



Dan Smith & Company, PC  

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Certified Public Accountants

**VILLAGE OF MANCELONA**  
**ANTRIM COUNTY, MICHIGAN**  
**AUDITED FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2021**

**VILLAGE OFFICIALS**

PRESIDENT

MIKE ALLISON

PRESIDENT PRO-TEM

AARON BIEHL

CLERK

MAUREEN NAUMCHEFF

TREASURER

RAE ANN THOMPSON

POLICE CHIEF

WILLIAM ROBBINS

**COUNCIL MEMBERS**

LORI DERROR

JUSTIN MACDONALD

STEVE ELDER

**VILLAGE OF MANCELONA**

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**INDEPENDENT AUDITORS' REPORT**

June 11, 2021

To the Village Council  
Village of Mancelona, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of the Village of Mancelona as of and for the year ended February 28, 2021 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.

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 discretely presented component unit, and each major fund of the Village of Mancelona, as of February 28, 2021 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–6 and 24–29 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2021, on our consideration of the Village of Mancelona'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 Mancelona's internal control over financial reporting and compliance.



Dan Smith & Company, PC  
Gaylord, MI

**VILLAGE OF MANCELONA**  
**120 West State Street**  
**Mancelona, MI 49659**

**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**YEAR ENDED FEBRUARY 28, 2021**

This section of the Village of Mancelona's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended February 28, 2021. Please read it in conjunction with the financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

Village assets at February 28, 2021, as reported in the Statement of Net Position, totaled approximately \$2,570,000 for governmental activities and \$189,500 for our component unit (the Mancelona Downtown Development Authority), compared to \$2,487,000 and \$165,500 respectively, at February 29, 2020. Of the total Village assets, approximately \$1,330,000 represents capital assets net of depreciation.

Overall revenues were approximately \$734,310 (\$277,000 from program revenues and \$457,310 from general revenues). Overall expenses approximated \$620,276.

The Village did not incur additional debt during the year, and \$12,050 in capitalized purchases were made. Long-term debt and capital asset activity are addressed further in a subsequent section of this letter.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts, management's discussion & analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present the governmental activities of the Village.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Village as a whole using accounting methods used by private companies. The Statement of Net Position includes all the entity's assets and liabilities. The Statement of Activities records all the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net position and how it has changed. Net position is the difference between the Village's assets and liabilities; this is one method to measure the Village's financial health or position.

Over time, increases or decreases in an entity's net position is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider additional factors such as tax base changes, facility conditions, and personnel changes.

All the activities of the Village are reported as governmental activities. These would include the general fund, major streets, and local streets.

## FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds, not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Village has the following types of funds:

**Governmental Funds:** All of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

## FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

**Net Position:** The Village's combined net position increased approximately \$114,000 during the year ended February 28, 2021 totaling \$2,445,804. The increase is primarily due to conservative fiscal management and an increase in certain revenues.

**Government Funds:** The fund balances for governmental funds increased approximately \$153,378. The general fund had an increase of \$50,574, while local and major streets had a combined increase of \$102,804.

Following is a summary of our fiscal position and fiscal activity for the past two years:

	Statement of Net Position	
	2021	2020
Current and Other Assets	\$ 1,240,366	\$ 1,094,281
Capital Assets, Net	<u>1,329,276</u>	<u>1,392,970</u>
Total Assets	2,569,642	2,487,251
Current Liabilities	51,788	59,081
Non-Current Liabilities	<u>72,050</u>	<u>96,400</u>
Total Liabilities	123,838	155,481
Net Position:		
Invested in Capital Assets	1,278,276	1,313,970
Unrestricted & Unassigned	345,358	495,246
Restricted	552,170	242,554
Assigned	<u>270,000</u>	<u>280,000</u>
Total Net Position	<u>\$ 2,445,804</u>	<u>\$ 2,331,770</u>

	Statement of Activities	
	2021	2020
Total Revenues	\$ 734,310	\$ 764,103
Total Expenses	<u>620,276</u>	<u>732,650</u>
Change in Net Position	114,034	31,453
Net Position:		
Beginning of the Year	<u>2,331,770</u>	<u>2,300,317</u>
End of Year	<u>\$ 2,445,804</u>	<u>\$ 2,331,770</u>



## **FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS**

**General Fund:** This fund is used to record all activities of the Village not required to be recorded in a separate fund. This would include parks, building and grounds, legislative, administrative, elections and police activities. The major sources of revenue for the general fund are from the Village tax base and the revenue sharing from the State of Michigan. The major expenses for this fiscal year include the general operating activities of the Village.

**Major Streets:** This fund is used to record revenues and expenses for major (state-owned) streets located within the Village. The major source of revenue comes from the State of Michigan in the form of transportation taxes. The major expenses for this fund are wages and equipment rental for snow removal and street repair.

**Local Streets:** This fund is used to record revenues and expenses for local (Village-owned) streets. Local street revenue comes from property taxes and from the State in the form of gas and weight taxes. The major expenses incurred this year include street repairs, street light utilities, wages, and equipment rental.

## **CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

**Capital Assets:** Additions to the Village assets for this year include the following: A new snow pusher (\$4,464), a new Erskine snowblower (\$5,966) and a new leaf blower (\$1,620) for a total of \$12,050.

### **Long-Term Debt:**

- **Note Payable:** The Village paid \$28,000 toward the plow truck note payable, leaving a balance owed of \$51,000.

## **KNOWN FACTORS AFFECTING FUTURE OPERATIONS**

The Village anticipates maintaining a conservative fiscal plan. All potential capital improvements will be carefully analyzed before further investments are made.

## **CONTACTING VILLAGE MANAGEMENT**

This financial report is designed to provide our taxpayers, creditors, investors, and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report, please contact Maureen Naumcheff, Village Clerk at 120 West State Street, Mancelona, MI 49659.

**VILLAGE OF MANCELONA  
STATEMENT OF NET POSITION  
FEBRUARY 28, 2021**

	<u>PRIMARY GOVERNMENT</u>	<u>COMPONENT UNIT DOWNTOWN DEVELOPMENT AUTHORITY</u>
	<u>GOVERNMENTAL ACTIVITIES</u>	
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 866,477	\$ 75,216
Certificates of Deposit	295,234	-
Receivables:		
Delinquent Property Taxes	35,961	22,015
Due from Other Governments	42,694	-
Due from Primary Government	-	31,257
	<hr/>	<hr/>
Total Current Assets	1,240,366	128,488
	<hr/>	<hr/>
<b>Non-Current Assets:</b>		
Capital Assets, Net	1,329,276	60,977
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 2,569,642</b>	<b>\$ 189,465</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accrued Interest	\$ 400	\$ -
Accrued Wages	7,648	-
Due to the DDA/MAWSA	35,740	-
Current Portion of Long-Term Debt	8,000	-
	<hr/>	<hr/>
Total Current Liabilities	51,788	-
	<hr/>	<hr/>
<b>NonCurrent Liabilities:</b>		
Notes/Bonds Payable	43,000	-
Compensated Absences	29,050	-
	<hr/>	<hr/>
Total NonCurrent Liabilities	72,050	-
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>123,838</b>	<b>-</b>
	<hr/>	<hr/>
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,278,276	60,977
Net Position, Restricted	345,358	-
Net Position, Unrestricted and Unassigned	552,170	128,488
Net Position, Assigned	270,000	-
	<hr/>	<hr/>
<b>Total Net Position</b>	<b>\$ 2,445,804</b>	<b>\$ 189,465</b>
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See accompanying notes to the financial statements

**VILLAGE OF MANCERONA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED FEBRUARY 28, 2021**

	<u>PROGRAM REVENUES</u>			NET (EXPENSE) REVENUES AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRI- BUTIONS		CAPITAL GRANTS & CONTRI- BUTIONS	PRIMARY GOVERNMENT
<b>GOVERNMENTAL ACTIVITIES</b>						
Village Administration	\$ (134,586)	\$ -	\$ 38,632	\$ -	\$ (95,954)	-
Buildings and Grounds	(70,172)	1,618	-	-	(68,554)	-
Streets and Highways	(121,548)	-	207,010	-	85,462	-
Parks and Recreation	(30,324)	-	-	-	(30,324)	-
Law Enforcement	(122,925)	3,306	-	-	(119,619)	-
Motor Pool	(112,777)	-	-	-	(112,777)	-
Sewer Assessment	(26,425)	26,425	-	-	-	-
Unallocated Depreciation	(1,519)	-	-	-	(1,519)	-
<b>Downtown Devel. Authority</b>	-	-	-	-	-	27,750
Total Governmental Activities	(620,276)	31,349	245,642	-	(343,285)	27,750
<b>GENERAL REVENUES</b>						
Property Taxes Levied for:						
General Operations					201,799	-
Local Streets					52,230	-
Downtown Development Authority					-	51,166
State Shared Revenue - Not Restricted					168,096	-
Franchise Fees					16,393	-
Interest Earnings					7,596	514
Other					11,205	-
Total General Revenues					457,319	51,680
<b>CHANGE IN NET POSITION</b>					114,034	23,930
<b>NET POSITION - MARCH 1, 2020</b>					2,331,770	165,535
<b>NET POSITION - FEBRUARY 28, 2021</b>					\$ 2,445,804	\$ 189,465

See accompanying notes to the financial statements

**VILLAGE OF MANCERLONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
FEBRUARY 28, 2021**

	<u>M A J O R F U N D S</u>			
	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>				
Cash	\$ 559,853	\$ 146,291	\$ 160,333	\$ 866,477
Certificates of Deposit	217,475	-	77,759	295,234
Receivables:				
Delinquent Taxes	29,545	-	6,416	35,961
Accounts	8,420	19,508	14,766	42,694
Due From Other Funds	72,092	-	-	72,092
<b>Total Assets</b>	<b>887,385</b>	<b>165,799</b>	<b>259,274</b>	<b>1,312,458</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
<b>Liabilities:</b>				
Accrued Wages	6,040	740	868	7,648
Due to Other Funds	-	41,306	30,786	72,092
Due to the DDA	25,244	-	6,015	31,259
Due to MAWSA	4,481	-	-	4,481
<b>Total Liabilities</b>	<b>35,765</b>	<b>42,046</b>	<b>37,669</b>	<b>115,480</b>
<b>Fund Balance:</b>				
Fund Balance - Restricted	-	123,753	221,605	345,358
Fund Balance - Unassigned	581,620	-	-	581,620
Fund Balance - Assigned	270,000	-	-	270,000
<b>Total Fund Balance</b>	<b>851,620</b>	<b>123,753</b>	<b>221,605</b>	<b>1,196,978</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 887,385</b>	<b>\$ 165,799</b>	<b>\$ 259,274</b>	<b>\$ 1,312,458</b>

See accompanying notes to the financial statements.

**VILLAGE OF MANCERLONA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
FEBRUARY 28, 2021**

<b>TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES  (PER THE BALANCE SHEET PAGE 9)</b>	\$	1,196,978
 <b>Amounts reported for governmental activities in the Statement of Net  Position (page 7) are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore; are not used in the funds		1,329,276
Long-term liabilities and accrued interest are not due and payable in the current period and, therefore; are not reported in the funds		(80,450)
 <b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES  (PER STATEMENT OF NET POSITION - PAGE 7)</b>	 \$	 <u>2,445,804</u>

See accompanying notes to the financial statements

**VILLAGE OF MANCELONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED FEBRUARY 28, 2021**

	<u>M A J O R F U N D S</u>			<u>TOTAL</u>
	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	
<b>REVENUES</b>				
Property Taxes	\$ 201,799	\$ -	\$ 52,230	\$ 254,029
State Shared Revenue	168,096	132,150	74,860	375,106
Equipment Rental and Admin.	66,350	-	-	66,350
Grants	38,632	-	-	38,632
Sewer Special Assessment	26,425	-	-	26,425
Franchise Fee	16,393	-	-	16,393
Police	3,306	-	-	3,306
Charges for Services	1,618	-	-	1,618
Insurance Proceeds	6,980	-	-	6,980
Interest Earnings	6,512	-	1,084	7,596
Other	4,225	-	-	4,225
<b>Total Revenues</b>	<u>540,336</u>	<u>132,150</u>	<u>128,174</u>	<u>800,660</u>
<b>EXPENDITURES</b>				
General Government	228,990	-	-	228,990
Public Safety:				
Police	117,501	-	-	117,501
Highways and Streets	-	68,013	89,507	157,520
Motor Pool	116,846	-	-	116,846
MAWSA - Sewer Assessment	26,425	-	-	26,425
<b>Total Expenditures</b>	<u>489,762</u>	<u>68,013</u>	<u>89,507</u>	<u>647,282</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	50,574	64,137	38,667	153,378
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	61,238	61,238
Transfers Out	-	(61,238)	-	(61,238)
<b>Net Change in Fund Balance</b>	<u>50,574</u>	<u>2,899</u>	<u>99,905</u>	<u>153,378</u>
<b>Fund Balance - Beginning of Year</b>	<u>801,046</u>	<u>120,854</u>	<u>121,700</u>	<u>1,043,600</u>
<b>Fund Balance - End of Year</b>	<u>\$ 851,620</u>	<u>\$ 123,753</u>	<u>\$ 221,605</u>	<u>\$ 1,196,978</u>

See accompanying notes to the financial statements

**VILLAGE OF MANCERONA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
YEAR ENDED FEBRUARY 28, 2021**

**NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS** \$ 153,378

**Amounts reported for governmental activities in the Statement of Activities (page 8) are different because:**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives. 12,050

Depreciation expense is reported in the Statement of Activities but not the governmental funds financial statements. (75,744)

Governmental funds do not report long-term debt; therefore, debt service payments are recorded as an expenditure. However, in the government-wide financial statements, long-term debt is recorded and debt service payments are applied against the outstanding balance or to interest expense. 28,000

Governmental funds do not record the "Compensated Absences"; However, the Government-wide statements do record the liability and the appropriate change in the liability. (3,650)

**CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES** 114,034  
**PER THE STATEMENT OF ACTIVITIES** \$ 114,034

See accompanying notes to the financial statements

**VILLAGE OF MANCELONA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 28, 2021**

**NOTE A: ENTITY**

The Village of Mancelona is a General Law Village of the State of Michigan organized in 1879, located in Antrim County, Michigan. It was incorporated under Act 3 of 1895. The criteria for determining the various governmental functions to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of the Village of Mancelona.

**DOWNTOWN DEVELOPMENT AUTHORITY**

The Village passed Ordinance 74, effective July 12, 1994, creating the Downtown Development Authority (DDA) of the Village of Mancelona. In 1996, the DDA commissioned the preparation of the "The Development and Financing Plan for the Downtown Development District," which was adopted by the Village of Mancelona Board through Ordinance 81, which, unless amended and restated, will expire in 2025. The Authority is a component unit of the Village. The Village Council has the power to dissolve the Authority at will. The Authority may not impose taxes nor obligate the Village in any manner without approval of the Village Council. The activities of the Authority are presented as a discrete component unit of the Village of Mancelona in these financial statements. The DDA is audited under a separate cover, and those financial statements are available for review at the Village offices.

**MANCELONA FIRE DISTRICT**

This report does not include the financial activity of the Mancelona Fire District. The Mancelona Fire District is part of the Township of Mancelona.

**MANCELONA AREA WATER AND SEWER AUTHORITY**

The Mancelona Area Water and Sewer Authority was established in 2000 as a joint venture by the Village of Mancelona, the Township of Mancelona, and the Township of Custer. The Authority was established to meet the water and sewer needs most effectively of the Mancelona area. The financial statements of the Authority are audited under separate cover and are not included in this report. The Authority had long-term debt of \$3,338,000 as of December 31, 2020, along with restricted equity for debt service of \$1,682,297.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**INTRODUCTION**

The accounting and reporting framework and the more significant accounting principles and practices of the Village of Mancelona are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Village's financial activities.



**VILLAGE OF MANCELONA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 28, 2021**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**INTRODUCTION (CONTINUED)**

The accounting policies of the Village of Mancelona conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION**

***Government-Wide Financial Statements***

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the Village as a whole, excluding fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Village general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Village has no business-type activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Village's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included as program revenues are reported as general revenues.

***Fund Financial Statements***

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The Village does not maintain any non-major funds.

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**VILLAGE OF MANCERONA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 28, 2021**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION  
(CONTINUED)  
FUND TYPES AND MAJOR FUNDS**

***Governmental Funds***

The Village reports the following major governmental funds:

*General Fund* – This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other inter-governmental revenues.

*Major Street Fund* – This fund is used to account for all financial transactions related to the Village’s “major” (state-owned) streets. Revenues are derived primarily from state grants.

*Local Street Fund* – This fund is used to account for all financial transactions related to the Village’s local streets. Revenues are derived primarily from property taxes and state grants.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

**Government-Wide Financial Statements**

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds).

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

**VILLAGE OF MANCELONA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 28, 2021**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FUND TYPES AND MAJOR FUNDS (CONTINUED)**

**Governmental Fund Financial Statements**

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Village considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15 with the final collection date of February 28 before they are added to the county delinquent tax rolls. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Village records property tax revenue on the lien date, when it becomes an enforceable legal claim for the Village. Accordingly, taxes levied on July 1, 2020 are recorded as revenue in the current year. Unpaid taxes are recorded as receivables of the respective funds.

Property taxes were levied as follows for the year ended February 28, 2021:

General	11.5398 mills
Local Street	3.0000 mills

The taxable value of the Village for the 2020 tax year totaled \$19,111,637.

**CAPITAL ASSETS AND DEPRECIATION**

The Villages property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Village maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The Village generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur.

**VILLAGE OF MANCELONA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 28, 2021**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**CAPITAL ASSETS AND DEPRECIATION (CONTINUED)**

The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	50-75
Improvements, other than buildings	10-20
Machinery and equipment	5-10
Vehicles	5-10
Infrastructure	20-40

For information describing capital assets, see Note F.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNT/PREMIUMS**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are expensed in the year of issuance.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**USE OF ESTIMATES**

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

**BUDGETS**

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Village for these budgetary funds were adopted on a fund level, using the modified accrual basis of accounting. Amendments are made to the budget

**VILLAGE OF MANCELONA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 28, 2021**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
(BUDGETS CONTINUED)**

when determined to be necessary throughout the year. The budget is presented as originally adopted and as amended. There are no carryover budget items.

**NOTE C: CASH AND CASH EQUIVALENTS**

At year end, the carrying amount of the Village's bank deposits including certificates of deposit was \$1,161,711. The bank balance was \$1,163,025. Of the bank balance, \$351,063 was covered by federal depository insurance and \$811,962 was uninsured. The uninsured deposits are held by the bank in the Village's name and collateralized with securities.

Statutory Authority

Act 217, PA 1982, authorizes the Village to deposit and invest in:

- (a) Bonds and other direct obligations of the United States or its agencies
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the National Credit Union Administration that are eligible to be the depository of surplus money belonging to the state under section 5 or 6 of Act 105, PA 1855, as amended.
- (c) Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase, and not more than 50 percent of any fund may be invested in commercial paper at any time.
- (d) United States Government or Federal Agency obligation repurchase agreements.
- (e) Banker's acceptance of United States bank.
- (f) Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

The Village's cash deposits and investments are in accordance with statutory authority.

**NOTE D: RECEIVABLES**

The Village's receivables as of February 28, 2021 are as follows:  
Fund Financial Statements:

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>
Delinquent Taxes	\$ 29,546	\$ -	\$ 6,415
State Revenue/Grants	-	19,508	14,766
Charter Franchise Fees	<u>8,420</u>	-	-
Total	<u>\$ 37,966</u>	<u>\$ 19,508</u>	<u>\$ 21,181</u>

**VILLAGE OF MANCELONA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 28, 2021**

**NOTE E: DUE FROM/TO OTHER FUNDS**

The amounts of interfund receivables and payable are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>FUND</u>	<u>INTERFUND PAYABLE</u>
General	\$ 72,092	Major Street	\$ 41,306
		Local Street	30,786
	<u>\$ 72,092</u>		<u>\$ 72,092</u>

Interfund receivables are short-term in nature and no interest is charged on the above amounts. Above amounts are the result of fringe benefit allocations, equipment rental and administration.

GASB 34 requires that all interfund receivables and payables are eliminated within each activity type for purposes of the government-wide financial statements.

**NOTE F: CAPITAL ASSETS**

	NOT DEPR.	DEPRECIATED				<u>TOTALS</u>
	<u>LAND &amp; IMPROV.</u>	<u>BUILDINGS</u>	<u>POLICE VEHICLES</u>	<u>MACHINERY &amp; EQUIPMENT</u>	<u>INFRA- STRUCTURE</u>	
<b>Governmental Activities</b>						
Balance, March 1, 2020	\$370,800	664,568	\$70,603	\$837,082	\$452,366	\$2,395,419
Increases	-	-	-	12,050	-	12,050
Decreases	-	-	-	-	-	-
Balance, Feb. 28, 2021	<u>370,800</u>	<u>664,568</u>	<u>70,603</u>	<u>849,132</u>	<u>452,366</u>	<u>2,407,469</u>
<b>Governmental Activities</b>						
Accumulated Depreciation						
Balance, March 1, 2020	-	240,181	54,329	494,937	213,002	1,002,449
Increases	-	15,693	5,425	39,547	15,079	75,744
Decreases	-	-	-	-	-	-
Balance, Feb. 28, 2021	<u>-</u>	<u>255,874</u>	<u>59,754</u>	<u>534,484</u>	<u>228,081</u>	<u>1,078,193</u>
Governmental Activities						
Capital Assets, Net	<u>\$370,800</u>	<u>\$408,694</u>	<u>\$10,849</u>	<u>\$314,648</u>	<u>\$224,285</u>	<u>\$1,329,276</u>

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

Motor Pool	\$ 35,981
Street & Sidewalks	15,079
Parks	2,047
Law Enforcement	5,425
Buildings and Grounds	15,693
Unallocated	1,519
Total	<u>\$ 75,744</u>

**VILLAGE OF MANCERLONA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 28, 2021**

**NOTE G: LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended February 28, 2021:

<u>Description and Purpose</u>	<u>Balance March 1 2020</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance February 28 2021</u>	<u>Due Within 1 Year</u>
Governmental Activities					
Note Payable	79,000	-	28,000	51,000	8,000
Total	<u>\$ 79,000</u>	<u>\$ -</u>	<u>\$ 28,000</u>	<u>\$ 51,000</u>	<u>\$ 8,000</u>

**Note Payable for Equipment** was established in January 2016. The \$127,000 note was borrowed to pay for a new plow truck. The annual principal payments (\$7,000 - \$10,000) are due January 1<sup>st</sup> through 2031. The interest payments are due semi-annually on January 1, and July 1 at the rate of 3.25%.

The annual principal and interest requirements, to amortize the note payable as of February 28, 2021, are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2022	8,000	1,657	9,657
2023	8,000	1,397	9,397
2024	8,000	1,137	9,137
2025	9,000	877	9,877
2026-31	18,000	585	18,585
	<u>\$ 51,000</u>	<u>\$ 5,653</u>	<u>\$ 56,653</u>

**NOTE H: COMPENSTATED ABSENCES**

All full-time employees (non-elected officials) may accumulate compensated absences (vacation and personal days) in accordance with the employment policies of the Village. Upon termination, employees are either paid one-half their individual accumulated amount or the full amount, depending on the details of each employment contract. At February 28, 2021, the Village was liable for approximately \$29,050 of compensated absences.

**VILLAGE OF MANCERLONA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 28, 2021**

**NOTE I: NET POSITION AND FUND BALANCE REPORTING**

Governmental funds report fund balance in the following five categories:

- 1 Non-spendable** – the related assets form does not allow expenditures of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Non-spendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and endowments.
- 2. Restricted** – the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in legislation.
- 3. Committed** – the related assets can only be spent for a specific purpose identified by formal resolution of the governing board.
- 4. Assigned** – the related assets can only be spent for a specific purpose but do not meet the criteria to be classified as committed.
- 5. Unassigned** – is the residual classification and includes all spendable amounts not contained in the other classifications.

The assigned fund balance and net position, totaling \$270,000, have been “set-aside” by the Village Council for anticipated future costs. The allocation of the assigned fund balance is as follows: DPW equipment \$100,000, Police equipment \$40,000, unfunded employee benefits \$30,000, and Capital Improvements \$100,000.

**NOTE J: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

The statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred outflows or inflows of resources. The outflows represent a consumption of net position, while the inflows represent an acquisition of net position. They both apply to a future period and will not be recognized as an outflow (expense/expenditure) or inflow (revenue) of resources until then. The Village has no items that qualify for reporting in these categories for the year ended February 28, 2021.

**NOTE K: INTRA/INTER-FUND REVENUE AND EXPENSE**

Following is a summary of all equipment rental and administration charges between and within funds (all general fund revenues).

Local Street	\$ 21,351		
Major Street	\$ <u>29,037</u>		
Motor Pool Equip		Buildings & Grounds	
Rental & Admin.	\$ <u>50,388</u>	and Parks	\$ <u>14,637</u>



**VILLAGE OF MANCELONA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 28, 2021**

**NOTE K: INTRA/INTER-FUND REVENUE AND EXPENSE (CONT'D)**

The Local and Major Street Funds incur the above stated expenditures and pay the General Fund accordingly. The Building and Grounds and Parks incur equipment rental expenses, while matching revenue is recorded, however no payments are made for this **intra-fund** activity.

All inter/intra-fund activity has been eliminated in the government-wide financial statements.

**NOTE L: PENSION/ 457 PLAN**

The Village of Mancelona has a defined contribution pension plan covering substantially all its (non-elected) employees. Employees are fully vested in the sixth year of employment. A defined contribution pension plan provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under the Village's defined contribution pension plan, the benefits a participant will receive depend on the amount contributed to the participant's account and the returns earned on investments of those contributions.

The plan is provided by the Michigan Employers Retirement System (MERS). The total pension expense for the year approximated \$11,398, which meets the contribution requirements of the Village. The Village contributes 7% of eligible employee wages which was approximately \$162,800 for the period. The policy provides for group retirement annuities and contributions to be used for the purchase of annuity benefits, so there are no separate plan assets.

Additionally, the Village offers a deferred compensation "457 Plan", which allows for employees to defer a portion of their taxable wages. No employer contribution is made to the 457 Plan.

**NOTE M: TOWNSHIP AMBULANCE AUTHORITY LEASE**

In 2011, the Village entered into a lease agreement with the Township Ambulance Authority. The Ambulance Authority paid approximately \$325,000 in leasehold improvements to the "village hall" building. In turn for these improvements, the Authority has "rent free" use of the facility for a period of 40 years. The Village has not recorded the leasehold improvements as a capital asset, nor has it recorded a matching deferred revenue as a liability.

**VILLAGE OF MANCELONA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 28, 2021**

**NOTE N: INSURANCE COVERAGES**

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Village participates in the Municipal League Liability and Property Pool, a self-insured group. The pool is considered a public entity risk pool. The Village pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expense for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Village has not been informed of any special assessments being required.

There were no significant changes in coverage, nor were there any significant claims for the year. The Village carries commercial insurance for other types of losses, including employee health and accident insurance.

The Village has the following coverages:

	<u>COVERAGES</u>
Property	\$ 1,984,803
General Liability	2,000,000
Public Officials Liability	2,000,000
Law Enforcement	2,000,000
Automobile	2,000,000
Crime	100,000
Surety Bond	100,000
Position Fidelity Bond	8,000
Worker's Compensation	Statutory

**NOTE O: SUBSEQUENT EVENTS**

The Village has evaluated subsequent events and transactions for potential recognition and disclosure through June 11, 2021, the date the financial statements were available to be issued.

**NOTE P: WATER & SEWER AUTHORITY DEBT/CONTINGENCY**

In the event the Mancelona Area Water and Sewer Authority was in default on its debt, the Village would be responsible for its share. The Authorities total debt at December 31, 2020 was \$3,338,000, with restricted equity of \$1,682,297. The Village's portion of the debt would be based on its share of Authority wide taxable values.

**VILLAGE OF MANCERLONA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED FEBRUARY 28, 2021**

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FROM FINAL AMENDED BUDGET</b>
<b>REVENUES:</b>				
Property Taxes	\$ 186,500	\$ 186,500	\$ 201,799	\$ 15,299
State Shared Revenue	156,000	156,000	168,096	12,096
Special Assessment - Sewer	35,000	35,000	26,425	(8,575)
Grants	-	-	38,632	38,632
Metro Act Funds	5,500	5,500	-	(5,500)
Contribution from MAWSA	-	-	1,710	(1,710)
Charges for Services	1,250	1,250	1,618	368
<b>Sub - Total</b>	<b>384,250</b>	<b>384,250</b>	<b>438,280</b>	<b>54,030</b>
<b>Police:</b>				
Ordinance Fines	4,000	4,000	1,920	(2,080)
PBT Fees	1,000	1,000	75	(925)
State Rev Training	250	250	-	(250)
Liquor License	1,200	1,200	1,311	111
<b>Total Police</b>	<b>6,450</b>	<b>6,450</b>	<b>3,306</b>	<b>(3,144)</b>
<b>Equipment Rental and Admin:</b>				
Local and Major Streets	55,000	55,000	51,704	(3,296)
Buildings & Grounds/ Parks	11,000	11,000	14,646	3,646
<b>Total Equipment Rental and Admin.</b>	<b>66,000</b>	<b>66,000</b>	<b>66,350</b>	<b>350</b>
<b>Other:</b>				
Franchise Fees	16,000	16,000	16,393	393
Interest Earnings	4,000	4,000	6,512	2,512
Miscellaneous	500	500	2,515	2,015
Insurance Proceeds	-	-	6,980	(6,980)
<b>Total Other</b>	<b>20,500</b>	<b>20,500</b>	<b>32,400</b>	<b>11,900</b>
<b>Total Revenues</b>	<b>\$ 477,200</b>	<b>\$ 477,200</b>	<b>\$ 540,336</b>	<b>\$ 63,136</b>

**VILLAGE OF MANCERONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED FEBRUARY 28, 2021**

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL AMENDED BUDGET</u>
<b>EXPENDITURES:</b>				
<b>GENERAL GOVERNMENT</b>				
<b>Village Council:</b>				
Wages	\$ 12,000	\$ 12,000	\$ 10,025	\$ 1,975
Fringe Benefits	1,000	1,000	750	250
Grants - Expenses	-	-	38,633	(38,633)
Insurance	18,500	18,500	18,096	404
Professional Fees	12,000	13,000	9,826	3,174
Printing	1,500	1,500	1,800	(300)
Planning/Zoning/Joint PC	4,450	4,450	2,741	1,709
Miscellaneous	9,000	9,000	7,340	1,660
<b>Total Village Council</b>	<b>58,450</b>	<b>59,450</b>	<b>89,211</b>	<b>(29,761)</b>
<b>Village Clerk:</b>				
Wages	18,500	18,500	18,932	(432)
Fringe Benefits	2,800	2,800	2,738	62
Office Supplies & Other	4,000	4,000	4,526	(526)
Telephone	1,500	1,500	1,222	278
<b>Total Village Clerk</b>	<b>26,800</b>	<b>26,800</b>	<b>27,418</b>	<b>(618)</b>
<b>Village Treasurer:</b>				
Wages	10,000	10,000	10,284	(284)
Fringe Benefits	1,700	1,700	1,481	219
Tax Roll	1,000	1,000	1,115	(115)
Office Supplies	1,000	1,500	1,427	73
<b>Total Village Treasurer</b>	<b>\$ 13,700</b>	<b>\$ 14,200</b>	<b>\$ 14,307</b>	<b>\$ (107)</b>

**VILLAGE OF MANCERONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED FEBRUARY 28, 2021**

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FROM FINAL AMENDED BUDGET</b>
<b>Buildings and Grounds:</b>				
Wages	\$ 16,000	\$ 16,000	\$ 13,843	\$ 2,157
Fringe Benefits	11,500	11,500	9,488	2,012
Capital Outlay	7,000	7,000	-	7,000
Contractual Services	10,000	11,000	18,098	(7,098)
Sewer Assessment	5,500	6,000	6,000	-
Utilities	4,500	4,500	3,348	1,152
Equipment Rental	5,000	5,000	6,463	(1,463)
Operating Supplies	2,000	2,000	1,196	804
Building Supplies	2,000	3,000	2,837	163
<b>Total Buildings and Grounds</b>	<b>63,500</b>	<b>66,000</b>	<b>61,273</b>	<b>4,727</b>
<b>Parks and Recreation:</b>				
Wages	13,500	13,500	10,153	3,347
Fringe Benefits	10,000	10,000	6,959	3,041
Equipment Rental	6,000	6,000	8,174	(2,174)
Utilities	2,500	2,500	1,799	701
Supplies	5,500	5,500	5,731	(231)
New Equipment	2,500	2,500	-	2,500
Contractual Services	500	500	3,965	(3,465)
<b>Total Parks and Recreation</b>	<b>40,500</b>	<b>40,500</b>	<b>36,781</b>	<b>3,719</b>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>\$ 202,950</b>	<b>\$ 206,950</b>	<b>\$ 228,990</b>	<b>\$ (22,040)</b>

**VILLAGE OF MANCERLONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED FEBRUARY 28, 2021**

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL AMENDED BUDGET</u>
<b>PUBLIC SAFETY</b>				
<b>Police</b>				
Wages	\$ 92,000	\$ 92,000	\$ 78,596	\$ 13,404
Fringes	38,000	38,000	32,377	5,623
Gasoline	5,000	5,000	2,855	2,145
Contractual Services	1,000	1,000	-	1,000
Operating Supplies	5,500	5,500	1,504	3,996
Telephone	1,500	1,500	1,252	248
Training & Mileage	1,000	1,000	-	1,000
New Equipment	5,000	5,000	-	5,000
Miscellaneous	1,000	1,000	917	83
<b>Total Police</b>	<u>150,000</u>	<u>150,000</u>	<u>117,501</u>	<u>32,499</u>
<b>MOTOR POOL</b>				
Wages	32,000	35,500	38,873	(3,373)
Fringe Benefits	18,500	18,500	19,432	(932)
Gasoline	8,000	8,000	5,109	2,891
New Equipment	10,000	12,500	12,498	2
Debt Service	10,000	10,000	30,162	(20,162)
Utilities	4,250	4,250	3,825	425
Equipment Supplies	3,500	4,500	5,297	(797)
Operating Supplies	1,500	1,500	1,225	275
Contractual Services	1,000	1,000	-	1,000
Miscellaneous	500	500	425	75
<b>Total Motor Pool</b>	<u>89,250</u>	<u>96,250</u>	<u>116,846</u>	<u>(20,596)</u>
<b>MAWSA - Sewer Assessment</b>	<u>35,000</u>	<u>35,000</u>	<u>26,425</u>	<u>8,575</u>
<b>Total Expenditures</b>	<u>477,200</u>	<u>488,200</u>	<u>489,762</u>	<u>(1,562)</u>
Excess (Deficiency) of Revenues over Expenditures	-	(11,000)	50,574	61,574
<b>Fund Balance - Beginning of Year</b>	<u>801,046</u>	<u>801,046</u>	<u>801,046</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 801,046</u>	<u>\$ 790,046</u>	<u>\$ 851,620</u>	<u>\$ 61,574</u>

**VILLAGE OF MANCERLONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - MAJOR STREET FUND**  
**YEAR ENDED FEBRUARY 28, 2021**

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL AMENDED BUDGET</u>
<b>REVENUES:</b>				
State Funds	\$ 115,000	\$ 115,000	\$ 127,650	\$ 12,650
County Funds	2,500	2,500	4,500	(2,000)
Interest	400	400	-	(400)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	117,900	117,900	132,150	14,250
<b>EXPENDITURES:</b>				
Reconstruction	25,000	25,000	-	25,000
Traffic Signals	800	800	515	285
<b>Routine Maintenance:</b>				
Wages	4,500	6,700	7,625	(925)
Supplies, Equip. Rental, Other	20,750	21,850	17,976	3,874
<b>Winter Maintenance:</b>				
Wages	9,000	9,000	7,234	1,766
Supplies, Equip. Rental, Other	27,500	27,500	19,267	8,233
<b>M-88 Maintenance:</b>				
Wages	1,500	1,500	1,320	180
Equipment Rental, Other	2,500	2,500	2,815	(315)
<b>Fringe Benefits</b>	8,000	8,000	11,261	(3,261)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	99,550	102,850	68,013	34,837
Excess (Deficiency) of Revenues over Expenditures	18,350	15,050	64,137	49,087
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers Out	-	-	(61,238)	(61,238)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Change in Fund Balance</b>	18,350	15,050	2,899	12,151
<b>Fund Balance - Beginning of Year</b>	120,854	120,854	120,854	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Balance - End of Year</b>	\$ 139,204	\$ 135,904	\$ 123,753	\$ (12,151)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**VILLAGE OF MANCERLONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - LOCAL STREET FUND**  
**YEAR ENDED FEBRUARY 28, 2021**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
<b>REVENUES:</b>				
Property Taxes	\$ 46,000	\$ 46,000	\$ 52,230	\$ 6,230
State Funds - Act 51	65,000	65,000	72,472	7,472
State Funds - Stabilization Funds	1,500	1,500	2,388	888
Interest	500	500	1,084	584
Total Revenues	113,000	113,000	128,174	15,174
<b>EXPENDITURES:</b>				
Resurfacing	50,000	50,000	15,114	34,886
Sidewalk Installation	1,000	1,000	-	1,000
Street Light Utilities	26,000	26,000	26,100	(100)
<b>Routine Maintenance:</b>				
Wages	6,000	6,000	6,843	(843)
Supplies, Equip. Rental, Other	10,750	10,750	8,640	2,110
<b>Winter Maintenance:</b>				
Wages	10,000	10,000	6,224	3,776
Supplies, Equip. Rental, Other	28,500	28,500	17,459	11,041
<b>Fringes</b>	-	-	9,127	(9,127)
Total Expenditures	132,250	132,250	89,507	42,743
Excess (Deficiency) of Revenues Over Expenditures	(19,250)	(19,250)	38,667	57,917
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	61,238	61,238
<b>Net Change in Fund Balance</b>	(19,250)	(19,250)	99,905	119,155
<b>Fund Balance - Beginning of Year</b>	121,700	121,700	121,700	-
<b>Fund Balance - End of Year</b>	\$ 102,450	\$ 102,450	\$ 221,605	\$ 119,155





Dan Smith & Company, PC  
Certified Public Accountants

**INDEPENDENT AUDITORS' 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**

June 11, 2021

To the Village Council  
Village of Mancelona

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 discretely presented component units, and each major fund of the Village of Mancelona, as of and for the year ended February 28, 2021, and the related notes to the financial statements, which collectively comprise the Village of Mancelona's basic financial statements and have issued our report thereon dated June 11, 2021.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. Please see items 2021-1 and 2021-2.

### **Compliance and Other Matters**

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

### **The Village of Mancelona's Response to Findings**

The Village of Mancelona's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Village of Mancelona's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



Dan Smith & Company, PC  
Gaylord, MI

**VILLAGE OF MANCELONA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED FEBRUARY 28, 2021**

SECTION II – Financial Statement Findings

2021-1

Criteria or Specific Requirement

Establishment and maintenance of internal controls over the financial reporting process.

Condition

Personnel responsible for financial reporting do not possess the skills necessary to monitor and report annual financial activity without auditor intervention.

Criteria

Internal controls should be in place to provide reasonable assurance to the Village that the management possesses the skills necessary to monitor and report annual financial activity without auditor intervention.

Effect

The effect of this condition places a reliance on the independent auditor to be part of the Village's internal controls over financial reporting.

Recommendation

The Village should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

Views of the Responsible Officials and Planned Corrective Action

Currently the Village does not feel the auditor intervention with the annual financial reporting is detrimental to the overall internal controls of its fiscal management. However, our Village Clerk does review the financial statements with the Village Council, prior to them becoming available for public use.

**VILLAGE OF MANCERLONA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED FEBRUARY 28, 2021**

SECTION II – Financial Statement Findings (Continued)

2021-2

Criteria or Specific Requirement

Establishment and maintenance of separation of duties over the cash collections and cash disbursements process.

Condition

Due to limited staff size, two individuals are essentially involved with the issuance of billings, collection of cash, check signing, bank reconciliation, transfers between bank accounts and responsibility for general ledger postings.

Criteria

Internal controls should be in place to provide reasonable assurance to the Village Council that the management is correctly recording cash collections and cash disbursements.

Effect

The effect of this condition is that a misstatement would not be detected timely by management or the Village Council.

Recommendation

The Village should review and implement the necessary separation of duties and board oversight to lessen the effects of the lack of separation of duties.

Views of the Responsible Officials and Planned Corrective Action

Currently the Village does not have the funding to hire additional staff in order to have separation of duties. The Village President and Council have become more active in the oversight in the cash collections and cash disbursements as a compensating control for management.