

**VILLAGE OF SHERIDAN**

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Fiscal Year Ended March 31, 2011

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## INDEPENDENT AUDITOR'S REPORT

To the Village Council  
Village of Sheridan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Sheridan, Michigan, as of and for the year ended March 31, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Sheridan, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, and each major fund of the Village of Sheridan, Michigan, as of March 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 18, 2011, on our consideration of the Village of Sheridan, Michigan's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents 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.

*Gabridge & Company*

Gabridge & Company, PLC  
Grand Rapids, MI  
July 18, 2011

## Management's Discussion and Analysis

As management of the Village of Sheridan, we offer readers of the Village of Sheridan's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended March 31, 2011. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

### Financial Highlights

The assets of the Village exceeded its liabilities at the close of this fiscal year by \$2,381,341 (shown as *Net Assets*), representing an increase of \$157,080 over the previous fiscal year. Of this amount, \$836,776 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

During the year, the Village received \$704,217 in revenues and \$547,137 in expenses, resulting in an increase in net assets of approximately \$157,080. Of the Village's \$547,137 expense total, \$175,876 related to business-type expenses and the balance of \$371,261 related to governmental activities.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$525,315 or 167 percent of the General Fund's total expenditures.

### Overview of the Financial Statements

The Village of Sheridan's financial statements consist of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The *government-wide financial statements* are designed to provide a broad overview of the Village's financial position. They are presented using a method of accounting that is similar to a private sector business.

The *Statement of Net Assets* presents information on all of the Village's assets and liabilities, the difference between the two being reported as the Net Assets of the Village. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

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

Both of these statements distinguish functions of the Village that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the Village include general government, public safety, public works, culture and recreation. Business-type activities of the Village include water and sewer utility services.

## **Focus on Funds**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Village of Sheridan uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

***Governmental Funds*** Many of the Village's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the government fund balance as expenditures. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. Governmental funds for the Village include the general fund as well as the special revenue, and debt service funds.

***Proprietary Funds*** Proprietary funds account for services for which the Village charges its customers for the services they are provided. These charges can be to external customers or other agencies for the services they are provided. The Village uses one type of proprietary fund:

*Enterprise funds* are used to report business-like activities of the Village. These activities intend to recover the full cost of the services through the fee charged to the customers. The Village has two enterprise funds, which are the water and sewer funds.

## **Notes to the Financial Statements**

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

## **Other information**

In addition to the basic financial statements and accompanying notes, this report further presents required supplementary information (RSI) that explains the information presented in the financial statements.

**Government -Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Village of Sheridan, assets exceeded liabilities by \$2,381,341 at the close of the most recent fiscal year. The following table illustrates the varying results of the governmental activities and business -type activities that combine to capture the Village’s total net assets.

VILLAGE OF SHERIDAN  
Net Assets as of March 31, 2011 and March 31, 2010

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 609,832	\$ 506,484	\$ 658,637	\$ 342,963	\$ 1,268,469	\$ 849,447
Capital Assets	390,081	398,339	1,718,293	1,675,476	2,108,374	2,073,815
Total Assets	<u>999,913</u>	<u>904,823</u>	<u>2,376,930</u>	<u>2,018,439</u>	<u>3,376,843</u>	<u>2,923,262</u>
Current Liabilities	97,361	191,303	357,576	76,679	454,937	267,982
Long-term Liabilities	180,565	56,020	360,000	425,000	540,565	481,020
Total Liabilities	<u>277,926</u>	<u>247,323</u>	<u>717,576</u>	<u>501,679</u>	<u>995,502</u>	<u>749,002</u>
Invested in Capital Assets, Net of Related Debt	196,800	177,499	1,318,292	1,185,600	1,515,092	1,363,099
Restricted	-	5,772	29,473	36,855	29,473	42,627
Unrestricted	525,187	474,229	311,589	294,305	836,776	768,534
Total Net Assets	<u>\$ 721,987</u>	<u>\$ 657,500</u>	<u>\$ 1,659,354</u>	<u>\$ 1,516,760</u>	<u>\$ 2,381,341</u>	<u>\$ 2,174,260</u>

The most significant portion of the Village’s net assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt which is outstanding that the Village used to acquire or construct the asset. The Village has \$836,776 in unrestricted net assets. These assets represent resources that are available for appropriation, but are limited by the Village policies regarding their use.

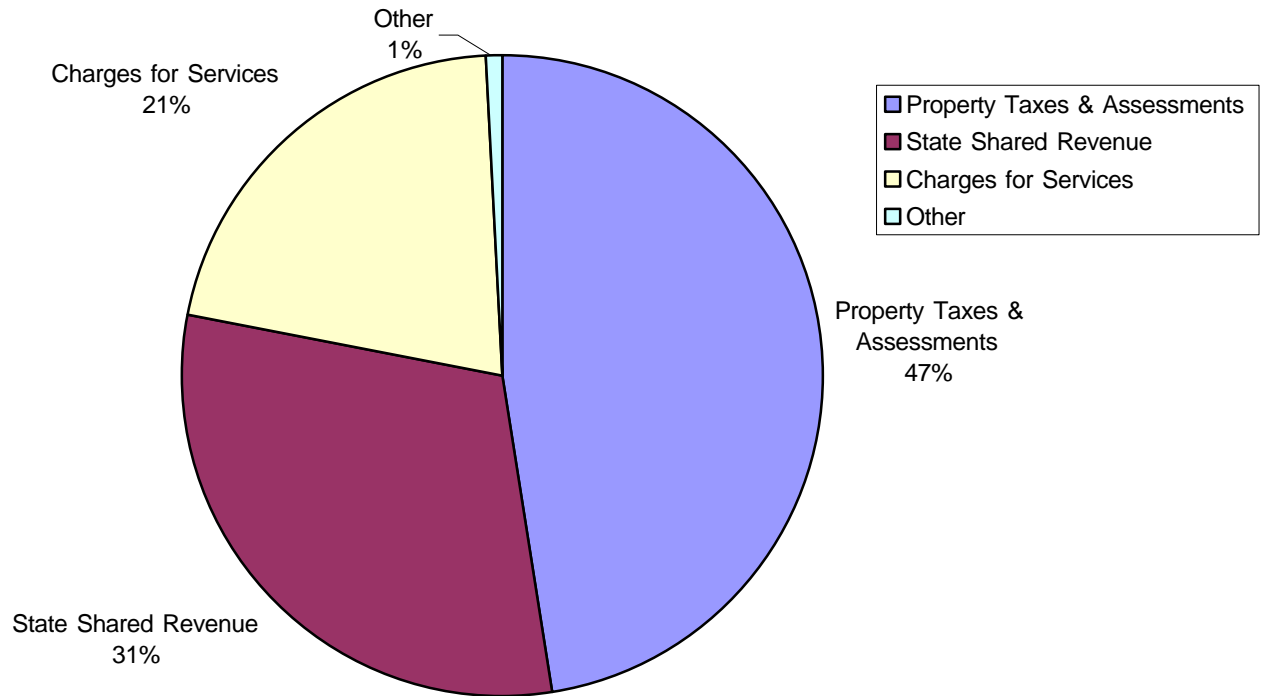
The total net assets of the Village increased by \$157,080 in this fiscal year. The following table illustrates and summarizes the results of the changes in the net assets for the Village. The condensed information was derived from the government-wide statement of activities.

VILLAGE OF SHERIDAN  
Change in Net Assets for Fiscal Year Ended March 31, 2011 and March 31, 2010

	Governmental Activities		Business-Type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Revenue						
Program Revenues						
Charges for Services	\$ 81,709	\$ 6,505	\$ 199,834	\$ 179,209	\$ 281,543	\$ 185,714
Grants & Contributions	773	-	106,648	-	107,421	-
Total Program Revenues	<u>82,482</u>	<u>6,505</u>	<u>306,482</u>	<u>179,209</u>	<u>388,964</u>	<u>185,714</u>
General Revenues						
Property Taxes & Assessments	182,785	188,926	-	-	182,785	188,926
State Shared Revenue	118,097	109,477	-	-	118,097	109,477
Interest & Rentals	1,813	38,419	11,987	6,163	13,800	44,582
Other	571	3,020	-	-	571	3,020
Total Revenues	<u>385,748</u>	<u>346,347</u>	<u>318,469</u>	<u>185,372</u>	<u>704,217</u>	<u>531,719</u>
Expenses						
General Government	180,015	189,206	-	-	180,015	189,206
Public Safety	64,154	59,075	-	-	64,154	59,075
Public Works	66,515	99,037	-	-	66,515	99,037
Recreation & Culture	14,679	9,052	-	-	14,679	9,052
Depreciation Expense	-	35,787	-	-	-	35,787
Debt Service - Interest	12,007	-	-	-	12,007	-
Other	33,891	-	-	-	33,891	-
Water & Sewer	-	-	175,876	191,094	175,876	191,094
Total Expenses	<u>371,261</u>	<u>392,157</u>	<u>175,876</u>	<u>191,094</u>	<u>547,137</u>	<u>583,251</u>
Increase / Decrease in Net Assets	<u>\$ 14,487</u>	<u>\$ (45,810)</u>	<u>\$ 142,593</u>	<u>\$ (5,722)</u>	<u>\$ 157,080</u>	<u>\$ (51,532)</u>

## Governmental Activities

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



The Village spent \$180,015 on general government, or 33 percent of the Village's expenses. Public works expenses of \$66,515 represented 12 percent of the total expenses within the governmental activities.

### Financial Analysis of the Government's Funds

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

**Governmental Activities** At the completion of the Village's fiscal year, its governmental funds reported fund balances of \$532,729. Of this amount, \$532,729 or 100 percent is unreserved.

**General Fund** The General Fund is the main operating fund of the Village. The General Fund increased its balance in this fiscal year by \$9,635, bringing the balance to \$525,315.

**Major Street Fund** The fund balance of the Major Street Fund at the most recent fiscal year end was \$2,525. This was a decrease of \$5,166 from the previous fiscal year end.

**Local Street Fund** The fund balance of the Local Street Fund at the most recent fiscal year end was \$4,889. This was a decrease of \$1,741 from the previous fiscal year end.

**Business-Type Activities**

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

Unrestricted net assets of the Sewer Fund at the end of the year amounted to \$134,217. The Sewer Fund had an increase in net assets for the year of \$103,860.

Unrestricted net assets of the Water Fund at the end of the year amounted to \$177,372. The Water Fund had an increase in net assets for the year of \$38,733.

**General Fund Budgetary Highlights**

Major differences between the original and final amended budgets and between final amended budgets and actual expenditures were as follows:

<u>Fund</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>General</b>			
Clerk	\$ 14,000	\$ 14,793	\$ (793)
Treasurer	14,000	14,563	(563)
Cemetery	-	920	(920)
Debt Service	16,272	32,024	(15,752)
<b>Major Street</b>			
Capital Outlay	10,000	10,731	(731)
Transfers to other funds	-	17,328	(17,328)

**Capital Asset and Debt Administration**

**Capital Assets** The Village’s investment in capital assets for the governmental and business-type activities as at year end amounted to \$2,108,374 (net of accumulated depreciation). Capital assets of the Village include any items purchased that cost in excess of \$500 and have an expected useful life of over two years.

More information on the Village’s capital assets is available in the Notes to the Financial Statements section of this document.

**Long-term Debt** At the end of the current fiscal year, the Village had total debt outstanding, exclusive of compensated absences, of \$599,483. State statutes limit the amount of general obligation debt a government entity may issue to 10% of its total assessed valuation. The current debt limitation based on the Village’s assessed valuation is significantly in excess of the Village’s outstanding general obligation debt.

More information on the Village’s long-term debt is available in the Notes to the Financial Statements section of this document.

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

The unemployment rate is still high in the State of Michigan and the state's shortfall in the budget means further reductions in state shared revenues. State shared revenues are expected to decrease again in the 2011 / 2012 fiscal year. The Village budgeted for a decrease in state shared revenue, but additional cuts have already been made and more cuts are expected before the end of the fiscal year. The Village's millage rate was reduced again by the Headlee Amendment rollback for general operating purposes. These factors were considered in preparing the Village's budget for the 2011 / 2012 fiscal year.

### **Contacting the Village's Finance Department**

This Financial report is designed to provide the wide variety of users of this document with a general overview of the Village's finances and demonstrate the Village's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to;

The Village of Sheridan  
115 East Evergreen Street  
Sheridan, MI 48884

**Village of Sheridan**  
**Statement of Net Assets**  
**March 31, 2011**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash & Cash Equivalents	\$ 237,439	\$ 562,502	\$ 799,941
Receivables (Net)	4,913	48,382	53,295
Due From State	17,664	--	17,664
<i>Internal Balances*</i>	349,816	18,280	--
<b>Total Current Assets</b>	<b>609,832</b>	<b>629,164</b>	<b>870,900</b>
<i>Noncurrent Assets</i>			
Cash & Cash Equivalents - Restricted	--	29,473	29,473
Capital Assets (Net)	390,081	1,718,293	2,108,374
<i>Internal Balances*</i>	--	--	--
<b>Total Assets</b>	<b>999,913</b>	<b>2,376,930</b>	<b>3,008,747</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	16,261	1,019	17,280
Accrued Payroll & Related Liabilities	5,990	--	5,990
Current Portion of Long-term Debt	18,918	40,000	58,918
Accrued Interest Payable	1,340	3,313	4,653
<i>Internal Balances*</i>	54,852	313,244	--
<b>Total Current Liabilities</b>	<b>97,361</b>	<b>357,576</b>	<b>86,841</b>
<i>Noncurrent Liabilities</i>			
Bonds Payable	180,565	360,000	540,565
<i>Internal Balances*</i>	--	--	--
<b>Total Liabilities</b>	<b>277,926</b>	<b>717,576</b>	<b>627,406</b>
<b>NET ASSETS</b>			
Inv. in fixed assets net of rel. debt	196,800	1,318,292	1,515,092
<i>Restricted for:</i>			
Restricted Cash	--	29,473	29,473
<i>Prior Period Adjustment</i>	50,000	--	50,000
<i>Unrestricted</i>	475,187	311,589	786,776
<b>Total Net Assets</b>	<b>\$ 721,987</b>	<b>\$ 1,659,354</b>	<b>\$ 2,381,341</b>

\* Amounts have been eliminated in total column

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

**Village of Sheridan  
Statement of Activities  
For the Year Ended March 31, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
General Government	\$ 180,015	\$ 65,644	\$ 773	\$ --	\$ (113,598)	\$ --	\$ (113,598)
Public Safety	64,154	--	--	--	(64,154)	--	(64,154)
Public Works	66,515	7,680	--	--	(58,835)	--	(58,835)
Recreation & Culture	14,679	8,385	--	--	(6,294)	--	(6,294)
Other	33,891	--	--	--	(33,891)	--	(33,891)
Debt Service	12,007	--	--	--	(12,007)	--	(12,007)
<i>Total Governmental Activities</i>	<u>371,261</u>	<u>81,709</u>	<u>773</u>	<u>--</u>	<u>(288,779)</u>	<u>--</u>	<u>(288,779)</u>
<b>Business-type Activities:</b>							
Sewer Fund	99,925	93,836	--	106,648	--	100,559	100,559
Water Fund	75,951	105,998	--	--	--	30,047	30,047
<i>Total Business-type Activities</i>	<u>175,876</u>	<u>199,834</u>	<u>--</u>	<u>106,648</u>	<u>--</u>	<u>130,606</u>	<u>130,606</u>
<i>Total Primary Government</i>	<u>\$ 547,137</u>	<u>\$ 281,543</u>	<u>\$ 773</u>	<u>\$ 106,648</u>	<u>\$ (288,779)</u>	<u>\$ 130,606</u>	<u>\$ (158,173)</u>

**General Purpose Revenues and Transfers:**

**Revenues**

Taxes	182,785	--	182,785
State Sources	118,097	--	118,097
Other	571	--	571
Interest & Investment Income	1,813	11,987	13,800

**Transfers**

<i>Total General Revenues and Transfers</i>	<u>303,266</u>	<u>11,987</u>	<u>315,253</u>
<i>Change in Net Assets</i>	<b>14,487</b>	<b>142,593</b>	<b>157,080</b>
<i>Net Assets at Beginning of Period</i>	707,500	1,516,761	2,224,261
<i>Net Assets at End of Period</i>	<u>\$ 721,987</u>	<u>\$ 1,659,354</u>	<u>\$ 2,381,341</u>

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

**Village of Sheridan  
Balance Sheet  
Governmental Funds  
March 31, 2011**

	<u>Special Revenue</u>			<b>Total Governmental Funds</b>
	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street</u>	
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 189,879	\$ 13,505	\$ 34,055	\$ 237,439
Receivables (Net)	1,587	3,326	--	4,913
Due From State	8,020	6,354	3,290	17,664
Due from Other Funds	347,968	--	1,848	349,816
<b>Total Assets</b>	<b>\$ 547,454</b>	<b>\$ 23,185</b>	<b>\$ 39,193</b>	<b>\$ 609,832</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 16,261	\$ --	\$ --	\$ 16,261
Accrued Payroll & Related Liabilities	5,878	56	56	5,990
Due to Other Funds	--	20,604	34,248	54,852
<b>Total Liabilities</b>	<b>22,139</b>	<b>20,660</b>	<b>34,304</b>	<b>77,103</b>
<b>FUND BALANCE</b>				
<i>Reserved for:</i>				
Prior Period Adjustment	50,000	--	--	50,000
<i>Unreserved reported in:</i>				
General Fund	475,315	--	--	475,315
Special Revenue	--	2,525	4,889	7,414
<b>Total Fund Balance</b>	<b>525,315</b>	<b>2,525</b>	<b>4,889</b>	<b>532,729</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 547,454</b>	<b>\$ 23,185</b>	<b>\$ 39,193</b>	<b>\$ 609,832</b>

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

**Village of Sheridan**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets**  
**March 31, 2011**

Total Fund Balance - Governmental Funds	\$ 532,729
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	390,081
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(199,483)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, and interest expenditure is reported when due	(1,340)
<b>Total Net Assets-Governmental Funds</b>	<b>\$ <u>721,987</u></b>

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

**Village of Sheridan**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended March 31, 2011**

	<u>Special Revenue</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street</u>	
<b>Revenues</b>				
Taxes	\$ 182,785	\$ --	\$ --	\$ 182,785
State Sources	61,128	35,785	21,184	118,097
Grants & Contributions	773	--	--	773
Charges for Services	300	3,326	--	3,626
Rental Income	14,036	--	--	14,036
Interest & Investment Income	1,454	--	359	1,813
Refunds & Reimbursements	64,047	--	--	64,047
Other	571	--	--	571
<b>Total Revenues</b>	<u>325,094</u>	<u>39,111</u>	<u>21,543</u>	<u>385,748</u>
<b>Expenditures</b>				
General Government	172,533	--	--	172,533
Public Safety	63,607	--	--	63,607
Public Works	--	16,218	23,717	39,935
Recreation & Culture	11,005	--	--	11,005
Other	33,891	--	--	33,891
Capital Outlay	2,399	10,731	16,895	30,025
Debt Service	32,024	--	--	32,024
<b>Total Expenditures</b>	<u>315,459</u>	<u>26,949</u>	<u>40,612</u>	<u>383,020</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>9,635</u>	<u>12,162</u>	<u>(19,069)</u>	<u>2,728</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	--	--	17,328	17,328
Transfers to other funds	--	(17,328)	--	(17,328)
<b>Net Other Financing Sources (Uses)</b>	<u>--</u>	<u>(17,328)</u>	<u>17,328</u>	<u>--</u>
<b>Net Change in Fund Balance</b>	<b>9,635</b>	<b>(5,166)</b>	<b>(1,741)</b>	<b>2,728</b>
<i>Fund Balance at Beginning of Period</i>	515,680	7,691	6,630	530,001
<b>Fund Balance at End of Period</b>	<u>\$ 525,315</u>	<u>\$ 2,525</u>	<u>\$ 4,889</u>	<u>\$ 532,729</u>

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

**Village of Sheridan**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended March 31, 2011**

Total Net Change in Fund Balances - Governmental Funds	\$	2,728
<p>Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
		(8,258)
<p>Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets</p>		
		21,205
<p>Increase in interest payable</p>		
		(1,188)
<b>Changes in Net Assets-Governmental Funds</b>	<b>\$</b>	<b><u>14,487</u></b>

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

**Village of Sheridan**  
**Statement of Net Assets**  
**Proprietary Funds**  
**March 31, 2011**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Total Enterprise Funds</b>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash & Cash Equivalents	\$ 163,637	\$ 398,865	\$ 562,502
Receivables (Net)	24,300	24,082	48,382
Due from Other Funds	18,280	--	18,280
<b>Total Current Assets</b>	<b>206,217</b>	<b>422,947</b>	<b>629,164</b>
<i>Noncurrent Assets</i>			
Cash & Cash Equivalents - Restricted	29,473	--	29,473
Capital Assets (Net)	1,209,336	508,957	1,718,293
<b>Total Assets</b>	<b>1,445,026</b>	<b>931,904</b>	<b>2,376,930</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	672	347	1,019
Current Portion of Long-term Debt	40,000	--	40,000
Accrued Interest Payable	3,313	--	3,313
Due to Other Funds	68,016	245,228	313,244
<b>Total Current Liabilities</b>	<b>112,001</b>	<b>245,575</b>	<b>357,576</b>
<i>Noncurrent Liabilities</i>			
Bonds Payable	360,000	--	360,000
<b>Total Liabilities</b>	<b>472,001</b>	<b>245,575</b>	<b>717,576</b>
<b>NET ASSETS</b>			
Inv. in fixed assets net of rel. debt	809,335	508,957	1,318,292
<i>Restricted for:</i>			
Restricted Cash	29,473	--	29,473
<i>Unrestricted</i>	134,217	177,372	311,589
<b>Total Net Assets</b>	<b>\$ 973,025</b>	<b>\$ 686,329</b>	<b>\$ 1,659,354</b>

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

**Village of Sheridan**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**For the Year Ended March 31, 2011**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total Enterprise Funds</u>
<b>Operating Revenues</b>			
Charges for Services	\$ 93,836	\$ 94,998	\$ 188,834
Rental Income	--	11,000	11,000
<b><i>Total Operating Revenues</i></b>	<u>93,836</u>	<u>105,998</u>	<u>199,834</u>
<b>Operating Expenses</b>			
Personnel Services	7,348	17,309	24,657
Supplies	1,226	--	1,226
Contractual Services	400	842	1,242
Operations & Maintenance	7,167	28,742	35,909
Utilities	6,736	3,116	9,852
Legal & Professional	1,876	4,991	6,867
Depreciation Expense	54,526	20,951	75,477
<b><i>Total Operating Expenses</i></b>	<u>79,279</u>	<u>75,951</u>	<u>155,230</u>
<b><i>Operating Income (Loss)</i></b>	<u>14,557</u>	<u>30,047</u>	<u>44,604</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest & Investment Income	3,301	8,686	11,987
Grants & Contributions	106,648	--	106,648
Interest Expense	(20,646)	--	(20,646)
<b><i>Net Non-Operating Revenues (Expenses)</i></b>	<u>89,303</u>	<u>8,686</u>	<u>97,989</u>
<b><i>Income Before Contributions and Transfers</i></b>	<u>103,860</u>	<u>38,733</u>	<u>142,593</u>
Transfers from other funds	--	--	--
Transfers to other funds	--	--	--
<b><i>Change In Net Assets</i></b>	<b><u>103,860</u></b>	<b><u>38,733</u></b>	<b><u>142,593</u></b>
<i>Net Assets at Beginning of Period</i>	<u>869,165</u>	<u>647,596</u>	<u>1,516,761</u>
<b><i>Net Assets at End of Period</i></b>	<b><u>\$ 973,025</u></b>	<b><u>\$ 686,329</u></b>	<b><u>\$ 1,659,354</u></b>

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

**Village of Sheridan  
Statement of Cash Flows  
Proprietary Funds  
For the Year ended March 31, 2011**

	<b>Business-Type Activities Enterprise Funds</b>		
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Total Enterprise Funds</b>
<b>Cash Flows From Operating Activities</b>			
Cash Received from Charges for Services	\$ 92,301	\$ 94,049	\$ 186,350
Other Miscellaneous Income	-	11,000	11,000
Cash Payments to Employees for Services and Fringe Benefits	(7,348)	(17,309)	(24,657)
Cash Payments to Suppliers for Goods and Services	(24,557)	(41,199)	(65,756)
<i>Total Cash Flows from Operating Activities</i>	<u>60,396</u>	<u>46,541</u>	<u>106,937</u>
<b>Cash Flows From Non-capital Financing Activities</b>			
(Increase) Decrease in Due from Other Funds	(2,867)	47,253	44,386
<i>Total Cash Flows from Non-capital Financing Activities</i>	<u>(2,867)</u>	<u>47,253</u>	<u>44,386</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Purchases of Capital Assets	(115,063)	(3,230)	(118,293)
Interest Payments on Long-term Debt	(17,333)	-	(17,333)
Principal Payments on Long-term Debt	(40,000)	(50,000)	(90,000)
<i>Total Cash Flows from Capital and Related Financing Activities</i>	<u>(172,396)</u>	<u>(53,230)</u>	<u>(225,626)</u>
<b>Cash Flows From Investing Activities</b>			
Capital Grants	106,648	-	106,648
Interest on Investments	3,301	8,686	11,987
<i>Total Cash Flows from Investing Activities</i>	<u>109,949</u>	<u>8,686</u>	<u>118,635</u>
<i>Net Increase (Decrease) in Cash &amp; Cash Equivalents</i>	<b>(4,918)</b>	<b>49,250</b>	<b>44,332</b>
Cash & Cash Equivalents - Beginning of Year	198,028	349,615	547,643
<i>Cash &amp; Cash Equivalents - End of Year</i>	<u><b>\$ 193,110</b></u>	<u><b>\$ 398,865</b></u>	<u><b>\$ 591,975</b></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating Income (Loss)	\$ 14,557	\$ 30,047	\$ 44,604
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation and Amortization Expense	54,526	20,951	75,477
Changes in Assets & Liabilities			
Receivables - net	(1,535)	(949)	(2,484)
Accounts Payable	(7,152)	(3,508)	(10,660)
<i>Net Cash Provided by Operating Activities</i>	<u><b>\$ 60,396</b></u>	<u><b>\$ 46,541</b></u>	<u><b>\$ 106,937</b></u>

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

## VILLAGE OF SHERIDAN, MICHIGAN

### Notes to the Financial Statements

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#### **NOTE 1 - Summary of Significant Accounting Policies**

The accounting policies of the Village conform to 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 Sheridan is located in Montcalm County. The Village operates under an elected Village Council of 7 members and provides services to its residents in many areas including water and sewer services, community enrichment and development, and human services.

The criteria established for determining the various agencies and boards to be included in the Village's general purpose financial statements depends on the extent such agencies and boards are a part, controlled by or dependent on the Village. The criterion used to determine the reporting entity is "the ability to exercise oversight responsibility over such agencies by the governmental unit's elected officials". As such, the Village has no other agencies reported as component units of the Village which requires a discreet presentation in accordance with GASB 14.

##### **B. Government-wide and Fund Financial Statements**

The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

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

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

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

###### **Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

## VILLAGE OF SHERIDAN, MICHIGAN

### Notes to the Financial Statements

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levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

State grants, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Village are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Village of Sheridan reports the following major governmental funds:

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

The **Major Street Fund** accounts for the maintenance and improvement activities for streets designated as "major" within the Village. Funding is primary through state sources.

The **Local Street Fund** accounts for the maintenance and improvement activities for streets designated as "local" within the Village. Funding is primary through state sources.

The Village reports the following major proprietary funds:

The **Sewer Fund** accounts for the activities of the Village's sewage collection system.

The **Water Fund** accounts for the activities of the Village's water distribution system.

Private-sector standards of accounting issued prior to March 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector standards.

## VILLAGE OF SHERIDAN, MICHIGAN

### Notes to the Financial Statements

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

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

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

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

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to / from other funds." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Property Tax Revenue Recognition** - The Village's property taxes are levied on each July 1<sup>st</sup> on the taxable valuation of property located in the Village as of the preceding July 31<sup>st</sup>. Taxes are considered delinquent on September 15<sup>th</sup> of the following year, at which time penalties and interest are assessed.

**Net Assets** - Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation. Certain revenue bonds of the Enterprise Funds require amounts to be set aside for a bond reserve. These amounts have been classified as restricted investments.

**Inventories and Prepaid Items** - The Village carries a nominal amount of inventory, which is considered an expenditure (or expense) upon purchase in both government-wide and fund financial statements.

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

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of two years and an initial individual cost of more than \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal

VILLAGE OF SHERIDAN, MICHIGAN

Notes to the Financial Statements

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

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Decription</u>	<u>Method</u>	<u>Life</u>
Buildings & Improvements	Straight Line	15 - 60 Years
Vehicle & Grounds Equipment	Straight Line	3 - 10 Years
Office Equipment	Straight Line	5 - 7 Years
Computer Equipment	Straight Line	3 - 7 Years
Water & Sewer Lines	Straight Line	50 - 75 Years

**Long-term Obligations** - In the government -wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates**

The presentation of financial statements in conformity with U.S. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Comparative Data / Reclassifications**

Comparative data is not included in the Village’s financial statements.

**Upcoming Accounting and Reporting Changes**

The Government Accounting Standards Board has issued Statement of Governmental Accounting Standards No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The new standards will change the reporting of fund balance in the balance sheets of the governmental fund types. The objectives of this statement are to enhance the usefulness of fund balance information by providing

**VILLAGE OF SHERIDAN, MICHIGAN**

Notes to the Financial Statements

clearer fund balance classifications that can be more consistently applied and the clarification of the existing governmental fund type definitions. GASB 54 is effective for financial statements for periods ending after June 15, 2011.

**NOTE 2 - Excess of Expenditures over Appropriations**

**Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. The budget document presents information by fund, function and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Prior to February 1, the Village President submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to April 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Village Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Village Council .

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

**Excess of expenditures over appropriations in budgeted funds** – During the year ended March 31, 2011, the Village incurred expenditures in the General Fund in excess of the amount appropriated as follows:

<u>Fund</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>General</b>			
Clerk	\$ 14,000	\$ 14,793	\$ (793)
Treasurer	14,000	14,563	(563)
Cemetery	-	920	(920)
Debt Service	16,272	32,024	(15,752)
<b>Major Street</b>			
Capital Outlay	10,000	10,731	(731)
Transfers to other funds	-	17,328	(17,328)

VILLAGE OF SHERIDAN, MICHIGAN

Notes to the Financial Statements

**NOTE 3 - Cash**

At March 31, 2011, the Village's cash is as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total Primary Government</u>
Cash and Equivalents	\$ 237,439	\$ 562,502	\$ 799,941
Cash and Equivalents - Restricted	-	29,473	29,473
	<u>\$ 237,439</u>	<u>\$ 591,975</u>	<u>\$ 829,414</u>

State statutes and the Village's investment policy authorize the Village to make deposits in the accounts of federally-insured banks, credit unions and savings and loan associations. The Village's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that in the event of the failure of the financial institution, the Village will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized.

The following summarizes the amount of the Village's bank balances exposed to custodial credit risk because the balances were uninsured and uncollateralized:

	<u>Bank Balance</u>
Amount Insured by the FDIC	\$ 372,318
Amount Uncollateralized and Uninsured	464,476
	<u>\$ 836,794</u>

The Village believes that it is impractical to insure all bank deposits due to the amount of deposits and the limits of FDIC insurance. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**VILLAGE OF SHERIDAN, MICHIGAN**

Notes to the Financial Statements

**NOTE 4 - Capital Assets**

Capital asset activity for governmental activities for the year ended March 31, 2011 was as follows:

**Governmental Activities**

	Balance at 3/31/2010	Additions	Disposals	Balance at 3/31/2011
Capital Assets, not Being Depreciated				
Land	\$ 90,783	\$ -	\$ -	\$ 90,783
Total Capital Assets, not Being Depreciated	<u>90,783</u>	<u>-</u>	<u>-</u>	<u>90,783</u>
Capital Assets, Being Depreciated:				
Buildings & Improvements	848,450	-	-	848,450
Road Improvements	-	27,626	-	27,626
Machinery & Equipment	301,051	8,599	6,200	303,450
Total Capital Assets, Being Depreciated	<u>1,149,501</u>	<u>36,225</u>	<u>6,200</u>	<u>1,179,526</u>
Less Accumulated Depreciation:				
Buildings & Improvements	588,073	11,703	-	599,776
Road Improvements	-	1,471	-	1,471
Machinery & Equipment	253,872	25,108	-	278,980
Total Accumulated Depreciation	<u>841,945</u>	<u>38,282</u>	<u>-</u>	<u>880,227</u>
Net Capital Assets	<u>\$ 398,339</u>	<u>\$ (2,057)</u>	<u>\$ 6,200</u>	<u>\$ 390,082</u>

**VILLAGE OF SHERIDAN, MICHIGAN**

Notes to the Financial Statements

Capital asset activity for business -type activities for the year ended March 31, 2011 was as follows:

**Business-type Activities**

	Balance at 3/31/2010	Additions	Disposals	Balance at 3/31/2011
Capital Assets, not Being Depreciated				
Land	\$ 30,835	\$ -	\$ -	\$ 30,835
Construction in Progress	-	115,063	-	115,063
Capital Assets, Being Depreciated:				
Sewer System	2,371,034	-	-	2,371,034
Machinery & Equipment	106,966	-	-	106,966
Water System	826,571	3,230	-	829,801
Buildings, Additions & Improvements	171,248	-	-	171,248
Total Capital Assets, Being Depreciated	3,475,819	3,230	-	3,479,049
Less Accumulated Depreciation:				
Sewer System	1,279,532	47,420	-	1,326,952
Machinery & Equipment	98,205	3,566	-	101,771
Water System	314,076	16,657	-	330,733
Buildings, Additions & Improvements	139,364	7,834	-	147,198
Total Accumulated Depreciation	1,831,177	75,477	-	1,906,654
Net Capital Assets	\$ 1,675,477	\$ 42,816	\$ -	\$ 1,718,293

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

Governmental Activities:		
General Government		\$ 7,482
Public Safety		547
Public Works		26,579
Culture & Recreation		3,674
Total Governmental Activities		\$ 38,282
Business-type Activities:		
Water		20,951
Sewer		54,526
Total Business-Type Activities		\$ 75,477

**VILLAGE OF SHERIDAN, MICHIGAN**

Notes to the Financial Statements

**NOTE 5 - Receivables**

Receivables as of March 31, 2011 were as follows:

	General Fund	Major Street Fund	Local Street Fund	Sewer Fund	Water Fund	Total
Receivables						
Accounts	\$ 1,587	\$ 3,326	\$ -	\$ 24,300	\$ 24,082	\$ 53,295
Other Governmental Units	8,020	6,354	3,290	-	-	17,664
<b>Total Receivables</b>	<b>\$ 9,607</b>	<b>\$ 9,680</b>	<b>\$ 3,290</b>	<b>\$ 24,300</b>	<b>\$ 24,082</b>	<b>\$ 70,959</b>

**NOTE 6 - Interfund Balances & Interfund Transfers**

As of March 31, 2011 the interfund balances were as follows:

Due From Other Funds					
Due To Other Funds		General Fund	Local Street Fund	Sewer Fund	Total
	Major Street Fund	\$ 14,164	\$ 1,848	\$ 4,592	\$ 20,604
Local Street Fund	23,604	-	10,644	34,248	
Sewer Fund	68,016	-	-	68,016	
Water Fund	242,184	-	3,044	245,228	
	<b>\$ 347,968</b>	<b>\$ 1,848</b>	<b>\$ 18,280</b>	<b>\$ 368,096</b>	

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers for the year are as follows:

		Transfer In From Other Funds	
		Local Street	Total
Transfer Out To Other Funds	Major Street	\$ 17,328	\$ 17,328
	<b>Total</b>	<b>\$ 17,328</b>	<b>\$ 17,328</b>

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

**VILLAGE OF SHERIDAN, MICHIGAN**

Notes to the Financial Statements

**NOTE 7 - Long-term Debt**

Listed below are descriptions of the bond issues and installment contracts in the village governmental activities and business-type activities.

	Interest Rate	Maturity	3/31/2010 Balance	Additions	Reductions	3/31/2011 Balance	Due Within One Year
<b>Governmental Activities</b>							
Construction Loan	4.50%	2013	147,678	147,064	151,279	143,463	5,656
Business Loan	7.00%	2013	45,817	-	1,553	44,264	1,506
Equipment Lease	6.00%	2012	27,345	-	15,589	11,756	11,756
Total Governmental			<u>\$ 220,840</u>	<u>\$ 147,064</u>	<u>\$ 168,421</u>	<u>\$ 199,483</u>	<u>\$ 18,918</u>
<b>Business-type Activities</b>							
Sewer Revenue Bonds	5.00%	2019	440,000	-	40,000	400,000	40,000
Water Revenue Bonds	7.00%	2011	50,000	-	50,000	-	-
Total Business-type			<u>\$ 490,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ 400,000</u>	<u>\$ 40,000</u>

Debt service requirements to maturity are scheduled below:

Year Ending March 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	18,918	11,784	30,702	40,000	19,875	59,875
2013	48,733	10,471	59,204	45,000	16,875	61,875
2014	131,832	2,998	134,830	45,000	14,625	59,625
2015	-	-	-	45,000	11,999	56,999
2016	-	-	-	45,000	7,000	52,000
2017-2021	-	-	-	180,000	16,001	196,001
Totals:	<u>\$ 199,483</u>	<u>\$ 25,253</u>	<u>\$ 224,736</u>	<u>\$ 400,000</u>	<u>\$ 86,375</u>	<u>\$ 486,375</u>

## VILLAGE OF SHERIDAN, MICHIGAN

### Notes to the Financial Statements

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#### **NOTE 8 - Restricted Assets**

The balances of the restricted assets accounts in the Enterprise Funds are as follows:

Cash and cash equivalents:       \$29,473

#### **NOTE 9 - Defined Contribution Pension Plan**

The pension plan of the Village is a defined contribution plan which provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the participant's account are to be determined rather than specifying the amount of benefits the participant will receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account. Contributions made by the Village vest immediately.

The Village made required contributions of \$4,779 during the year ended March 31, 2011.

#### **NOTE 10 - Risk Management**

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability, property and casualty, and workers' compensation are managed through purchased commercial insurance.

#### **NOTE 11 - Contingent Liabilities**

The Village, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The Village's attorney and management estimate that the potential claims against the Village, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the Village.

#### **NOTE 12 - Prior Period Adjustment**

The Village recorded a \$50,000 prior period adjustment increasing Fund Balance in the General Fund to properly reflect interfund reimbursements from the prior year that were recorded initially as an interfund balance.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Village of Sheridan**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended March 31, 2011**

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Favorable (Unfavorable)
				<u>Final to Actual</u>
<b>Revenues</b>				
Taxes	\$ 181,963	\$ 181,963	\$ 182,785	\$ 822
Refunds & Reimbursements	31,155	31,155	64,047	32,892
State Sources	61,236	61,236	61,128	(108)
Charges for Services	1,200	1,200	300	(900)
Interest & Rents	16,250	16,250	15,490	(760)
<b>Total Revenues</b>	<u>291,804</u>	<u>291,804</u>	<u>323,750</u>	<u>31,946</u>
<b>Other Financing Sources</b>				
<b>Total Revenues and Other Financing Sources</b>	<u>291,804</u>	<u>291,804</u>	<u>323,750</u>	<u>31,946</u>
<b>Expenditures</b>				
Township Board	2,374	2,374	2,300	74
Clerk	14,000	14,000	14,793	(793)
Treasurer	14,000	14,000	14,563	(563)
Administrative & Office	113,117	113,117	100,047	13,070
Building & Grounds	74,342	74,342	73,583	759
Cemetery	--	--	920	(920)
Recreation & Culture	9,424	11,644	9,879	1,765
Capital Outlay	--	2,399	2,399	--
Debt Service	16,272	16,272	32,024	(15,752)
Public Safety	66,891	66,891	63,607	3,284
<b>Total Expenditures</b>	<u>310,420</u>	<u>315,039</u>	<u>314,115</u>	<u>924</u>
<b>Other Financing Uses</b>				
<b>Total Expenditures and Other Financing Uses</b>	<u>310,420</u>	<u>315,039</u>	<u>314,115</u>	<u>924</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>(18,616)</u>	<u>(23,235)</u>	<u>9,635</u>	<u>32,870</u>
<b>Net Change in Fund Balance</b>	<u>(18,616)</u>	<u>(23,235)</u>	<u>9,635</u>	<u>32,870</u>
<b>Fund Balance at Beginning of Period</b>	<u>515,680</u>	<u>515,680</u>	<u>515,680</u>	<u>--</u>
<b>Fund Balance at End of Period</b>	<u>\$ 497,064</u>	<u>\$ 492,445</u>	<u>\$ 525,315</u>	<u>\$ 32,870</u>

**Village of Sheridan**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Local Street**  
**For the Year Ended March 31, 2011**

	<u>Budgeted Amounts</u>			<b>Variance Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final to Actual</u>
<b>Revenues</b>				
State Sources	\$ 18,217	\$ 18,217	\$ 21,184	\$ 2,967
Interest & Rents	275	275	359	84
<i>Total Revenues</i>	<u>18,492</u>	<u>18,492</u>	<u>21,543</u>	<u>3,051</u>
<b>Other Financing Sources</b>				
Transfers from other funds	16,000	16,000	17,328	1,328
<i>Total Revenues and Other Financing Sources</i>	<u>34,492</u>	<u>34,492</u>	<u>38,871</u>	<u>4,379</u>
<b>Expenditures</b>				
Highways & Streets	37,404	37,404	23,717	13,687
Capital Outlay	--	16,895	16,895	--
<i>Total Expenditures</i>	<u>37,404</u>	<u>54,299</u>	<u>40,612</u>	<u>13,687</u>
<b>Other Financing Uses</b>				
<i>Total Expenditures and Other Financing Uses</i>	<u>37,404</u>	<u>54,299</u>	<u>40,612</u>	<u>13,687</u>
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</i>	<u>(2,912)</u>	<u>(19,807)</u>	<u>(1,741)</u>	<u>18,066</u>
<i>Net Change in Fund Balance</i>	<b>(2,912)</b>	<b>(19,807)</b>	<b>(1,741)</b>	<b>18,066</b>
<i>Fund Balance at Beginning of Period</i>	6,630	6,630	6,630	--
<i>Fund Balance at End of Period</i>	<u>\$ 3,718</u>	<u>\$ (13,177)</u>	<u>\$ 4,889</u>	<u>\$ 18,066</u>

**Village of Sheridan**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Major Street Fund**  
**For the Year Ended March 31, 2011**

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final to Actual</u>
<b>Revenues</b>				
State Sources	\$ 33,288	\$ 33,288	\$ 35,679	\$ 2,391
Interest & Rents	280	280	--	(280)
<i>Total Revenues</i>	<u>33,568</u>	<u>33,568</u>	<u>35,679</u>	<u>2,111</u>
<b>Other Financing Sources</b>				
<i>Total Revenues and Other Financing Sources</i>	<u>33,568</u>	<u>33,568</u>	<u>35,679</u>	<u>2,111</u>
<b>Expenditures</b>				
Highways & Streets	41,304	41,304	12,786	28,518
Capital Outlay	--	10,000	10,731	(731)
<i>Total Expenditures</i>	<u>41,304</u>	<u>51,304</u>	<u>23,517</u>	<u>27,787</u>
<b>Other Financing Uses</b>				
Transfers to other funds	--	--	17,328	(17,328)
<i>Total Expenditures and Other Financing Uses</i>	<u>41,304</u>	<u>51,304</u>	<u>40,845</u>	<u>10,459</u>
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</i>	<u>(7,736)</u>	<u>(17,736)</u>	<u>(5,166)</u>	<u>12,570</u>
<i>Net Change in Fund Balance</i>	<u>(7,736)</u>	<u>(17,736)</u>	<u>(5,166)</u>	<u>12,570</u>
<i>Fund Balance at Beginning of Period</i>	7,691	7,691	7,691	--
<i>Fund Balance at End of Period</i>	<u>\$ (45)</u>	<u>\$ (10,045)</u>	<u>\$ 2,525</u>	<u>\$ 12,570</u>