering approach also mates investment maturities to projected cash flow needs, thus minimizing interest rate risk and the need to liquidate securities at a loss.

VILLAGE OF CEMENT CITY
Notes to Financial Statements
June 30, 2014

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Other	\$ 45,000	\$ ---	\$ ---	\$ 45,000
	<u>45,000</u>	<u>---</u>	<u>---</u>	<u>45,000</u>
Capital Assets, Being Depreciated:				
Buildings	112,485	3,355	---	115,840
Vehicles	90,045	---	---	90,045
Equipment	98,065	15,755	(9,496)	104,324
Infrastructure	1,490,665	67,067	---	1,557,732
	<u>1,791,260</u>	<u>86,177</u>	<u>(9,496)</u>	<u>1,867,941</u>
Total Capital Assets Being Depreciated	<u>1,791,260</u>	<u>86,177</u>	<u>(9,496)</u>	<u>1,867,941</u>
Less Accumulated Depreciation For:				
Buildings	(53,014)	(2,868)	---	(55,882)
Vehicles	(40,519)	(9,004)	---	(49,523)
Equipment	(69,562)	(6,284)	7,315	(68,531)
Infrastructure	(1,336,477)	(12,772)	---	(1,349,249)
	<u>(1,499,572)</u>	<u>(30,928)</u>	<u>7,315</u>	<u>(1,523,185)</u>
Total Accumulated Depreciation	<u>(1,499,572)</u>	<u>(30,928)</u>	<u>7,315</u>	<u>(1,523,185)</u>
Total Capital Assets, Being Depreciated, Net	<u>291,688</u>	<u>55,249</u>	<u>(2,181)</u>	<u>344,756</u>
Governmental Activities Capital Assets, Net	<u>\$ 336,688</u>	<u>\$ 55,249</u>	<u>\$ (2,181)</u>	<u>\$ 389,756</u>

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

Governmental Activities:

General Government	\$ 1,947
Public Safety	1,044
Public Works	12,226
Recreation	2,200
Capital Assets Held By The Government's Internal Service Funds Are Charged To The Various Functions Based On Their Usage Of The Assets.	<u>13,511</u>
Total Depreciation Expense Governmental Activities	<u>\$30,928</u>

VILLAGE OF CEMENT CITY
Notes to Financial Statements
June 30, 2014

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2014, the following were interfund receivables and payables in the fund statement.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 756	\$ ---
Major Street	---	988
Local Street	655	210
Trust & Agency	---	756
Internal Service	<u>543</u>	<u>---</u>
	<u>\$1,954</u>	<u>\$1,954</u>

These interfund receivables and payables are expected to be repaid with the next fiscal year.

NOTE 6 – RECEIVABLES

Receivables of the governmental activities and business-type activities of the government at June 30, 2014, consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Fiduciary Receivables	\$ 756	\$ ---
Comcast Franchise Fee	813	---
Intergovernmental	<u>20,512</u>	<u>---</u>
	<u>\$22,081</u>	<u>\$ ---</u>

NOTE 7 – TRANSFERS

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted, to or allowed for debt services from the funds collecting the receipts to the 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.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ ---	\$ 5,000
Major Street	---	9,732
Local Street	9,732	---
Internal Service	<u>5,000</u>	<u>---</u>
	<u>\$14,732</u>	<u>\$14,732</u>

VILLAGE OF CEMENT CITY
Notes to Financial Statements
June 30, 2014

NOTE 8 – CHANGES IN LONG-TERM DEBT:

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

<u>Type of Debt</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>	<u>Amounts Due Within One Year</u>
Internal					
Service Fund -					
Notes Payable					
International					
Dump Truck	\$9,911	\$ ---	\$9,911	\$ ---	\$ ---
Total					
Long-Term Debt	<u>\$9,911</u>	<u>\$ ---</u>	<u>\$9,911</u>	<u>\$ ---</u>	<u>\$ ---</u>

NOTE 9 – OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2014, the government carried insurance through various commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

NOTE 10 – SUBSEQUENT EVENTS

As of October 17, 2014 date of accountant's report there were no subsequent events known that would affect these financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF CEMENT CITY
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>	\$132,264	\$132,264	\$132,264	\$ ---
<u>Resources (Inflows)</u>				
Taxes and Assessments	75,000	75,000	74,900	(100)
Intergovernmental	36,000	36,000	38,071	2,071
Fines	---	---	203	203
Licenses and Permits	1,000	1,000	1,555	555
Interest	2,000	2,000	1,605	(395)
Franchise Fee	3,000	3,000	3,113	113
Other	700	700	1,093	393
Metro Act	2,200	2,200	2,088	(112)
<u>Amounts Available for Appropriation</u>	<u>252,164</u>	<u>252,164</u>	<u>254,892</u>	<u>2,728</u>
<u>Charges to Appropriations (Outflows)</u>				
<u>General Government</u>				
Office/Council	14,160	14,160	13,520	640
Treasurer	9,300	9,300	9,084	216
Clerk	8,800	8,800	8,585	215
Attorney/Auditing	4,000	4,000	8,359	(4,359)
Buildings and Grounds	23,830	23,830	16,842	6,988
Election Expense	1,000	1,000	---	1,000
	<u>61,090</u>	<u>61,090</u>	<u>56,390</u>	<u>4,700</u>
<u>Public Safety</u>				
Police	22,560	22,560	22,560	---
Inspections	500	500	655	(155)
	<u>23,060</u>	<u>23,060</u>	<u>23,215</u>	<u>(155)</u>
<u>Community Economic Development</u>				
Zoning	1,000	1,000	1,564	(564)
<u>Public Works</u>				
Repairs and Maintenance	5,100	5,100	5,209	(109)
Street Lights	9,800	9,800	9,018	782
Sanitation	17,000	17,000	18,575	(1,575)
	<u>31,900</u>	<u>31,900</u>	<u>32,802</u>	<u>(902)</u>
<u>Other Functions</u>	<u>600</u>	<u>600</u>	<u>539</u>	<u>61</u>
<u>Transfers to Other Funds</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>---</u>
<u>Total Charges to Appropriations</u>	<u>122,650</u>	<u>122,650</u>	<u>119,510</u>	<u>3,140</u>
<u>Ending of Year Fund Balance</u>	<u>\$129,514</u>	<u>\$129,514</u>	<u>\$135,382</u>	<u>\$ 5,868</u>

The notes to financial statements are an integral part of this statement.

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VILLAGE OF CEMENT CITY
Budgetary Comparison Schedule
Major Street Fund (Special Revenue Fund)
For The Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>	\$59,992	\$59,992	\$59,992	\$ ---
<u>Resources (Inflows)</u>				
Intergovernmental	32,000	32,000	36,184	4,184
Interest	65	65	78	13
Miscellaneous	<u>---</u>	<u>---</u>	<u>2,224</u>	<u>2,224</u>
 Amounts Available for Appropriation	 <u>92,057</u>	 <u>92,057</u>	 <u>98,478</u>	 <u>6,421</u>
 <u>Charges to Appropriations (Outflows)</u>				
Public Works	26,665	26,665	21,280	5,385
Transfers to Other Funds	6,500	6,500	9,732	(3,232)
Capital Outlay	<u>---</u>	<u>---</u>	<u>20,807</u>	<u>(20,807)</u>
 Total Charges to Appropriations	 <u>33,165</u>	 <u>33,165</u>	 <u>51,819</u>	 <u>(18,654)</u>
 Ending of Year Fund Balance	 <u>\$58,892</u>	 <u>\$58,892</u>	 <u>\$46,659</u>	 <u>\$ (12,233)</u>

VILLAGE OF CEMENT CITY
Budgetary Comparison Schedule
Local Street Fund (Special Revenue Fund)
For The Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>	\$44,658	\$44,658	\$44,658	\$ ---
<u>Resources (Inflows)</u>				
Intergovernmental	11,000	11,000	10,655	(345)
Interest	65	65	66	1
Transfers from Other Funds	8,500	8,500	9,732	1,232
Miscellaneous Revenue	<u>---</u>	<u>---</u>	<u>656</u>	<u>656</u>
<u>Amounts Available for Appropriation</u>	<u>64,223</u>	<u>64,223</u>	<u>65,767</u>	<u>1,544</u>
<u>Charges to Appropriations (Outflows)</u>				
Public Works	19,565	19,565	12,502	7,063
Capital Outlay	<u>---</u>	<u>---</u>	<u>46,260</u>	<u>(46,260)</u>
<u>Total Charges to Appropriations</u>	<u>19,565</u>	<u>19,565</u>	<u>58,762</u>	<u>(39,197)</u>
<u>Ending of Year Fund Balance</u>	<u>\$44,658</u>	<u>\$44,658</u>	<u>\$ 7,005</u>	<u>\$(37,653)</u>

PHILIP R. RUBLEY

– Certified Public Accountant –

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'s
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

October 17, 2014

**Members Of The Village Council
Village of Cement City
P.O. Box 187
Cement City, Michigan 49233**

We appreciate the opportunity to conduct your audit this year. As we've discussed with you previously, we are writing to you as we complete the audit to communicate any control deficiencies we identified during the audit and determined to be significant deficiencies or material weaknesses.

In planning and performing our audit of your financial statements for the period ending June 30, 2014, we applied generally accepted auditing standards (GAAS) as we considered your internal control over financial reporting (internal control) as a basis for designing our auditing procedures. We did this for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of your internal controls. Accordingly, as a part of your audit, we are not expressing an opinion on the effectiveness of your internal control.

Our consideration of internal control was for the limited purpose of conducting your organization's audit and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did identify certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses that are discussed below. It is important to note that control deficiencies are not necessarily problems you will choose to address; however, they do represent potential risks. Our job as your auditors is to ensure that you understand where you have these deficiencies or weaknesses so that you can make informed business decisions on how best to respond to these risks. In this year's audit, we identified the following:

SIGNIFICANT DEFICIENCIES

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects your entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of your financial statements that is more than inconsequential will not be prevented or detected by your internal control. We consider the following deficiencies to be significant deficiencies in internal control. The views of the Village officials, etc. are strictly their answers to the comments. We express no opinion on their comments.

2014 – 1 PREPARATION OF GAAP BASIS FINANCIAL STATEMENTS

Requirement:

The Village is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the Village's management. The preparation of financial statements in accordance with GAAP requires internal controls over (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related footnotes.

Condition:

The Village has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Village's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot be definition be considered part of the Village's internal controls.

Cause:

This condition is caused by the Village's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors then to incur the added time and expense of obtaining the necessary training to perform this task.

Effect:

The result of this condition is that the Village lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Official:

The Village will continue to evaluate the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP. In addition, the Village will carefully review the draft financial statements and notes prior to approving them and accept responsibility for their content and presentation.

2014 – 2 ACCOUNTING FOR FIXED ASSETS

Requirement:

The Village is required to maintain records in accordance with their capital asset policy as to the purchase, disposal and maintaining of assets including depreciation.

Condition:

The Village is historically relied on its independent external auditors to maintain the Village fixed asset schedules.

Cause:

The decision is caused by the Village's decision to save cost, and added time and expense in maintaining.

Effect:

Any internal prepared financial statements on a government-wide basis, if so prepared would possibly be in error.

View of Responsible Official:

It is more cost effective to continue to have the external auditors maintain the fixed asset schedules, for the Village approving them and accepting responsibility for its content.


MATERIAL WEAKNESSES

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by your internal control. We found no material weaknesses.

Village of Cement City
October 17, 2014
Page 3

We are available to answer any questions that you may have related to the control deficiencies we identified during your audit or discuss the benefits and associated costs of any options you have for remedying them if you would like to do so. If you would like to set up a meeting to discuss this communication or your organization's internal controls, please feel free to contact me.

We appreciate the opportunity to conduct your organization's audit.

Sincerely,

Philip R. Rubley, CPA

PRR/cab

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October 17, 2014

**Members of the Village Council
Village of Cement City
P.O. Box 187
Cement City, Michigan 49233**

We have audited the financial statements of the governmental activities of Village of Cement City, Michigan for the year ended June 30, 2014, and have issued our report thereon dated October 17, 2014. Professional standards require that we provide you with the following information related to our audit.

PURPOSE OF THE AUDIT

The audit was designed to determine the fair presentation or compliance with:

- generally accepted accounting principles and auditing standards,
- the applicable laws and regulations of the State of Michigan,

OUR RESPONSIBILITY UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS

As stated in our engagement letter, our responsibility, as described by professional standards, is to express our opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we consider the internal control of Village of Cement City, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you.

RESULTS OF AUDIT

1. Audit opinion letter - an unqualified opinion on the Village of Cement City, Michigan's financial statements has been issued. This means we have given a "clean" opinion with no reservations.

LETTER ON DEFICIENCIES

We noted significant deficiencies in our letter dated October 17, 2014. There was a very good relationship between Village of Cement City, Michigan and the auditors.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Village of Cement City, Michigan 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 2014. We noted no transactions entered into the Village of Cement City, Michigan during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

The disclosure in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements or determined that their effects are immaterial. 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 the 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 disagreement arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Village of Cement City
October 17, 2014
Page 3

OTHER COMMENTS

SALARIES AND WAGES

Salaries and wages should be broken down to their expense category as budgeted.

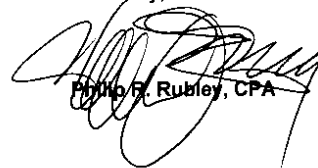
BUDGET

Document changes to original budget to avoid over expending in categories.

The financial affairs have been professionally conducted. The accounting records were in good condition and we commend the staff for their assistance and support during the audit.

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

Sincerely,



Philip B. Rubley, CPA

PRR/cab