

# **VILLAGE OF DIMONDALE**



**FINANCIAL STATEMENTS**

**YEAR ENDED  
FEBRUARY 29, 2016**

**KARL L. DRAKE, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS**

# VILLAGE OF DIMONDALE

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## **Village Office:**

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[www.villageofdimondale.org](http://www.villageofdimondale.org)

## **Village Officers:**

Ralph Reznick, Village President

Denise M. Parisian, Village Manager

Scott Ammarman, Street Administrator

## **Village Trustees:**

Lori Conarton

Bill Bower

Linda Luginbill

Scott Ammarman

Robert Campbell

Aaron Walworth

# VILLAGE OF DIMONDALE

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## **INDEPENDENT AUDITORS' REPORT**

Village Council  
Village of Dimondale  
Dimondale, MI

### **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 aggregate remaining fund information of the Village of Dimondale, as of and for the year ended February 29, 2016, 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.

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 Dimondale, as of February 29, 2016, and the respective changes in financial position, and where applicable, cash flow thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### Accounting Changes

As described in Note 14 to the financial statements, the District adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to these matters.

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of changes in the employer's net pension liability and related ratios, the schedule of employer's contributions, and budgetary comparison information on pages 3-9 and 37-41 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 Dimondale's basic financial statements. The other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates 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 other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with Government Auditing Standards, we have also issued our report dated April 19, 2016, on our consideration of the Village of Dimondale'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 the Village of Dimondale's internal control over financial reporting and compliance.

Karl L. Drake, P.C.  
Certified Public Accountants  
April 19, 2016

# VILLAGE OF DIMONDALE

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Village of Dimondale's annual financial report presents discussion and analysis of the Village's financial performance during the fiscal year ended February 29, 2016. It is best read in conjunction with the Village's financial statements that follow this section.

### Overview

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Village of Dimondale financially and the two types of statements present different points of view. The government-wide statements reflect information about the activities of the entire Village, presenting an aggregate view and a longer-term view of the Village's overall financial status. The fund financial statements focus on individual components of Village government, reporting the Village's operations in more detail and demonstrating how services were financed in the short term.

### Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities report information about the Village as a whole using accounting methods similar to those used by private-sector companies. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting. All of the year's revenue and expenses are taken into account regardless of when cash is received or paid. The two government-wide statements report the Village's net position - the difference between assets and liabilities- as one way to measure the Village's financial health or position. Over time, increases or decreases in the Village's net position is an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Village, the reader needs to consider additional non-financial factors such as changes in the Village's property tax base and the condition of the Village's streets.

The government-wide financial statements of the Village are divided into two categories:

- *Governmental activities* - Most of the Village's basic services are included here, such as public works, parks and general administration. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* - Operation and maintenance of the sanitary sewer system is included here. User fees fund the cost of providing this service.

### Fund Financial Statements

The fund financial statements provide more detailed information about the Village's most significant funds, not the Village as a whole. The Village Council establishes funds as needed to help it control and manage money for particular purposes or to demonstrate that it is meeting legal responsibilities.



## Management's Discussion and Analysis

### Fund Financial Statements (Continued)

The Village currently has two types of funds:

#### Governmental Funds

Most of the Village's basic services are included in governmental funds, which focus on how money flows in and out and the balances remaining at year-end that are available for spending. Activity is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Village that helps determine whether there are more or less resources that can be spent in the near future to finance the Village's programs. The relationship between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation.

#### Proprietary Funds

Services for which the Village charges customers a fee are reported in proprietary funds. Proprietary fund statements provide both long and short-term financial information. The Village's enterprise fund, the Sewer Fund, is a type of proprietary fund.

### The Village as a Whole

The statement of net position presents the perspective of the Village as a whole. Table 1 provides a summary of the Village's net position as of February 29, 2016 and 2015, in thousands of dollars.

<b>TABLE 1</b>	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>ASSETS</b>						
Current and Other Assets	\$ 664.6	\$ 631.1	\$ 616.9	\$ 533.6	\$ 1,281.5	\$ 1,164.7
Capital Assets	2,382.2	2,285.5	5,401.8	5,573.4	7,784.0	7,858.9
<b>TOTAL ASSETS</b>	<b>3,046.8</b>	<b>2,916.6</b>	<b>6,018.7</b>	<b>6,107.0</b>	<b>9,065.5</b>	<b>9,023.6</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	3.6	3.0	-	-	3.6	3.0
<b>LIABILITIES</b>						
Current Liabilities	38.7	15.3	25.8	22.5	64.5	37.8
Long-Term Liabilities	259.1	200.4	165.7	188.9	424.8	389.3
<b>TOTAL LIABILITIES</b>	<b>297.8</b>	<b>215.7</b>	<b>191.5</b>	<b>211.4</b>	<b>489.3</b>	<b>427.1</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	(45.3)	-	-	-	(45.3)	-
<b>NET POSITION</b>						
Net Investment in Capital Assets	2,351.2	2,248.4	5,216.8	5,365.9	7,568.0	7,614.3
Restricted	122.1	189.0	-	-	122.1	189.0
Unrestricted	324.6	266.5	610.4	529.7	935.0	796.2
<b>TOTAL NET POSITION</b>	<b>\$ 2,797.9</b>	<b>\$ 2,703.9</b>	<b>\$ 5,827.2</b>	<b>\$ 5,895.6</b>	<b>\$ 8,625.1</b>	<b>\$ 8,599.5</b>

### The Village as a Whole (Continued)

Liabilities in the governmental activities consist of \$30,900 of an assessment due to the Eaton County Drain Commission for repairs made to the Dimondale Estates Drain in 2006; about \$28,500 in sick time for Village employees; approximately \$15,000 remaining in costs related to the Bridge Street resurfacing project; and \$230,000 in unfunded pension costs. In the business-type activities, an Installment Purchase Agreement secured in 2013 for the purpose of funding a sewer main replacement explains the bulk of the debt. Implementation of GASB No. 68 now requires unfunded pension liability to be represented in the financial statements. As a result of a recent Experience Study performed by the Municipal Employees Retirement System, an updated mortality table and lower rate of investment return will be applied to the funded projections going forward causing an increase in liability assumptions. Total net position in the governmental activities increased as a result of capital investment activity in the Major and Local Street Funds. Bridge Street was milled and resurfaced with ADA sidewalk improvements at a cost of \$162,000 in Major Streets. Approximately 55% of this cost was paid with federal grant funds through the State of Michigan and the remaining funding came from monies accumulated through Act 51 road funding. In the Local Streets Fund, the Village took advantage of new tax millage revenue from Eaton County in 2015 to resurface East Road from the roundabout to the Village limits at a cost of about \$93,000. Some additional funding (approximately \$20,000) was provided by Eaton County. This improvement also involved a transfer of jurisdiction from the County to the Village for the portion of East Road in the Village. The business-type activities also experienced capital investment growth. Improvements to the headworks comprised the significant portion of this activity in the amount of \$135,000. In both the governmental and business-type activities, capital assets are depreciated on a straight-line basis. The depreciation of assets in all activities offsets the value of improvements for reporting purposes.

The Village's combined net position was \$8.6 million at February 29, 2016, reflecting a minimal increase over 2015. Capital assets (net of related debt) totaling \$7.6 million compares the historical cost, less depreciation, to the long-term debt used to finance the acquisition of those assets. Restricted funds in Table 1 represent the balances at year end in the Street Funds. The \$935,024 in combined unrestricted net position reflects the accumulated results of all past years' operations. The healthy increase in Unrestricted funds between the fiscal years demonstrates the Village's positive financial position as a result of continued capital investment, debt retirement and resource management.

The following table shows the revenue and expense activity during the current fiscal year, and the change in net position (in thousands of dollars), as reported in the statement of activities.



## Management's Discussion and Analysis

### The Village as a Whole (Continued)

TABLE 2	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>REVENUE</b>						
Program Revenue						
Charges for Services	\$ 1.7	\$ 2.0	\$ 516.3	\$ 483.7	\$ 518.0	\$ 485.7
Operating Grants	-	-	-	-	-	-
General Revenue						
Property Taxes	379.7	313.1	-	-	379.7	313.1
Federal Grants	84.4	-	-	-	84.4	-
State Entitlements	195.3	224.8	-	-	195.3	224.8
Interest Earnings	1.3	2.0	1.3	1.2	2.6	3.2
Transfers	-	-	-	-	-	-
Other	31.8	42.6	11.9	-	43.7	42.6
<b>TOTAL REVENUE</b>	<b>694.2</b>	<b>584.5</b>	<b>529.5</b>	<b>484.9</b>	<b>1,223.7</b>	<b>1,069.4</b>
<b>EXPENSES</b>						
General Government	232.3	236.7	-	-	232.3	236.7
Public Safety	1.3	2.9	-	-	1.3	2.9
Public Works	157.3	137.7	-	-	157.3	137.7
Recreation	12.3	15.7	-	-	12.3	15.7
Interest on Long-Term Debt	2.0	2.3	8.4	9.3	10.4	11.6
Depreciation (Unallocated)	195.0	185.8	-	-	195.0	185.8
Proprietary Fund Expenses	-	-	589.5	611.4	589.5	611.4
<b>TOTAL EXPENSES</b>	<b>600.2</b>	<b>581.1</b>	<b>597.9</b>	<b>620.7</b>	<b>1,198.1</b>	<b>1,201.8</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 94.0</b>	<b>\$ 3.4</b>	<b>\$ (68.4)</b>	<b>\$ (135.8)</b>	<b>\$ 25.6</b>	<b>\$ (132.4)</b>

#### *Governmental Activities*

The governmental activities experienced an increase in net position of \$94,042. This was primarily due to \$85,000 in grant funds received for improvements to Bridge Street and the new road millage through Eaton County. Property tax revenue remains stable following re-assessment of all Village properties and subsequent to the gradual loss of personal property taxes resulting from state legislation. A slight increase in expenses is reflected between the years. This can be attributed to salaries in Public Works and depreciation expense. The Village is adjusting to previous labor reductions in the DPW with part-time and seasonal help in the field. This change is necessitated by the addition of new park property and a desired standard of maintenance throughout the community. Employee benefits were reduced by changes in the insured population and a minimal increase in health insurance premiums (2%). All current employees received measurable wage increases, ranging from 4% to 10% following an evaluation of each individual's responsibilities, work load and length of service.

# VILLAGE OF DIMONDALE

## Management's Discussion and Analysis

### The Village as a Whole (Continued)

#### *Business-Type Activities*

The Village's business-type activities consist of the Sewer Fund. This fund experienced a decrease in net position of \$68,434. This decrease was primarily caused by depreciation (\$300,000). The rate increase implemented in FY 2012-13 continues to successfully fund operations, debt retirement and capital improvements. Increased treatment charges to Ball Septic (\$80,000) account for most of the difference in revenue between the fiscal years. A multi-year program to televise and clean sewer lines in the Village portion of the system was completed this year with no problems identified. Long-awaited improvements to the headworks were initiated in 2015 with completion expected in the first half of 2016. The positive impact of this improvement will be noticeable throughout the treatment process. Utility costs dropped in FY 2015-16 and can be attributed to changes in process management. The contract with Hughes Environmental Services for operation of the system continues to be beneficial for the Village and attributes to the noted stability of this fund.

### The Village's Funds

Analysis of the Village's major funds follows the government-wide financial statements. As noted earlier, the Village creates funds to help manage money for specific purposes and to demonstrate accountability for certain activities. The Village's major governmental funds are the General Fund, the Major and Local Streets Funds, the Sewer Fund and the Farmers' Market Fund which was created in 2016.

The General Fund pays for most of the Village's governmental services and supports capital improvements in the street funds. The General Fund is supported mainly by property taxes and state shared revenue, while the Streets Funds are financed by the state gas and weight tax, a new millage through Eaton County (1.5 mills for 12 years, starting in 2015) and transfers from the General Fund. At the conclusion of the current fiscal year, the governmental funds reported a combined fund balance of \$616,012, which is an increase of \$6,226 from the previous year. Considering the amount of road work completed in 2015-16, this balance reflects positively on the Village's financial health.

### General Fund Budgetary Highlights

Over the course of the year, the Village amended the budget in response to changing conditions and opportunities. Amendment activity in FY 2015-16 was due to the following circumstances:

- An increase in Local Streets revenue to reflect the addition of new Eaton County road millage dollars (\$45,000).
- An increase in Local Streets engineering and construction expenditures for the purpose of funding the rehabilitation of East Road (\$130,000).
- An increase in Sewer Fund expenditures to provide for changes to the equipment specified for the headworks capital improvement which included the autorake and the grit chamber (\$70,000). This change eliminates two planned upgrades from the Capital Improvement Plan for this fund.

With these amendments and other inter-activity adjustments, total actual expenditures in the Governmental Activities and the Business-Type Activities were considerably less than budgeted. This can be attributed to favorable construction bids and management's continued efforts to stabilize operational costs.



## Management's Discussion and Analysis

### Capital Asset and Debt Administration

At the end of the 2015-16 fiscal year, the Village managed capital assets valued at over \$7.7 million including property, buildings, roads, drains, equipment, and sewer lines. \$30,917 of drain assessment and \$28,596 in employee compensated absences account for the General Fund's long-term debt and approximately \$184,999 remains owed on the Installment Purchase Agreement in the Sewer Fund.

#### Capital Assets Net of Accumulated Depreciation (dollars are in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Non-Depreciable Assets						
Land	\$ 191.0	\$ 191.0	\$ 54.5	\$ 54.5	\$ 245.5	\$ 245.5
Depreciable Assets						
Buildings and Improvements	281.8	301.6	39.6	43.7	321.4	345.3
Vehicles	67.3	52.7	-	-	67.3	52.7
Furniture and Equipment	32.8	36.3	4.8	10.1	37.6	46.4
Infrastructure	1,809.3	1,703.9	5,302.8	5,465.1	7,112.1	7,169.0
Total	\$ 2,382.2	\$ 2,285.5	\$ 5,401.7	\$ 5,573.4	\$ 7,783.9	\$ 7,858.9

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

Funds available for appropriation in the 2016-17 General Fund Budget are \$469, 550, which represents an increase of about \$4,000 over the previous year's budget and is explained by the inclusion of funding for projects in the Recreation and Culture activity. The Village Council has allocated funds for new program expenses (\$5,000) such as the Outdoor Movie, A Grand Celebration, the Cemetery Chat and the Best Race by a Dam Site. Some monies will also go toward the construction of historical signs in Danford Island Park (\$10,000). Costs are offset by a grant from the Capital Region Community Foundation (CRCF) (\$4,000). Revenue is projected to remain relatively flat between the fiscal years with no measurable change budgeted for taxes or Revenue Sharing and injections for the CRCF grant and race proceeds. The 2016-17 Budget is built on the existing millage rate (10 mills) which generates about \$330,000 since the elimination of personal property taxes. Employees will continue to contribute 3% of wages toward the MERS defined benefit retirement plan in the coming year. Budgeted employee benefits do not increase as health insurance premiums increased by only a small percentage between the fiscal years. All employees receive a 2% increase this year on the back of significant increases last year. This recommendation from the Management Committee follows a Compensation Study performed in 2015 by the Michigan Municipal League which supported last year's wage adjustments and a desire by the Committee to return to more regular salary increases going forward. Special items funded in the new budget include: painting the interior of the downtown garage and DPW office (\$2,000) which completes facility improvements started last year, replacement of the leaf vacuum truck (\$30,000), a new power washer (\$2,000), sidewalk repairs (\$6,000), tree trimming and replanting (\$10,000) and the parks and recreation work described above. Funding and design work for the second phase of Danford Park will continue in 2016. Emergency management, retirement planning/funding and recreational programming are priorities for the council committees this year, with the Strategic Plan developed in 2014 driving work in all areas. Constitutional Revenue Sharing is forecasted to increase by about 4% in 2016 and replacement of personal property taxes is also anticipated. These revenue sources have not been budgeted but contribute to a brighter outlook for the Village's future.

# VILLAGE OF DIMONDALE

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## Management's Discussion and Analysis

### **Economic Factors and Next Year's Budgets and Rates (Continued)**

The 2016-17 budgets in the Streets Funds focus on maintenance (repairs, drain cleaning, street sweeping, crack sealing) while funds accrue for future road projects identified in the Capital Improvement Plan. Street sweeping is scheduled monthly during the summer (\$4,000) and all storm drain catch basins will be cleaned this year (\$9,000). Maintenance work was kept to a minimum in FY 2015-16 due to the resurfacing projects accomplished. In 2016, crack sealing and hot patching will contribute significant costs to the maintenance budget in both funds (\$25,000). The Village continues to allocate funds for contracted assistance with winter maintenance (\$6,500) in the absence of a second plow driver. Traffic counts will be secured this year (\$1,500) and the Public Works Committee will revisit road work priorities considering the new millage funds and updated Paser ratings. The Streets Funds' budgets reflect increased spending for maintenance costs in an effort to better manage these valuable assets. This effort was supported by funding from the State of Michigan General Fund through PA 252 of 2014 and PA 84 of 2015 during FY 2015-16. PA 84 funds will carry over into 2016 and the new transportation revenue package signed into law in 2015 is forecast to begin paying out in 2017. When added to the new road millage, these monies have the potential to accelerate local street reconstruction in the future.

The current sewer rate (\$35/REU/month) will continue to fund budgeted operations, improvements, debt retirement and the accumulation of funds for future equipment replacement and capital needs based on the rate study performed annually. Renewal of the Ball Septic contract with a rate increase and the return of another large commercial user bode well for current fiscal year revenue in the Sewer Fund. Capital improvements planned for FY 2016-17 include painting of the walkways and clarifier (\$15,000), a new gear box for the third ditch (\$5,000) and replacement of the electrical box at the Lansing Road lift station (\$5,000). An engineering study to consider replacement of the blowers is planned in addition to landscaping around the Bridge Street lift station. Hughes Environmental Inc. will continue to operate the plant with fiduciary responsibility and oversight provided by the Village Manager. Operations remain stable and the fund balance has grown at a steady, moderate pace since the \$35 rate was adopted in 2012.

Note: The Village of Dimondale does not qualify for the Governor's statutory revenue sharing program called the Economic Vitality Incentive Program and the resulting funding. In 2015 and 2016 the Village met the requirements of PA 152 through adoption of the exemption option. A new benefit package is in place for employees hired after 12/31/11 that will transition the Village to the 80%/20% option.

### **Contacting the Village's Management**

This report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village Manager, 136 N. Bridge Street, Dimondale, MI 48821.



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## **BASIC FINANCIAL STATEMENTS**

# VILLAGE OF DIMONDALE

## Government-Wide Financial Statements

### STATEMENT OF NET POSITION

FEBRUARY 29, 2016

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 608,015	\$ 532,118	\$ 1,140,133
Due From Other Governmental Units	15,774	-	15,774
Accounts Receivable	28,258	59,902	88,160
Prepaid Expenses	12,721	24,929	37,650
<b>TOTAL CURRENT ASSETS</b>	<b>664,768</b>	<b>616,949</b>	<b>1,281,717</b>
NON-CURRENT ASSETS			
Capital Assets	5,843,919	10,085,770	15,929,689
Less: Accumulated Depreciation	(3,461,767)	(4,683,999)	(8,145,766)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,382,152</b>	<b>5,401,771</b>	<b>7,783,923</b>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	3,596	-	3,596
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>3,596</b>	<b>-</b>	<b>3,596</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 3,050,516</b>	<b>\$ 6,018,720</b>	<b>\$ 9,069,236</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>			
CURRENT LIABILITIES			
Accounts Payable	\$ 32,560	\$ 2,390	\$ 34,950
Accrued Interest	-	-	-
Current Portion of Loans Payable	6,183	23,423	29,606
<b>TOTAL CURRENT LIABILITIES</b>	<b>38,743</b>	<b>25,813</b>	<b>64,556</b>
NON-CURRENT LIABILITIES			
Loans Payable	24,734	161,576	186,310
Compensated Absences and Severance Pay	28,596	4,092	32,688
Net Pension Liability	205,757	-	205,757
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>259,087</b>	<b>165,668</b>	<b>424,755</b>
<b>TOTAL LIABILITIES</b>	<b>297,830</b>	<b>191,481</b>	<b>489,311</b>
DEFERRED INFLOWS OF RESOURCES			
Pensions	(52,052)	-	(52,052)
State Appropriation	6,749	-	6,749
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>(45,303)</b>	<b>-</b>	<b>(45,303)</b>
NET POSITION			
Net Investment in Capital Assets	2,351,235	5,216,772	7,568,007
Restricted	122,054	-	122,054
Unrestricted	324,700	610,467	935,167
<b>TOTAL NET POSITION</b>	<b>2,797,989</b>	<b>5,827,239</b>	<b>8,625,228</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 3,050,516</b>	<b>\$ 6,018,720</b>	<b>\$ 9,069,236</b>

See Accompanying Notes to Financial Statements



## STATEMENT OF ACTIVITIES

YEAR ENDED FEBRUARY 29, 2016

	Program Revenue		Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges	Operating Grants	Governmental Activities	Business- Type Activities	Total
		For Services				
<b>FUNCTIONS/PROGRAMS</b>						
Governmental Activities						
General Government	\$ 232,351	\$ -	\$ -	\$ (232,351)	\$ -	\$ (232,351)
Public Safety	1,304	-	-	(1,304)	-	(1,304)
Public Works	157,277	1,620	84,443	(71,214)	-	(71,214)
Recreational and Cultural	12,304	100	-	(12,204)	-	(12,204)
Interest on Long-Term Debt	1,985	-	-	(1,985)	(8,404)	(10,389)
Depreciation (Unallocated)	195,015	-	-	(195,015)	-	(195,015)
Total Governmental Activities	600,236	1,720	84,443	(514,073)	(8,404)	(522,477)
Business-Type Activities						
Sewer	589,525	516,260	-	-	(73,265)	(73,265)
Total Activities	1,189,761	517,980	84,443	(514,073)	(81,669)	(595,742)
General Revenue						
Taxes						
Property Taxes, Levied for General Operations				379,748	-	379,748
Property Taxes, Levied for Debt Service				-	-	-
State of Michigan Aid, Unrestricted				195,301	-	195,301
Interest Earnings				1,432	1,313	2,745
Other				31,777	11,922	43,699
Total General Revenue				608,258	13,235	621,493
<b>CHANGE IN NET POSITION</b>				94,185	(68,434)	25,751
NET POSITION - BEGINNING OF YEAR				2,703,804	5,895,673	8,599,477
<b>NET POSITION - END OF YEAR</b>				<u>\$ 2,797,989</u>	<u>\$5,827,239</u>	<u>\$8,625,228</u>

# VILLAGE OF DIMONDALE

Governmental Funds

## BALANCE SHEET

FEBRUARY 29, 2016

	General	Major Streets	Local Streets	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 485,703	\$ 113,535	\$ 8,777	\$ 608,015
Accounts Receivable	11,027	660	16,571	28,258
Due from Other Governmental Units	-	6,656	2,369	9,025
Due from Other Funds	1,340	-	-	1,340
Prepaid Expenditures	12,721	-	-	12,721
<b>TOTAL ASSETS</b>	<b>\$ 510,791</b>	<b>\$ 120,851</b>	<b>\$ 27,717</b>	<b>\$ 659,359</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 7,386	\$ 25,174	\$ -	\$ 32,560
Due to Other Funds	-	1,031	309	1,340
Unearned Revenue	9,304	-	-	9,304
<b>TOTAL LIABILITIES</b>	<b>16,690</b>	<b>26,205</b>	<b>309</b>	<b>43,204</b>
<b>FUND BALANCES</b>				
Non-spendable	12,721	-	-	12,721
Restricted	-	94,646	27,408	122,054
Assigned	18,888	-	-	18,888
Unrestricted	462,492	-	-	462,492
<b>TOTAL FUND BALANCES</b>	<b>494,101</b>	<b>94,646</b>	<b>27,408</b>	<b>616,155</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 510,791</b>	<b>\$ 120,851</b>	<b>\$ 27,717</b>	<b>\$ 659,359</b>
<b>TOTAL GOVERNMENTAL FUND BALANCES</b>				<b>\$ 616,155</b>
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:				
Cost of the Capital Assets				5,843,919
Accumulated Depreciation				(3,461,767)
				<u>2,382,152</u>
Long-term liabilities are not due and payable in the current period and are not reported in the fund:				
Assessment Payable				(30,917)
Compensated Absences				(28,596)
Net Pension Liability				(205,757)
Accrued interest is not included as a liability in governmental fund				-
Deferred property tax revenue				9,304
Deferred Outflows of Resources				3,596
Deferred Inflows of Resources				52,052
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>				<b>\$ 2,797,989</b>

See Accompanying Notes to Financial Statements



## STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED FEBRUARY 29, 2016

	General	Major Streets	Local Streets	Totals
<b>REVENUE</b>				
Property Taxes	\$ 334,456	\$ -	\$ 45,292	\$ 379,748
State Grants	92,723	69,133	33,445	195,301
Federal Grants	-	84,443	-	84,443
Charges for Services	100	1,620	-	1,720
Interest	1,121	225	86	1,432
Other	31,777	-	-	31,777
<b>TOTAL REVENUE</b>	<b>460,177</b>	<b>155,421</b>	<b>78,823</b>	<b>694,421</b>
<b>EXPENDITURES</b>				
General Government	232,351	-	-	232,351
Public Safety	1,304	-	-	1,304
Public Works	107,223	14,110	16,792	138,125
Recreational and Cultural	12,304	-	-	12,304
Debt Service	8,168	-	-	8,168
Capital Outlay	15,000	198,638	82,162	295,800
<b>TOTAL EXPENDITURES</b>	<b>376,350</b>	<b>212,748</b>	<b>98,954</b>	<b>688,052</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>83,827</b>	<b>(57,327)</b>	<b>(20,131)</b>	<b>6,369</b>
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>83,827</b>	<b>(57,327)</b>	<b>(20,131)</b>	<b>6,369</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>410,274</b>	<b>151,973</b>	<b>47,539</b>	<b>609,786</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 494,101</b>	<b>\$ 94,646</b>	<b>\$ 27,408</b>	<b>\$ 616,155</b>

# VILLAGE OF DIMONDALE

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

YEAR ENDED FEBRUARY 29, 2016

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<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$</b>	<b>6,369</b>
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Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(195,015)	
Capital Outlay	<u>291,688</u>	96,673

- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.

-

- Repayment of assessment principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).

6,183

- Property tax revenue not collected is deferred in governmental funds, but not in the statement of activities

(2,878)

- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds.

(1,704)

- Deferred outflows of resources are recorded on the statement of net position but not in the governmental funds.

668

- Deferred inflows of resources related to pensions are recorded on the statement of net position but not in the governmental funds.

52,052

- Net pension liability is recorded on the statement of net position but not in the governmental funds.

(63,178)

<b>CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b>94,185</b>
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**STATEMENT OF NET POSITION**

FEBRUARY 29, 2016

**ASSETS**

## Current Assets

Cash and Cash Equivalents	\$	532,118
Accounts Receivable		59,902
Prepaid Expenses		24,929

Total Current Assets		<u>616,949</u>
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## Non-Current Assets

Capital Assets		<u>5,401,771</u>
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<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>6,018,720</u></b>
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**LIABILITIES**

## Current Liabilities

Current Portion	\$	23,423
Compensated Absences		4,092
Accounts Payable		2,390
Due to Other Funds		672

Total Current Liabilities		<u>30,577</u>
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Long-Term Liabilities		<u>161,576</u>
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<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b><u>192,153</u></b>
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**NET POSITION**

Net Investment in Capital Assets	\$	5,216,772
Restricted for Debt Service		-
Unrestricted		609,795

<b>TOTAL NET POSITION</b>	<b>\$</b>	<b><u>5,826,567</u></b>
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# VILLAGE OF DIMONDALE

Proprietary Fund

## STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED FEBRUARY 29, 2016

	<u>Sewer Fund</u>
<b>OPERATING REVENUE</b>	
Charges for Services	<u>\$ 516,260</u>
<b>OPERATING EXPENSES</b>	
Salaries	15,731
Employee Benefits	5,633
Office Supplies	1,122
Contractual Services	102,825
Supplies and Chemicals	13,192
Maintenance	55,384
Utilities	66,275
Insurance	8,221
Communication	1,620
Permits	4,115
Depreciation	306,227
Other	1,367
Professional Fees	<u>7,813</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>589,525</u>
<b>OPERATING INCOME (LOSS)</b>	(73,265)
<b>NON-OPERATING REVENUE (EXPENSES)</b>	
Interest Revenue	1,313
Interest Expense	(8,404)
Sale of Assets	15,000
Loss on Disposal of Assets	<u>(3,750)</u>
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>	<u>4,159</u>
<b>CHANGE IN NET POSITION</b>	(69,106)
NET ASSETS - BEGINNING OF YEAR	<u>5,895,673</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 5,826,567</u></u>

See Accompanying Notes to Financial Statements

**STATEMENT OF CASH FLOW****YEAR ENDED FEBRUARY 29, 2016****CASH FLOW FROM OPERATING ACTIVITIES**

Cash Received from Customers	\$ 516,260
Cash Payments for Good and Services	(266,965)
Cash Payments to Employees	(15,731)
Cash Payments for Employee Benefits	(5,633)

**NET CASH PROVIDED BY OPERATING ACTIVITIES**227,931**CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES**

Contributions from Other Governments	<u>-</u>
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**CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Bond Proceeds	-
Principal Payments	(22,522)
Interest Payments	(8,404)

**NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES**(30,926)**CASH FLOW FROM INVESTING ACTIVITIES**

Receipts of Interest and Dividends	1,313
Sale of Assets	15,000
Purchase of Assets	(138,345)

**NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES**(122,032)**NET INCREASE IN CASH**

74,973

**CASH - BEGINNING OF YEAR**457,145**CASH - END OF YEAR**\$ 532,118**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (73,265)
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Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:

Depreciation Expense	306,227
Decrease (Increase) in Accounts Receivable	(2,478)
Decrease (Increase) in Prepaid Expenses	(5,855)
Increase (Decrease) in Accounts Payable	3,302

**NET CASH PROVIDED BY OPERATING ACTIVITIES**\$ 227,931

# VILLAGE OF DIMONDALE

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## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

#### A. REPORTING ENTITY

The Village of Dimondale is a general law village located in Eaton County, Michigan. The Village operates under an elected council consisting of seven members and provides various services to its approximately 1,234 residents.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

#### B. BASIS OF PRESENTATION

##### 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 revenue, 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 is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenue are reported instead as general revenue.

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



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

**B. BASIS OF PRESENTATION (CONTINUED)**

**Government-Wide Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flow. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid 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 inter-fund activity has been eliminated from the government-wide financial statements.

**Fund Based Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue 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, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

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

**GOVERNMENTAL FUNDS**

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Building and Site Funds) that are legally restricted to expenditures for specified purposes. The Special Revenue Funds maintained by the Village are the Major Streets Fund and Local Streets Fund.

**PROPRIETARY FUNDS**

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through use charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

#### B. BASIS OF PRESENTATION (CONTINUED)

##### Fund Based Statements (Continued)

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

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

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

#### C. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted at the functional level.

#### D. PROPERTY TAXES

Real and personal property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1, of the subsequent year. Taxes are due and payable as of September 14. The County of Eaton prepares the tax bills for the Village of Dimondale, and the Village collects the taxes prior to return to the County. The property tax revenue in the accompanying financial statements was recognized as that levied during the year.

All unpaid taxes become delinquent after September 14, at which time the uncollected real taxes are returned to Eaton County for collection and to be added to the delinquent tax rolls. The County of Eaton purchases delinquent real property taxes of the Village of Dimondale. The County sells tax notes, the proceeds of which are used to pay the Village for the taxes. Such proceeds are included in the current year in the accompanying financial statements.

The Village is authorized to assess 12.5 mills for general operations. Millage rates levied for 2015 were 10.000 mills for operations. Total taxable value of real and personal property in the Village was \$32,829,725.

The Village is responsible for the collection of delinquent personal property taxes.



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

**E. CASH EQUIVALENTS**

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

**F. FINANCIAL INSTRUMENTS**

The Village does not require collateral to support financial instruments subject to credit risk. However, Union Bank has pledged collateral to expand their risk coverage to \$450,000, which is \$200,000 more than current FDIC coverage.

**G. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

**H. EQUITY**

Net Position

Net position represents the difference between assets and deferred outflow of resources, less liabilities and deferred inflow of resources. The Village reports three categories of net position, as follows: (1) Net investment in capital assets consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflow of resources attributable to the acquisition, construction, or improvement of those assets, and increases by balances of deferred outflow or resources related to those assets; (2) Restricted net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the Village’s debt. Restricted net position is reduced by liabilities and deferred inflow of resources related to the restricted assets; (3) Unrestricted net position consists of all other net position that does not meet the definition of the above components and is available for general use by the Village.

Fund Balance

In the fund financial statements, governmental funds report the following components of fund balance:

- Non-spendable - Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed - Amounts that have been formally set aside by the board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board.
- Assigned - Intent to spend resources on specific purposes expressed by the board.
- Unassigned - Balances that do not otherwise fall into one of the above categories.

# VILLAGE OF DIMONDALE

## Notes to Financial Statements

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

#### I. Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (e.g. streets, bridges, drains) are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Building and additions	15-50 years
Vehicles	5-10 years
Other equipment	5-20 years

#### J. LONG-TERM OBLIGATIONS

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

#### M. ESTIMATES

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

### NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

#### A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Department, by resolution, may authorize investment of surplus funds as follows:



**NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)**

**A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS (CONTINUED)**

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Village is in compliance with State law regarding their cash deposits.

The Village maintains all of its cash deposits at three banks.

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

<u>Deposits</u>	<u>Book Value</u>	<u>Carrying Amounts</u>
Insured (FDIC)	\$ 940,301	\$ 940,301
Uninsured & Uncollateralized	199,832	220,806
Total Deposits	<u>\$ 1,140,133</u>	<u>\$ 1,161,107</u>

The differences between the book value and the bank carrying amounts are caused by deposits in transit and outstanding checks.

**Custodial Credit Risk of Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village does have a policy for custodial credit risk, requiring diligence and prudence of investment officials when considering investments in obligations other than those of an agency of the United States. At year end, the Village had no investment securities that were uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Village's name.

# VILLAGE OF DIMONDALE

## Notes to Financial Statements

### NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

#### A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS (CONTINUED)

##### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Village's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the Village had no such investments.

##### Concentration of Credit Risk

The Authority does limit the amount the Village may invest in any one issuer. The Village currently has no one investment which exceeds 20 percent of its total investments.

##### Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The Village restricts the amount of investments in foreign currency and, thus, at year end had no securities subject to foreign currency risk.

### NOTE 3 - ACCUMULATED FUND DEFICITS

There were no accumulated fund deficits at February 29, 2016.

### NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Due from Other Governmental Units at February 29, 2016, is comprised of the following:

Major Streets Fund - Due from State of Michigan	\$	6,656
Local Streets Fund - Due from State of Michigan		2,369
	\$	9,025

### NOTE 5 - DUE TO/FROM OTHER FUNDS

Due to/due from at February 29, 2016, consisted of the following:

Due To:		Due From:	
General Fund	\$ 1,031	Major Streets	\$ 1,031
General Fund	309	Local Streets	309
	\$ 1,340		\$ 1,340



**Notes to Financial Statements**

**NOTE 6 - JOINT VENTURE**

In October 1995, the Village entered into an agreement with the Township of Windsor to create a wastewater treatment plant to serve the residents of the Village and the Township. The existing Village sewer plant was renovated and improved to accommodate the additional users. It was the intent of the Village and Township to create a separate entity to administer the sewer plant when construction was completed. This entity began March 1, 1997, and is a component unit of the Village.

**NOTE 7 - FUND BALANCE**

Components of Fund Balance at February 29, 2016, are as follows:

\$18,888 of fund balance in the General Fund is assigned. This amount represents money collected for future Parks and Recreation expenditures.

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity of the Village’s Governmental activities was as follows:

	Balance March 1, 2015	Additions	Disposals and Adjustments	Balance February 29, 2016
Assets not being depreciated:				
Land	\$ 191,000	\$ -	\$ -	\$ 191,000
Capital assets being depreciated:				
Building and improvements	457,905	-	-	457,905
Vehicles	177,161	15,000	-	192,161
Furniture and equipment	86,460	-	-	86,460
Infrastructure	5,075,608	276,688	435,903	4,916,393
Subtotal	5,797,134	291,688	435,903	5,652,919
Accumulated depreciation:				
Building and improvements	156,353	19,764	-	176,117
Vehicles	124,464	435	-	124,899
Furniture and equipment	50,157	3,494	-	53,651
Infrastructure	3,371,681	171,322	435,903	3,107,100
Subtotal	3,702,655	195,015	435,903	3,461,767
Net capital assets being depreciated	2,094,479	96,673	-	2,191,152
Net Capital Assets	\$ 2,285,479	\$ 96,673	\$ -	\$ 2,382,152

Depreciation expense was not charged to activities as the Department considers its assets to impact multiple activities and allocation is not practical.

# VILLAGE OF DIMONDALE

## Notes to Financial Statements

### NOTE 8 - CAPITAL ASSETS (CONTINUED)

Capital asset activity of the Village's Business-type activities was as follows:

	Balance March 1, 2015	Additions	Disposals and Adjustments	Balance February 29, 2016
Assets not being depreciated:				
Land	\$ 54,544	\$ -	\$ -	\$ 54,544
Capital assets being depreciated:				
Building and improvements	88,275	-	-	88,275
Sewer System	9,864,681	138,345	75,000	9,928,026
Equipment	40,409	-	25,484	14,925
Subtotal	9,993,365	138,345	100,484	10,031,226
Accumulated depreciation:				
Building and improvements	44,527	4,175	-	48,702
Sewer System	4,399,631	296,834	71,250	4,625,215
Equipment	30,348	5,218	25,484	10,082
Subtotal	4,474,506	306,227	96,734	4,683,999
Net capital assets being depreciated	5,518,859	(167,882)	3,750	5,347,227
Net capital assets	\$ 5,573,403	\$ (167,882)	\$ 3,750	\$ 5,401,771

### NOTE 9 - BUDGETARY ACCOUNTING

During the year ended February 29, 2016, the Village incurred no expenditures that were in excess of the amounts appropriated.

### NOTE 10 - RISK MANAGEMENT AND LITIGATION

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the Village has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At February 29, 2016, no claims have been entered into the accounting records.



**NOTE 11 - LONG-TERM DEBT**

GENERAL LONG-TERM DEBT

ASSESSMENT PAYABLE

In the year ended February 29, 2007, the Village was assessed \$124,000 by the Eaton County Drain Commission for improvements that were made. These improvements are to be repaid over 15 years, with an effective interest rate of 5.35%. Principal of \$8,267 plus interest is due each year at February 29. In the year ended February 29, 2007, the Village paid the first installment of \$8,267, interest of \$6,674 and additional principal of \$25,000. The annual payments were then adjusted. The total balance due at February 29, 2016, was \$30,917. Future obligations are as follows:

Year Ended February 28,	Principal	Interest	Total
2017	\$ 6,183	\$ 1,659	\$ 7,842
2018	6,183	1,323	7,506
2019	6,183	992	7,175
2020	6,183	662	6,845
2021	6,185	332	6,517
	<u>\$ 30,917</u>	<u>\$ 4,968</u>	<u>\$ 35,885</u>

SEWER FUND

INSTALLMENT PURCHASE AGREEMENT

The Village borrowed \$250,000 on October 1, 2012, to assist in the construction of the Bridge Street River Crossing Force Main and Pumping Station. The contract bears interest at 4% and will be repaid with semi-annual interest payments on April 1 and October 1 and annual principal payments on October 1. The total balance due at February 29, 2016, was \$184,999. Future obligations are as follows:

Year Ended February 28,	Interest April 1	Interest October 1	Principal October 1	Total
2017	\$ 3,700	\$ 3,700	\$ 23,423	\$ 30,823
2018	3,232	3,231	24,360	30,823
2019	2,744	2,745	25,334	30,823
2020	2,238	2,238	26,347	30,823
2021	1,711	1,710	27,401	30,822
2022	1,163	1,162	28,497	30,822
2023	592	593	29,637	30,822
	<u>\$ 15,380</u>	<u>\$ 15,379</u>	<u>\$ 184,999</u>	<u>\$ 215,758</u>

# VILLAGE OF DIMONDALE

## Notes to Financial Statements

### NOTE 11 - LONG-TERM DEBT (CONTINUED)

Debt activity during the year ended February 29, 2016, was as follows:

	March 1, 2015	Additions	Disbursements	February 29, 2016
Assessment Payable	\$ 37,100	\$ -	\$ 6,183	\$ 30,917
Sewer Loan	207,521	-	22,522	184,999
Total Long-Term Debt	<u>\$ 244,621</u>	<u>\$ -</u>	<u>\$ 28,705</u>	<u>\$ 215,916</u>

### NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Village maintains one Enterprise Fund providing sewer services. Segment information for the year ended February 29, 2016, is as follows:

Total Assets	\$ 6,018,720
Total Liabilities	<u>\$ 192,153</u>
Net Position	
Net Investment in Capital Assets	\$ 5,216,772
Restricted for Debt Service	-
Unrestricted	609,795
Total Net Position	<u>\$ 5,826,567</u>
Operating Revenue	\$ 516,260
Operating Expenses (less Depreciation)	283,298
Depreciation	306,227
Operating Income (Loss)	(73,265)
Non-Operating Revenue (Expenses)	4,159
Change in Net Position	(69,106)
Beginning Net Position	5,895,673
Ending Net Position	<u>\$ 5,826,567</u>
Cash Flow from Operating Activities	\$ 227,931
Cash Flow from Noncapital Financing Activities	-
Cash Flow from Capital and Related Financing Activities	(30,926)
Cash Flow from Investing Activities	(122,032)
Cash - Beginning of Year	457,145
Cash - End of Year	<u>\$ 532,118</u>



**NOTE 13 - DEFINED BENEFIT PENSION PLAN**

**MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN**

**Summary of Significant Accounting Policies**

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information about the Pension Plan**

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

**BENEFITS PROVIDED**

	2014 Valuation
Benefit Multiplier	2.00% Multiplier (no max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	-
Early Retirement (Reduced)	50/25 55/15
Final Average Compensation	5 years
Member Contributions	2%
Act 88	Yes (Adopted 8/9/1999)

**EMPLOYEES COVERED BY BENEFIT TERMS**

At the December 31, 2014, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	1
Active employees	3
<b>Total</b>	<b>9</b>

### NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### General Information about the Pension Plan (Continued)

##### CONTRIBUTIONS

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions range from 12%-13% based on annual payroll for open divisions.

##### NET PENSION LIABILITY

The employer's Net Pension Liability was measured as of December 31, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

##### ACTUARIAL ASSUMPTIONS

The total pension liability in the December 31, 2014, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary Increases: 4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)

Investment rate of return: 8.0%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 2013.)

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)****General Information about the Pension Plan (Continued)****ACTUARIAL ASSUMPTIONS (CONTINUED)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

**DISCOUNT RATE**

The discount rate used to measure the total pension liability is 8.25%. The projection of cash flow used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at December 31, 2014	\$ 819,137	\$ 676,558	\$ 142,579
Changes for the Year			
Service Cost	12,247	-	12,247
Interest on Total Pension Liability	66,328	-	66,328
Changes in Benefits	-	-	-
Differences Between Expected and Actual Experience	-	-	-
Changes in Assumptions	-	-	-
Employer Contributions	-	17,568	(17,568)
Employee Contributions	-	4,084	(4,084)
Net Investment Income	-	(10,031)	10,031
Benefit Payments Including Employee Refunds	(42,574)	(42,574)	-
Administrative Expense	-	(1,471)	1,471
Other Changes	(5,247)	-	(5,247)
Net changes	30,754	(32,424)	63,178
Balances as of December 31, 2015	\$ 849,891	\$ 644,134	\$ 205,757

# VILLAGE OF DIMONDALE

## Notes to Financial Statements

### NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### Changes in Net Pension Liability (Continued)

#### SENSITIVITY OF THE NET POSITION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.25% as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

	1% Decrease 7.25%	Current Discount Rate 8.25%	1% Increase 9.25%
Net Pension Liability as 12/31/15		\$ 849,891	
Change in Net Pension Liability	80,644	-	(69,413)
Calculated Net Pension Liability	<u>\$ 930,535</u>	<u>\$ 849,891</u>	<u>\$ 780,478</u>

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

#### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended February 29, 2016, the employer recognized pension expense of \$117,816. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Experience	\$ -	\$ -
Differences in Assumptions	-	-
Excess (Deficit) Investment Returns	-	(52,052)
Contributions Subsequent to the Measurement Date*	<u>3,596</u>	<u>-</u>
Total	<u>\$ 3,596</u>	<u>\$ (52,052)</u>

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending February 29, 2016.



**NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to Pensions (Continued)**

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended February 28,	
2016	\$ 16,609
2017	13,013
2018	13,013
2019	13,013
2020	-
Thereafter	-
	<u>\$ 55,648</u>

**Required Supplementary Information**

Required supplementary information schedules are required with GASB 68. The Schedule of Employer Contributions shows the employer’s required annual contributions from the annual actuarial valuation, compared with the actual contributions remitted over the past ten years. Note that this is a 10 year schedule prospectively.

The Schedule of Changes in Employer’s Net Pension Liability and Related Ratios shows the changes in total pension liability less the statement of changes in fiduciary net position resulting in the Net Pension Liability calculation for the employer. There are ratios calculated, as well, involving covered employee payrolls. Note that this is a 10 year schedule prospectively.

**NOTE 14 - ADOPTION OF NEW ACCOUNTING POLICIES**

Effective March 1, 2015, the Village adopted the provisions of the following accounting pronouncement. In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Due to this change in accounting policy, the Net Position - Beginning of Year has been changed on the Government-Wide Statement of Activities to reflect the adoption of GASB 68. The following is a reconciliation between the Net Position - End of Year on the February 28, 2015, financial statements and the Net Position - Beginning of Year on the February 29, 2016, financial statements:

# VILLAGE OF DIMONDALE

## Notes to Financial Statements

### NOTE 14 - ADOPTION OF NEW ACCOUNTING POLICIES (CONTINUED)

February 28, 2015, Net Position - End of Year	\$ 8,739,128
GASB 68 Adjustment	(139,651)
February 29, 2016, Net Position - Beginning of Year	\$ 8,599,477

### NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application. Statement No. 72 requires investments to be measured at fair value. The statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. The statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The Village is currently evaluating the impact this standard will have on the financial statements when adopted. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015.

In August 2015, the GASB issued Statement No. 77, Tax Abatement Disclosures. Statement No. 77 requires the disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenue. The requirements of this statement improve financial reporting by giving the users of the financial statements essential information that is not consistently or comprehensively reported to the public at present. The Village is currently evaluating the impact this standard will have on the financial statements when adopted. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015.



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## **REQUIRED SUPPLEMENTAL INFORMATION**

# VILLAGE OF DIMONDALE

## Net Pension Liability

### SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

LAST 10 FISCAL YEARS (BEGINNING IN 2016)

AMOUNTS DETERMINED AS OF THE LAST DAY OF FEBRUARY OF EACH FISCAL YEAR

	2016
<b>Total Pension Liability</b>	
Service Cost	\$ 12,247
Interest	66,328
Changes of Benefit Terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments including employee refunds	(42,574)
Other	(5,247)
<b>Net Change in Total Pension Liability</b>	<u>30,754</u>
Pension Liability Beginning of Year	<u>819,137</u>
<b>Pension Liability End of Year</b>	<u>\$ 849,891</u>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 17,568
Contributions - Employee	4,084
Net Investment Income	(10,031)
Benefit Payments Included Employee Refunds	(42,574)
Administrative Expenses	(1,471)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(32,424)</u>
Plan Fiduciary Net Position Beginning of Year	<u>676,558</u>
<b>Plan Fiduciary Net Position End of Year</b>	<u>\$ 644,134</u>
<b>Employer Net Pension Liability</b>	<u>\$ 205,757</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	76%
<b>Covered Employee Payroll</b>	\$ 138,014
<b>Employer's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	149%

**Notes to Schedule:**

Changes in assumptions: There were no changes in actuarial assumptions or methods affecting the 2014 valuation.



SCHEDULE OF EMPLOYER'S CONTRIBUTIONS

LAST 10 FISCAL YEARS (BEGINNING IN 2016)
AMOUNTS DETERMINED AS OF THE LAST DAY OF FEBRUARY OF EACH FISCAL YEAR

Table with 2 columns: Description and Amount. Rows include Actuarial Determined Contributions (\$16,848), Contributions in Relation to the Actuarially Determined Contribution (17,568), and Contribution Deficiency (Excess) (\$(720)).

Table with 2 columns: Description and Amount. Rows include Covered Employee Payroll (\$138,014) and Contributions as a Percentage of Covered Employee Payroll (13%).

Notes to Schedule:

- Actuarial Cost Method: Entry Age
Amortization Method: Level percentage of payroll, open
Remaining Amortization Period: 25 years
Asset Valuation Method: 10 year smoothed
Inflation: 3.5%
Salary Increases: 4.5%
Investment Rate of Return: 8.0%
Retirement Age: Varies depending on plan adoption
Mortality: 50% Female/50% Male 1994 Group Annuity Mortality Table

# VILLAGE OF DIMONDALE

## Budgetary Comparison Schedule

### GENERAL FUND

YEAR ENDED FEBRUARY 29, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance
	Original	Final		
<b>REVENUE</b>				
Property Taxes	\$ 329,600	\$ 329,600	\$ 334,456	\$ 4,856
State Grants	93,000	93,000	92,723	(277)
Charges for Services	-	-	100	100
Interest	1,500	1,500	1,121	(379)
Other	21,100	21,100	31,777	10,677
Transfers In	-	-	-	-
<b>TOTAL REVENUE</b>	<b>445,200</b>	<b>445,200</b>	<b>460,177</b>	<b>14,977</b>
<b>EXPENDITURES</b>				
General Government	248,050	248,050	232,351	15,699
Public Safety	5,650	5,650	1,304	4,346
Public Works	139,400	139,400	107,223	32,177
Recreation and Culture	19,500	19,500	12,304	7,196
Debt Service	8,200	8,200	8,168	32
Capital Outlay	45,000	45,000	15,000	30,000
Other Uses-Operating Transfers Out	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>465,800</b>	<b>465,800</b>	<b>376,350</b>	<b>89,450</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES AND OTHER USES</b>	<b>(20,600)</b>	<b>(20,600)</b>	<b>83,827</b>	<b>104,427</b>
BUDGETARY FUND BALANCE- MARCH 1, 2015	410,274	410,274	410,274	-
<b>BUDGETARY FUND BALANCE- FEBRUARY 29, 2016</b>	<b>\$ 389,674</b>	<b>\$ 389,674</b>	<b>\$ 494,101</b>	<b>\$ 104,427</b>



**Budgetary Comparison Schedule**

**MAJOR STREETS**

**YEAR ENDED FEBRUARY 29, 2016**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance
	Original	Final		
<b>REVENUE</b>				
Property Taxes	\$ 48,000	\$ -	\$ -	\$ -
State Grants	63,400	63,400	69,133	5,733
Federal Grants	100,400	84,000	84,443	
Charges for Services	3,100	1,500	1,620	120
Interest	50	50	225	175
Other	-	-	-	-
Transfers In	-	-	-	-
<b>TOTAL REVENUE</b>	<b>214,950</b>	<b>148,950</b>	<b>155,421</b>	<b>6,028</b>
<b>EXPENDITURES</b>				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	35,280	35,280	14,110	21,170
Recreation and Culture	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	240,000	210,000	198,638	11,362
Other Uses-Operating Transfers Out	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>275,280</b>	<b>245,280</b>	<b>212,748</b>	<b>32,532</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES AND OTHER USES</b>	<b>(60,330)</b>	<b>(96,330)</b>	<b>(57,327)</b>	<b>39,003</b>
BUDGETARY FUND BALANCE- MARCH 1, 2015	151,973	151,973	151,973	-
<b>BUDGETARY FUND BALANCE- FEBRUARY 29, 2016</b>	<b>\$ 91,643</b>	<b>\$ 55,643</b>	<b>\$ 94,646</b>	<b>\$ 39,003</b>

# VILLAGE OF DIMONDALE

## Budgetary Comparison Schedule

### LOCAL STREETS

YEAR ENDED FEBRUARY 29, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance
	Original	Final		
<b>REVENUE</b>				
Property Taxes	\$ -	\$ 45,000	\$ 45,292	\$ 292
State Grants	21,900	21,900	33,445	11,545
Charges for Services	1,800	1,800	-	(1,800)
Interest	25	25	86	61
Other	-	-	-	-
Transfers In	-	-	-	-
<b>TOTAL REVENUE</b>	<b>23,725</b>	<b>68,725</b>	<b>78,823</b>	<b>10,098</b>
<b>EXPENDITURES</b>				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	18,400	33,400	16,792	16,608
Recreation and Culture	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	-	115,000	82,162	32,838
Other Uses-Operating Transfers Out	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>18,400</b>	<b>148,400</b>	<b>98,954</b>	<b>49,446</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES AND OTHER USES</b>	<b>5,325</b>	<b>(79,675)</b>	<b>(20,131)</b>	<b>59,544</b>
BUDGETARY FUND BALANCE- MARCH 1, 2015	47,539	47,539	47,539	-
<b>BUDGETARY FUND BALANCE- FEBRUARY 29, 2016</b>	<b>\$ 52,864</b>	<b>\$ (32,136)</b>	<b>\$ 27,408</b>	<b>\$ 59,544</b>



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## **OTHER SUPPLEMENTAL INFORMATION**

# VILLAGE OF DIMONDALE

General Fund

## STATEMENT OF REVENUE EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET TO ACTUAL

YEAR ENDED FEBRUARY 29, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>			
Taxes	\$ 329,600	\$ 334,456	\$ 4,856
State Shared Revenue	93,000	92,723	(277)
State Grant Revenue	-	-	-
Other Grant Revenue	-	-	-
Reimbursements	5,000	7,229	2,229
Donations	-	1,810	1,810
Charges for Services	-	100	100
Interest	1,500	1,121	(379)
Rentals	6,000	5,853	(147)
CATV Franchise	6,500	7,488	988
Payroll Administration	3,600	3,600	-
Miscellaneous	-	5,797	5,797
<b>TOTAL REVENUE</b>	<b>445,200</b>	<b>460,177</b>	<b>14,977</b>
<b>EXPENDITURES</b>			
<b>GENERAL GOVERNMENT</b>			
Village Council	11,000	9,344	1,656
Village President	2,200	2,250	(50)
Elections	-	-	-
Attorney	3,000	1,718	1,282
Clerk's Office	102,050	99,922	2,128
Auditor	2,000	1,750	250
Treasurer	1,750	245	1,505
Village Hall and Grounds	8,250	7,439	811
Christmas Decorations	250	33	217
Engineers	1,000	408	592
Rubbish Collection	50,000	46,770	3,230
Employee Benefits	57,050	54,613	2,437
Insurance	9,500	7,859	1,641
<b>TOTAL GENERAL GOVERNMENT</b>	<b>\$ 248,050</b>	<b>\$ 232,351</b>	<b>\$ 15,699</b>



**General Fund**

**STATEMENT OF REVENUE EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL (CONTINUED)**

**YEAR ENDED FEBRUARY 29, 2016**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES (CONTINUED)</b>			
<b>PUBLIC SAFETY</b>			
Code Enforcement	\$ 500	\$ 105	\$ 395
Emergency Disaster	2,000	-	2,000
Fire Chief	350	350	-
Planning Commission	2,800	849	1,951
<b>TOTAL PUBLIC SAFETY</b>	<b>5,650</b>	<b>1,304</b>	<b>4,346</b>
<b>PUBLIC WORKS</b>			
Public Works	121,400	94,612	26,788
Sidewalks	10,000	9,400	600
Trees	6,000	1,150	4,850
Drains	2,000	2,061	(61)
<b>TOTAL PUBLIC WORKS</b>	<b>139,400</b>	<b>107,223</b>	<b>32,177</b>
<b>RECREATION AND CULTURE</b>			
Parks and Recreation	19,500	12,304	7,196
<b>DEBT SERVICE</b>			
	8,200	8,168	32
<b>CAPITAL OUTLAY</b>			
	45,000	15,000	30,000
<b>TOTAL EXPENDITURES</b>	<b>465,800</b>	<b>376,350</b>	<b>89,450</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>(20,600)</b>	<b>83,827</b>	<b>104,427</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond Proceeds	-	-	-
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>(20,600)</b>	<b>83,827</b>	<b>104,427</b>
<b>BUDGETARY FUND BALANCE- MARCH 1, 2015</b>	<b>410,274</b>	<b>410,274</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE- FEBRUARY 29, 2016</b>	<b>\$ 389,674</b>	<b>\$ 494,101</b>	<b>\$ 104,427</b>

# **VILLAGE OF DIMONDALE**

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## **SPECIAL REVENUE FUNDS**



## COMBINING BALANCE SHEET

FEBRUARY 29, 2016

	Major Streets	Local Streets	Totals
<b>ASSETS</b>			
Cash	\$ 113,535	\$ 8,777	\$ 122,312
Accounts Receivable	660	16,571	17,231
Prepaid Expenses	-	-	-
Due from State	6,656	2,369	9,025
Due from General Fund	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 120,851</b>	<b>\$ 27,717</b>	<b>\$ 148,568</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 25,174	\$ -	25,174
Due to Other Funds	1,031	309	1,340
<b>TOTAL LIABILITIES</b>	<b>26,205</b>	<b>309</b>	<b>26,514</b>
<b>FUND EQUITY</b>			
Fund Balance	94,646	27,408	122,054
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 120,851</b>	<b>\$ 27,717</b>	<b>\$ 148,568</b>

# VILLAGE OF DIMONDALE

## Special Revenue Funds

### COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED FEBRUARY 29, 2016

	Major Streets	Local Streets	Totals
<b>REVENUE</b>			
Taxes	\$ -	\$ 45,292	\$ 45,292
State Grants	69,133	33,445	102,578
Federal Grants	84,443	-	84,443
Miscellaneous Services	1,620	-	1,620
Interest	225	86	311
<b>TOTAL REVENUE</b>	<u>155,421</u>	<u>78,823</u>	<u>234,244</u>
<b>EXPENDITURES</b>			
Public Works	14,110	16,792	30,902
Capital Outlay	198,638	82,162	280,800
<b>TOTAL EXPENDITURES</b>	<u>212,748</u>	<u>98,954</u>	<u>311,702</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	(57,327)	(20,131)	(77,458)
FUND BALANCE - MARCH 1, 2015	<u>151,973</u>	<u>47,539</u>	<u>199,512</u>
<b>FUND BALANCE - FEBRUARY 29, 2016</b>	<u>\$ 94,646</u>	<u>\$ 27,408</u>	<u>\$ 122,054</u>



Major Streets Fund

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET TO ACTUAL

YEAR ENDED FEBRUARY 29, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>			
State Grants	\$ 63,400	\$ 69,133	\$ 5,733
Federal Grants	84,000	84,443	443
Miscellaneous Services	1,500	1,620	120
Interest	50	225	175
<b>TOTAL REVENUE</b>	<b>148,950</b>	<b>155,421</b>	<b>6,471</b>
<b>EXPENDITURES</b>			
<b>PUBLIC WORKS</b>			
Construction	-	-	-
Routine Maintenance	11,790	5,052	6,738
Traffic Services	4,600	728	3,872
Non-motorized	1,400	67	1,333
Winter Maintenance	16,390	7,718	8,672
Administration	1,100	545	555
<b>TOTAL PUBLIC WORKS</b>	<b>35,280</b>	<b>14,110</b>	<b>21,170</b>
<b>CAPITAL OUTLAY</b>	<b>210,000</b>	<b>198,638</b>	<b>11,362</b>
<b>TOTAL EXPENDITURES</b>	<b>245,280</b>	<b>212,748</b>	<b>32,532</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>(96,330)</b>	<b>(57,327)</b>	<b>39,003</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>(96,330)</b>	<b>(57,327)</b>	<b>39,003</b>
FUND BALANCE - MARCH 1, 2015	151,973	151,973	-
<b>FUND BALANCE - FEBRUARY 29, 2016</b>	<b>\$ 55,643</b>	<b>\$ 94,646</b>	<b>\$ 39,003</b>

# VILLAGE OF DIMONDALE

Local Streets Fund

## STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL

YEAR ENDED FEBRUARY 29, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>			
Current Taxes	\$ 45,000	\$ 45,292	\$ 292
State Grants	21,900	33,445	11,545
Miscellaneous Services	1,800	-	(1,800)
Interest	25	86	61
<b>TOTAL REVENUE</b>	<b>68,725</b>	<b>78,823</b>	<b>10,098</b>
<b>EXPENDITURES</b>			
<b>PUBLIC WORKS</b>			
Construction	15,000	10,436	4,564
Routine Maintenance	5,665	745	4,920
Traffic Services	-	405	(405)
Non-motorized	-	-	-
Winter Maintenance	12,135	4,768	7,367
Administration	600	438	162
<b>TOTAL PUBLIC WORKS</b>	<b>33,400</b>	<b>16,792</b>	<b>16,608</b>
<b>CAPITAL OUTLAY</b>	<b>115,000</b>	<b>82,162</b>	<b>32,838</b>
<b>TOTAL EXPENDITURES</b>	<b>148,400</b>	<b>98,954</b>	<b>49,446</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>(79,675)</b>	<b>(20,131)</b>	<b>59,544</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>(79,675)</b>	<b>(20,131)</b>	<b>59,544</b>
FUND BALANCE - MARCH 1, 2015	47,539	47,539	-
<b>FUND BALANCE - FEBRUARY 29, 2016</b>	<b>\$ (32,136)</b>	<b>\$ 27,408</b>	<b>\$ 59,544</b>



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## **REPORT ON INTERNAL CONTROL**

3775 Kimmel Road  
Horton, MI 49246

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Email: [kdrakecpa@gmail.com](mailto:kdrakecpa@gmail.com)

**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***

**INDEPENDENT AUDITORS' REPORT**

Village Council  
Village of Dimondale  
Dimondale, Michigan

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 the Village of Dimondale as of and for the year ended February 29, 2016, and the related notes to the financial statements, which collectively comprise the Village of Dimondale's basic financial statements, and have issued our report thereon dated April 19, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village of Dimondale's internal control over financial reporting 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 of Dimondale's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Dimondale'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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Village of Dimondale'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.



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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village of Dimondale's financial statements are free of 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 test disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

*Karl L. Drake*

Karl L. Drake, P.C.  
Certified Public Accountants

April 19, 2016

**Karl L. Drake, P.C.**  
**Certified Public Accountant**

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3775 Kimmel Road  
Horton, Michigan 49246

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Email: [kdrakecpa@gmail.com](mailto:kdrakecpa@gmail.com)

April 19, 2016

To the Village Council  
Dimondale, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Dimondale for the year ended February 29, 2016, and have issued our report thereon dated April 19, 2016. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 11, 2015, our responsibility, as described by professional standards, is to express opinions 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.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planned matters on April 18, 2016.

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 of Dimondale 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 2015-16. We noted no transactions entered into by the governmental unit 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 most sensitive estimate affecting the financial statement was:

Management's estimate of the useful lives of its capital assets. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

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

The disclosure of insured cash in Note 2 to the financial statements.

#### *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 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 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 April 18, 2016.

#### *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.

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

Very truly yours,

A handwritten signature in cursive script that reads "Karl L. Drake". The signature is written in black ink and is positioned below the closing "Very truly yours,".

Karl L. Drake, P.C.