

VILLAGE OF MANCELONA
ANTRIM COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
FEBRUARY 28, 2023

VILLAGE OFFICIALS

PRESIDENT

MIKE ALLISON

PRESIDENT PRO-TEM

AARON BIEHL

CLERK

MAUREEN NAUMCHEFF

TREASURER

RAE ANN THOMPSON

POLICE CHIEF

BRIAN LAGRANDEUR

COUNCIL MEMBERS

LORI DERROR

JUSTIN MACDONALD

STEVE ELDER

VILLAGE OF MANCELONA

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Dan Smith & Company, PC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Mancelona, Michigan

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the Village of Mancelona's basic financial statements as listed in the table of contents.

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, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village of Mancelona and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Mancelona's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Village of Mancelona's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Mancelona's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 4-7 and 25-30 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 May 5, 2023, 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 the effectiveness of the Village's 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

May 5, 2023

VILLAGE OF MANCELONA
120 West State Street
Mancelona, MI 49659

MANAGEMENT'S DISCUSSION & ANALYSIS
YEAR ENDED FEBRUARY 28, 2023

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, 2023. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Village assets at February 28, 2023, as reported in the Statement of Net Position, totaled approximately \$2,787,000 for governmental activities and \$234,500 for our component unit (the Mancelona Downtown Development Authority), compared to \$2,540,000 and \$214,300 respectively, at February 28, 2022. Of the total Village assets, approximately \$1,500,000 represents capital assets net of depreciation.

Overall revenues were approximately \$937,700 (\$335,220 from program revenues and \$602,480 from general revenues). Overall expenses approximated \$718,000.

The Village did not incur additional debt during the year, and \$196,463 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 \$219,697 during the year ended February 28, 2023 totaling \$2,565,241. The increase is primarily due to the additional revenue received related to Marijuana State Shared revenues, as well as no street projects for this year.

Government Funds: The fund balances for governmental funds increased \$86,491. The general fund had a decrease of \$53,268, while local and major streets had a combined increase of \$139,759.

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

<u>Statement of Net Position</u>		
	<u>2023</u>	<u>2022</u>
Current and Other Assets	\$ 1,278,738	\$ 1,140,312
Capital Assets, Net	<u>1,508,549</u>	<u>1,398,590</u>
Total Assets	2,787,287	2,538,902
Current Liabilities	180,293	128,358
Non-Current Liabilities	<u>41,753</u>	<u>65,000</u>
Total Liabilities	222,046	193,358
Net Position:		
Invested in Capital Assets	1,458,596	1,398,590
Unrestricted & Unassigned	511,609	491,677
Restricted	325,036	185,277
Assigned	<u>270,000</u>	<u>270,000</u>
Total Net Position	<u>\$ 2,565,241</u>	<u>\$ 2,345,544</u>

<u>Statement of Activities</u>		
	<u>2023</u>	<u>2022</u>
Total Revenues	\$ 937,697	\$ 814,405
Total Expenses	<u>718,000</u>	<u>914,665</u>
Change in Net Position	219,697	(100,260)
Net Position:		
Beginning of the Year	<u>2,345,544</u>	<u>2,445,804</u>
End of Year	<u>\$ 2,565,241</u>	<u>\$ 2,345,544</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 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: Village building remodel in the amount of \$168,092, Motorola radios for law enforcement in the amount of \$18,180, and a broom and sweeper bucket for motor pool in the amount of \$10,191. Total capital asset purchases were \$196,463.

Long-Term Debt:

- Note Payable: The Village paid \$8,000 toward the plow truck note payable, leaving a balance owed of \$35,000.

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, 2023**

	<u>PRIMARY GOVERNMENT</u>	<u>COMPONENT UNIT</u>	<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>
	<u>GOVERNMENTAL ACTIVITIES</u>		
ASSETS			
Current Assets:			
Cash	\$ 1,089,586	\$	127,556
Certificates of Deposit	114,170		-
Receivables:			
Delinquent Property Taxes	43,904		25,226
Due from Other Governments	31,078		-
Due from Primary Government	-		31,565
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Total Current Assets	1,278,738		184,347
	<hr/>		<hr/>
Non-Current Assets:			
Non-Depreciable Capital Assets	370,800		-
Depreciable Capital Assets, Net	1,137,749		50,142
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Total Non-Current Assets	1,508,549		50,142
	<hr/>		<hr/>
Total Assets	\$ 2,787,287	\$	234,489
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LIABILITIES			
Current Liabilities:			
Accrued Interest	\$ 200	\$	-
Accrued Wages	7,552		-
Deferred Revenue - ARPA	122,641		-
Due to the DDA/MAWSA	41,900		-
Current Portion of Long-Term Debt	8,000		-
	<hr/>		<hr/>
Total Current Liabilities	180,293		-
	<hr/>		<hr/>
NonCurrent Liabilities:			
Notes/Bonds Payable	27,000		-
Compensated Absences	14,753		-
	<hr/>		<hr/>
Total NonCurrent Liabilities	41,753		-
	<hr/>		<hr/>
Total Liabilities	222,046		-
	<hr/> <hr/>		<hr/> <hr/>
NET POSITION			
Net Investment in Capital Assets	1,458,596		50,142
Net Position, Restricted	325,036		-
Net Position, Unrestricted and Unassigned	511,609		184,347
Net Position, Assigned	270,000		-
	<hr/>		<hr/>
Total Net Position	\$ 2,565,241	\$	234,489
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See accompanying notes to the financial statements

**VILLAGE OF MANCELONA
STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2023**

PROGRAM REVENUES

	PROGRAM REVENUES		NET (EXPENSE) REVENUES AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	PRIMARY GOVERNMENT	COMPONENT UNIT
GOVERNMENTAL ACTIVITIES						
Village Administration	\$ (136,437)	\$ -	\$ 51,399	\$ -	\$ (85,038)	\$ -
Buildings and Grounds	(130,000)	2,230	-	-	(127,770)	-
Streets and Highways	(100,036)	-	223,448	-	123,412	-
Parks and Recreation	(34,242)	-	-	-	(34,242)	-
Law Enforcement	(166,990)	3,233	20,622	-	(143,135)	-
Motor Pool	(114,487)	-	-	-	(114,487)	-
Sewer Assessment	(34,289)	34,289	-	-	-	-
Unallocated Depreciation	(1,519)	-	-	-	(1,519)	-
Downtown Devel. Authority	-	-	-	-	-	(36,960)
Total Governmental Activities	(718,000)	39,752	295,469	-	(382,779)	(36,960)
GENERAL REVENUES						
Property Taxes Levied for:						
General Operations					207,998	-
Local Streets					53,961	-
Downtown Development Authority					-	56,800
State Shared Revenue & Marijuana Revenue					298,643	-
Franchise/Facility Fees					29,690	-
Interest Earnings					7,198	336
Other					4,986	-
Total General Revenues					602,476	57,136
CHANGE IN NET POSITION					219,697	20,176
NET POSITION - MARCH 1, 2022					2,345,544	214,313
NET POSITION - FEBRUARY 28, 2023					\$ 2,565,241	\$ 234,489

See accompanying notes to the financial statements

**VILLAGE OF MANCERLONA
BALANCE SHEET
GOVERNMENTAL FUNDS
FEBRUARY 28, 2023**

	<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>	
<u>ASSETS</u>				
Cash	\$ 719,392	\$ 151,383	\$ 218,811	\$ 1,089,586
Certificates of Deposit	114,170	-	-	114,170
Receivables:				
Delinquent Taxes	37,470	-	6,434	43,904
Accounts	-	18,344	12,734	31,078
Due From Other Funds	74,016	-	-	74,016
Total Assets	945,048	169,727	237,979	1,352,754
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accrued Wages	5,515	1,441	596	7,552
Deferred Revenue - ARPA	122,641	-	-	122,641
Due to Other Funds	-	44,223	29,793	74,016
Due to the DDA	24,949	-	6,617	31,566
Due to MAWSA	10,334	-	-	10,334
Total Liabilities	163,439	45,664	37,006	246,109
Fund Balance:				
Fund Balance - Restricted	-	124,063	200,973	325,036
Fund Balance - Unassigned	511,609	-	-	511,609
Fund Balance - Assigned	270,000	-	-	270,000
Total Fund Balance	781,609	124,063	200,973	1,106,645
Total Liabilities and Fund Balance	\$ 945,048	\$ 169,727	\$ 237,979	\$ 1,352,754

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, 2023**

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES (PER THE BALANCE SHEET PAGE 10)	\$	1,106,645
Amounts reported for governmental activities in the Statement of Net Position (page 8) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore; are not used in the funds		1,508,549
Long-term liabilities and accrued interest are not due and payable in the current period and, therefore; are not reported in the funds		(49,953)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF NET POSITION - PAGE 8)	\$	2,565,241

See accompanying notes to the financial statements

VILLAGE OF MANCERLONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED FEBRUARY 28, 2023

	<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>	
REVENUES				
Property Taxes	\$ 207,998	\$ -	\$ 53,961	\$ 261,959
State Shared Revenue	194,961	143,947	79,501	418,409
Marijuana Shared Revenue	103,682	-	-	103,682
Equipment Rental and Admin.	66,856	-	-	66,856
Grants	51,399	-	-	51,399
Sewer Special Assessment	34,289	-	-	34,289
American Rescue Plan Act Funds	20,622	-	-	20,622
Franchise Fee	16,690	-	-	16,690
Local Fees - Marijuana Facilities	13,000	-	-	13,000
Charges for Services	2,230	-	-	2,230
Refunds and Rebates	3,504	-	-	3,504
Interest Earnings	7,198	-	-	7,198
Police	3,233	-	-	3,233
Other	1,482	-	-	1,482
Total Revenues	727,144	143,947	133,462	1,004,553
EXPENDITURES				
General Government	472,519	-	-	472,519
Public Safety:				
Police	177,927	-	-	177,927
Highways and Streets	-	74,305	63,345	137,650
Motor Pool	95,677	-	-	95,677
MAWSA - Sewer Assessment	34,289	-	-	34,289
Total Expenditures	780,412	74,305	63,345	918,062
Excess (Deficiency) of Revenues Over (Under) Expenditures	(53,268)	69,642	70,117	86,491
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	67,811	67,811
Transfers Out	-	(67,811)	-	(67,811)
Net Change in Fund Balance	(53,268)	1,831	137,928	86,491
Fund Balance - Beginning of Year	834,877	122,232	63,045	1,020,154
Fund Balance - End of Year	\$ 781,609	\$ 124,063	\$ 200,973	\$ 1,106,645

See accompanying notes to the financial statements

**VILLAGE OF MANCERLONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2023**

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS	\$	86,491
 Amounts reported for governmental activities in the Statement of Activities (page 9) 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.		196,463
Depreciation expense is reported in the Statement of Activities but not the governmental funds financial statements.		(86,504)
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.		8,000
Governmental funds do not record the "Compensated Absences"; However, the Government-wide statements do record the liability and the appropriate change in the liability.		15,247
 CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES PER THE STATEMENT OF ACTIVITIES	 \$	 219,697

See accompanying notes to the financial statements

**VILLAGE OF MANCELONA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2023**

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, 2021, along with restricted equity for debt service of \$1,356,705.

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, 2023**

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, 2023**

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, 2023**

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, 2022 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, 2023:

General	11.3124 mills
Local Street	3.0000 mills

The taxable value of the Village for the 2022 tax year totaled \$20,452,877.

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 MANCERLONA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2023**

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, 2023**

**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 \$1,203,756. The bank balance was \$1,203,246. Of the bank balance, \$351,497 was covered by federal depository insurance and \$851,749 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, 2023 are as follows:
Fund Financial Statements:

	GENERAL	MAJOR STREET	LOCAL STREET
Delinquent Taxes	\$ 37,470	\$ -	\$ 6,434
State Revenue/Grants	-	\$ 18,344	\$ 12,734
Total	<u>\$ 37,470</u>	<u>\$ 18,344</u>	<u>\$ 19,168</u>

**VILLAGE OF MANCERLONA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2023**

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	\$ 74,016	Major Street	\$ 44,223
		Local Street	29,793
	<u>\$ 74,016</u>		<u>\$ 74,016</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

	<u>NOT DEPR.</u>		<u>DEPRECIATED</u>			<u>TOTALS</u>
	<u>LAND & IMPROV.</u>	<u>BUILDINGS</u>	<u>POLICE VEHICLES</u>	<u>MACHINERY & EQUIPMENT</u>	<u>INFRA- STRUCTURE</u>	
Governmental Activities						
Balance, March 1, 2022	\$370,800	\$813,345	\$70,603	\$849,132	\$452,366	\$2,556,246
Increases	-	168,092	-	28,371	-	196,463
Decreases	-	-	-	-	-	-
Balance, Feb. 28, 2023	<u>370,800</u>	<u>981,437</u>	<u>70,603</u>	<u>877,503</u>	<u>452,366</u>	<u>2,752,709</u>
Governmental Activities						
Accumulated Depreciation						
Balance, March 1, 2022	-	275,286	65,178	574,032	243,160	1,157,656
Increases	-	23,615	5,425	42,385	15,079	86,504
Decreases	-	-	-	-	-	-
Balance, Feb. 28, 2023	<u>-</u>	<u>298,901</u>	<u>70,603</u>	<u>616,417</u>	<u>258,239</u>	<u>1,244,160</u>
Governmental Activities						
Capital Assets, Net	<u>\$370,800</u>	<u>\$682,536</u>	<u>\$0</u>	<u>\$261,086</u>	<u>\$194,127</u>	<u>\$1,508,549</u>

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

Motor Pool	\$ 37,001
Street & Sidewalks	15,079
Parks	2,047
Law Enforcement	7,243
Buildings and Grounds	23,615
Unallocated	1,519
Total	<u>\$ 86,504</u>

**VILLAGE OF MANCERLONA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2023**

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended February 28, 2023:

<u>Description and Purpose</u>	<u>Balance March 1 2022</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance February 28 2023</u>	<u>Due Within 1 Year</u>
Governmental Activities					
Note Payable	43,000	-	8,000	35,000	8,000
Total	<u>\$ 43,000</u>	<u>\$ -</u>	<u>\$ 8,000</u>	<u>\$ 35,000</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 1st through 2031. The interest payments are due semi-annually on January 1, and July 1 at the rate of 3.125%.

The annual principal and interest requirements, to amortize the note payable as of February 28, 2023, are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2024	8,000	1,091	9,091
2025	9,000	831	9,831
2026	9,000	562	9,562
2027	9,000	286	9,286
	<u>\$ 35,000</u>	<u>\$ 2,770</u>	<u>\$ 37,770</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, 2023, the Village was liable for approximately \$14,750 of compensated absences.

**VILLAGE OF MANCERLONA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2023**

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, 2023.

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	\$ 20,754		
Major Street	<u>\$ 31,928</u>		
Motor Pool Equip		Buildings & Grounds	
Rental & Admin.	<u>\$ 52,682</u>	and Parks	<u>\$ 14,066</u>

**VILLAGE OF MANCELONA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2023**

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 \$14,059, which meets the contribution requirements of the Village. The Village contributes 7% of eligible employee wages which was approximately \$200,836 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, 2023**

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	\$ 2,008,895
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 May 5, 2023, 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, 2021 was \$3,338,000, with restricted equity of \$1,770,033. 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, 2023

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES:				
Property Taxes	\$ 198,500	\$ 198,500	\$ 207,998	\$ 9,498
State Shared Revenue	165,500	165,500	188,412	22,912
Marijuana Shared Revenue	-	-	103,682	103,682
Grants	-	51,399	51,399	-
Special Assessment - Sewer	35,000	35,000	34,289	(711)
American Rescue Plan Act Funds	-	20,622	20,622	-
Local Fees - Marijuana Facilities	15,000	15,000	13,000	2,000
Metro Act Funds	5,500	5,500	6,549	1,049
Charges for Services	1,000	1,000	2,230	1,230
Sub - Total	420,500	492,521	628,181	135,660
Police:				
Ordinance Fines	4,000	4,000	1,864	(2,136)
State Rev Training	250	250	-	(250)
Liquor License	1,200	1,200	1,369	169
Total Police	5,450	5,450	3,233	(2,217)
Equipment Rental and Admin:				
Local and Major Streets	65,000	65,000	52,693	(12,307)
Buildings & Grounds/ Parks	17,000	17,000	14,163	(2,837)
Total Equipment Rental and Admin.	82,000	82,000	66,856	(15,144)
Other:				
Franchise Fees	16,000	16,000	16,690	690
Interest Earnings	4,500	4,500	7,198	2,698
Miscellaneous	-	-	1,482	1,482
Refunds and Rebates	500	500	3,504	(3,004)
Total Other	21,000	21,000	28,874	7,874
Total Revenues	\$ 528,950	\$ 600,971	\$ 727,144	\$ 126,173

VILLAGE OF MANCERLONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED FEBRUARY 28, 2023

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL AMENDED BUDGET</u>
EXPENDITURES:				
GENERAL GOVERNMENT				
Village Council:				
Wages	\$ 12,500	\$ 12,500	\$ 10,025	\$ 2,475
Fringe Benefits	1,000	1,000	768	232
Grants - Expenses	-	51,399	51,399	-
Insurance	21,000	21,000	20,406	594
Professional Fees	13,000	13,000	8,794	4,206
Printing	1,000	1,000	396	604
Planning/Zoning/Joint PC	3,750	3,750	4,010	(260)
Miscellaneous	4,500	4,500	2,131	2,369
Total Village Council	<u>56,750</u>	<u>108,149</u>	<u>97,929</u>	<u>10,220</u>
Village Clerk:				
Wages	20,000	21,000	20,596	404
Fringe Benefits	3,150	3,150	3,133	17
Office Supplies & Other	4,500	9,000	9,126	(126)
Telephone	1,500	1,500	1,253	247
Total Village Clerk	<u>29,150</u>	<u>34,650</u>	<u>34,108</u>	<u>542</u>
Village Treasurer:				
Wages	12,000	13,600	13,645	(45)
Fringe Benefits	1,900	1,900	1,852	48
Tax Roll	1,000	1,000	547	453
Office Supplies	1,000	3,600	3,603	(3)
Total Village Treasurer	<u>\$ 15,900</u>	<u>\$ 20,100</u>	<u>\$ 19,647</u>	<u>\$ 453</u>

**VILLAGE OF MANCERLONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED FEBRUARY 28, 2023**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Buildings and Grounds:				
Wages	\$ 20,000	\$ 21,000	\$ 20,762	\$ 238
Fringe Benefits	10,500	13,500	13,195	305
Capital Outlay	1,000	168,000	168,092	(92)
Contractual Services	17,000	49,000	46,482	2,518
Sewer Assessment	6,000	6,000	6,886	(886)
Utilities	4,500	19,000	18,182	818
Equipment Rental	9,000	9,000	7,860	1,140
Operating Supplies	2,000	7,000	6,466	534
Building Supplies	2,000	2,000	715	1,285
Total Buildings and Grounds	72,000	294,500	288,640	5,860
Parks and Recreation:				
Wages	14,000	14,000	10,652	3,348
Fringe Benefits	12,500	12,500	6,770	5,730
Equipment Rental	8,000	8,000	6,205	1,795
Utilities	2,500	2,500	3,706	(1,206)
Supplies	5,500	5,500	4,172	1,328
New Equipment	2,500	2,500	-	2,500
Contractual Services	500	500	690	(190)
Total Parks and Recreation	45,500	45,500	32,195	13,305
TOTAL GENERAL GOVERNMENT	\$ 219,300	\$ 502,899	\$ 472,519	\$ 30,380

VILLAGE OF MANCELONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED FEBRUARY 28, 2023

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL AMENDED BUDGET</u>
PUBLIC SAFETY				
Police				
Wages	\$ 99,000	\$ 104,000	\$ 106,403	\$ (2,403)
Fringes	38,000	38,000	27,129	10,871
Gasoline	5,000	5,000	5,641	(641)
Contractual Services	500	500	3,890	(3,390)
Operating Supplies	1,500	26,500	26,079	421
Telephone	1,500	2,200	2,123	77
Training & Mileage	1,000	1,000	425	575
New Equipment	30,000	30,000	1,020	28,980
Miscellaneous	3,500	9,000	5,217	3,783
Total Police	<u>180,000</u>	<u>216,200</u>	<u>177,927</u>	<u>38,273</u>
MOTOR POOL				
Wages	35,000	36,200	36,922	(722)
Fringe Benefits	20,000	20,000	17,365	2,635
Gasoline	8,000	8,000	10,012	(2,012)
New Equipment	10,000	10,000	7,698	2,302
Debt Service	10,000	10,000	9,344	656
Utilities	5,000	5,000	5,087	(87)
Equipment Supplies	3,000	6,500	6,518	(18)
Operating Supplies	1,500	1,500	2,289	(789)
Contractual Services	1,000	1,000	-	1,000
Miscellaneous	500	500	442	58
Total Motor Pool	<u>94,000</u>	<u>98,700</u>	<u>95,677</u>	<u>3,023</u>
MAWSA - Sewer Assessment	<u>35,000</u>	<u>35,000</u>	<u>34,289</u>	<u>711</u>
Total Expenditures	<u>528,300</u>	<u>852,799</u>	<u>780,412</u>	<u>72,387</u>
Excess (Deficiency) of Revenues over Expenditures	650	(251,828)	(53,268)	198,560
Fund Balance - Beginning of Year	<u>834,877</u>	<u>834,877</u>	<u>834,877</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 835,527</u>	<u>\$ 583,049</u>	<u>\$ 781,609</u>	<u>\$ 198,560</u>

VILLAGE OF MANCERLONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MAJOR STREET FUND
YEAR ENDED FEBRUARY 28, 2023

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL AMENDED BUDGET</u>
REVENUES:				
State Funds	\$ 115,000	\$ 115,000	\$ 140,493	\$ 25,493
County Funds	2,500	2,500	3,454	(954)
Interest	400	400	-	(400)
	<u>117,900</u>	<u>117,900</u>	<u>143,947</u>	<u>26,047</u>
EXPENDITURES:				
Reconstruction	50,000	50,000	-	50,000
Routine Maintenance:				
Wages	6,000	6,000	6,754	(754)
Supplies, Equip. Rental, Other	21,500	21,500	13,447	8,053
Winter Maintenance:				
Wages	9,000	9,000	9,754	(754)
Supplies, Equip. Rental, Other	27,500	27,500	24,907	2,593
M-88 Maintenance:				
Wages	1,500	1,500	2,788	(1,288)
Equipment Rental, Other	2,500	2,500	4,392	(1,892)
Fringe Benefits	8,000	8,000	12,263	(4,263)
	<u>126,000</u>	<u>126,000</u>	<u>74,305</u>	<u>51,695</u>
Excess (Deficiency) of Revenues over Expenditures	(8,100)	(8,100)	69,642	77,742
OTHER FINANCING SOURCES (USES):				
Transfers Out	-	-	(67,811)	(67,811)
Net Change in Fund Balance	(8,100)	(8,100)	1,831	(9,931)
Fund Balance - Beginning of Year	122,232	122,232	122,232	-
Fund Balance - End of Year	<u>\$ 114,132</u>	<u>\$ 114,132</u>	<u>\$ 124,063</u>	<u>\$ 9,931</u>

VILLAGE OF MANCERONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - LOCAL STREET FUND
YEAR ENDED FEBRUARY 28, 2023

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL AMENDED BUDGET</u>
REVENUES:				
Property Taxes	\$ 51,000	\$ 51,000	\$ 53,961	\$ 2,961
State Funds - Act 51	70,000	70,000	78,036	8,036
State Funds - Stabilization Funds	1,500	1,500	1,465	(35)
Interest	500	500	-	(500)
Total Revenues	<u>123,000</u>	<u>123,000</u>	<u>133,462</u>	<u>10,462</u>
EXPENDITURES:				
Resurfacing	100,000	100,000	4,215	95,785
Sidewalk Installation	1,000	1,000	-	1,000
Street Light Utilities	26,000	26,000	10,488	15,512
Routine Maintenance:				
Wages	7,000	7,000	6,676	324
Supplies, Equip. Rental, Other	12,500	12,500	6,486	6,014
Winter Maintenance:				
Wages	10,000	10,000	7,579	2,421
Supplies, Equip. Rental, Other	28,500	28,500	18,841	9,659
Fringes	6,000	6,000	9,060	(3,060)
Total Expenditures	<u>191,000</u>	<u>191,000</u>	<u>63,345</u>	<u>127,655</u>
Excess (Deficiency) of Revenues Over Expenditures	(68,000)	(68,000)	70,117	138,117
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	67,811	67,811
Net Change in Fund Balance	(68,000)	(68,000)	137,928	205,928
Fund Balance - Beginning of Year	63,045	63,045	63,045	-
Fund Balance - End of Year	<u>\$ (4,955)</u>	<u>\$ (4,955)</u>	<u>\$ 200,973</u>	<u>\$ 205,928</u>



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

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, 2023, 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 May 5, 2023.

Report on 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) as a basis for designing 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. Please see items 2023-1 and 2023-2.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the Village of Mancelona's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Village of Mancelona's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

May 5, 2023

**VILLAGE OF MANCELONA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED FEBRUARY 28, 2023**

SECTION II – Financial Statement Findings

2023-1

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 MANCELONA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED FEBRUARY 28, 2023**

SECTION II – Financial Statement Findings (Continued)

2023-2

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.