

VILLAGE OF METAMORA
LAPEER COUNTY, MICHIGAN

FINANCIAL REPORT
YEAR ENDED MARCH 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Metamora, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Village of Metamora, Michigan as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Village of Metamora, Michigan, as of March 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Certified Public Accountants

Hyger, Hill, Kusale & Co., P.C.

September 4, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Village of Metamora, Michigan, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended March 31, 2019. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$4,875,201 (*net position*). Of this amount, \$993,779 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors
- The government's total net position decreased by \$361,558.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,063,189.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$235,744 or seventy three percent of total general fund expenditures including transfers out.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction and overview to the Village's basic financial statements.

The Village's basic financial statements are made up of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the Village include general government (including administration) and public works.

The government-wide financial statements can be found on pages 9 - 11 of this report.

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare this information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Major Street Fund, Local Street Fund and the Downtown Development Authority, each of which are considered to be major funds.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 12 - 15 of this report.

Proprietary funds. The Village maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its sanitary sewer and water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the sewer and water operations, both of which are considered to be a major funds of the Village.

The basic proprietary fund financial statements can be found on pages 16 - 18 of this report.

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

The basic fiduciary fund financial statements can be found on page 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 - 28 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's budgetary information for the four major governmental funds. This required supplemental information can be found on pages 29 - 33 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$4,875,201 at the close of the fiscal year.

A significant portion of the Village's net position (75% or \$3,632,347) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Additionally, the Village has net position of \$249,075 which is restricted as to use by external factors.

The *unrestricted net position* (20% or \$993,779) may be used to meet the government's ongoing obligations to citizens and creditors. The table below shows the Village's net position as of March 31, 2019 and 2018.

Village's Net Position

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 1,073,454	\$ 1,258,647	\$ 201,089	\$ 202,165	\$ 1,274,543	\$ 1,460,812
Capital assets	1,487,437	1,514,394	2,144,910	2,275,513	3,632,347	3,789,907
Total assets	2,560,891	2,773,041	2,345,999	2,477,678	4,906,890	5,250,719
Liabilities						
Long-term liabilities outstanding	-	-	-	-	-	-
Other liabilities	10,265	13,416	21,424	544	31,689	13,960
Total liabilities	10,265	13,416	21,424	544	31,689	13,960
Net position						
Invested in capital assets, net of related debt	1,487,437	1,514,394	2,144,910	2,275,513	3,632,347	3,789,907
Restricted	249,075	223,342	-	-	249,075	223,342
Unrestricted	814,114	1,021,889	179,665	201,621	993,779	1,223,510
Total net position	\$ 2,550,626	\$ 2,759,625	\$ 2,324,575	\$ 2,477,134	\$ 4,875,201	\$ 5,236,759

The Village's net position decreased by \$361,558 during fiscal year 2019. Key elements of this decrease are shown in the following table.

Village's Change in Net Position

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2017	2019	2017
Revenue						
Program revenue:						
Charges for services	\$ 12,691	\$ 11,905	\$ 145,243	\$ 124,412	\$ 157,934	\$ 136,317
Grants and contributions	78,301	70,392	-	-	78,301	70,392
General revenue:						
Property taxes	258,530	249,728	-	-	258,530	249,728
State sources	78,582	75,671	-	-	78,582	75,671
Gain on sale of assets	930	-	-	-	930	-
Investment earnings	9,038	3,055	10	9	9,048	3,064
Total revenue	438,072	410,751	145,253	124,421	583,325	535,172
Expenses						
General government	187,042	144,175	-	-	187,042	144,175
Public works	457,921	216,562	-	-	457,921	216,562
Economic development	2,108	3,295	-	-	2,108	3,295
Sewer and water	-	-	297,812	239,559	297,812	239,559
Total expenses	647,071	364,032	297,812	239,559	944,883	603,591
Change in net position	(208,999)	46,719	(152,559)	(115,138)	(361,558)	(68,419)
Net position, beginning of year	2,759,625	2,712,906	2,477,134	2,592,272	5,236,759	5,305,178
Net position, end of year	<u>\$ 2,550,626</u>	<u>\$ 2,759,625</u>	<u>\$ 2,324,575</u>	<u>\$ 2,477,134</u>	<u>\$ 4,875,201</u>	<u>\$ 5,236,759</u>

Governmental Activities

Net position of the governmental activities decreased by \$208,999, as compared to an increase of \$46,719 in 2018. Revenues remained consistent with the prior year. General government expenditures increased by \$42,867 due to purchases of software and wage increases. Public works expenditures increased by \$241,359 due to purchases of equipment and several maintenance projects throughout the village.

Business Type Activities

Business type activities realized a decrease in net position of \$152,559 as compared to a \$115,138 decrease in 2018. The decrease in net position is largely due to depreciation expense of \$130,603 on system assets. The systems depreciable assets are financed by capital charges to users which are recorded as revenues upon levy by the Village.

Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

For the year ended March 31, 2019, the Village's governmental funds reported a combined fund balance of \$1,063,189, which represents a decrease of \$182,042 from 2018 levels.

At March 31, 2019, the General Fund fund balance was \$235,744 which was \$49,563 lower than the 2018 balance.

The Village's other governmental funds included the DDA fund which reported a decrease of \$158,212 and total fund balance at March 31, 2019 of \$578,370.

The Village's other governmental funds are Major and Local Street Funds which reported fund balances of \$249,075, which represents an increase of \$25,733 over 2018 levels.

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

Other factors concerning the finances of these funds have already been addressed in the discussion of the Village's business type activities.

General Fund Budgetary Highlights

The Village amended the budget to take into account events that occurred during the year.

Actual general fund expenditures were \$29,920 lower than final budgeted amounts due to various cost savings measures.

Capital Asset and Debt Administration

Capital assets. The Village's investment in capital assets for its governmental and business type activities as of March 31, 2019, amounted to \$3,632,347. This investment in capital assets includes land, buildings and improvements, systems, equipment, and infrastructure.

The table below shows the Village's Capital Assets as of March 31, 2019 and 2018.

Village's Capital Assets
 (Net of Depreciation)

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 659,756	\$ 659,756	\$ 122,259	\$ 122,259	\$ 782,015	\$ 782,015
Construction in progress	16,360	-	-	-	16,360	-
Buildings and improvements	101,002	106,310	-	-	101,002	106,310
Systems	-	-	2,022,651	2,153,254	2,022,651	2,153,254
Equipment	87,780	62,399	-	-	87,780	62,399
Infrastructure	622,539	685,929	-	-	622,539	685,929
Total net assets	\$ 1,487,437	\$ 1,514,394	\$ 2,144,910	\$ 2,275,513	\$ 3,632,347	\$ 3,789,907

Additional information on the Village's capital assets can be found in Note 4 on page 26 of this report.

Long-term debt. At the end of the current fiscal year, the Village had no debt outstanding.

Economic Factors and Next Year's Budgets and Rates

- Governmental fund budgets for the fiscal year ending March 31, 2020 anticipate spending in excess of revenues of \$68,110 excluding the DDA fund. The revenue shortfall will be financed with existing fund balances.

Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Tina Sauve, Village Clerk, P.O. Box 117, Metamora, MI 48455.

BASIC FINANCIAL STATEMENTS

	Primary Government		Total
	Governmental Activities	Business Type Activities	
Assets			
Cash and cash equivalents, unrestricted	\$ 1,031,285	\$ 183,750	\$ 1,215,035
Receivables, unrestricted - net of allowance	-	13,521	13,521
Due from other governments	38,169	-	38,169
Long-term contract, restricted	-	7,818	7,818
Internal balances	4,000	(4,000)	-
Capital assets, net	1,487,437	2,144,910	3,632,347
Total assets	<u>2,560,891</u>	<u>2,345,999</u>	<u>4,906,890</u>
Liabilities			
Accounts payable	6,956	21,424	28,380
Accrued payroll and liabilities	3,309	-	3,309
Total liabilities	10,265	21,424	31,689
Net Position			
Investment in capital assets, net	1,487,437	2,144,910	3,632,347
Restricted:			
Streets and local roads	249,075	-	249,075
Unrestricted	814,114	179,665	993,779
Total net position	<u>\$ 2,550,626</u>	<u>\$ 2,324,575</u>	<u>\$ 4,875,201</u>

Village of Metamora, Michigan

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental activities:			
General government	\$ 170,681	\$ 12,691	\$ -
Public works	474,282	-	78,301
Economic development	2,108	-	-
	647,071	12,691	78,301
Business type activities:			
Sewer	144,171	45,588	-
Water	153,641	99,655	-
	297,812	145,243	-
	Total primary government	Total primary government	Total primary government
	\$ 944,883	\$ 157,934	\$ 78,301

General revenue:
Property taxes
State sources
Gain on sale of capital asset
Unrestricted investment income

Total general revenue

Change in net position

Net position, beginning of year

Net position, end of year

Statement of Activities
For the Year Ended March 31, 2019

<u>Net (Expense) Revenue and Change in Net Position</u>		
<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (157,990)	\$ -	\$ (157,990)
(395,981)	-	(395,981)
(2,108)	-	(2,108)
(556,079)	-	(556,079)
-	(98,583)	(98,583)
-	(53,986)	(53,986)
-	(152,569)	(152,569)
(556,079)	(152,569)	(708,648)
258,530	-	258,530
78,582	-	78,582
930	-	930
9,038	10	9,048
347,080	10	347,090
(208,999)	(152,559)	(361,558)
2,759,625	2,477,134	5,236,759
<u>\$ 2,550,626</u>	<u>\$ 2,324,575</u>	<u>\$ 4,875,201</u>

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

Village of Metamora, Michigan

**Governmental Funds
Balance Sheet
March 31, 2019**

	Major Funds				Total Governmental Funds
	General	Major Street	Local Street	Downtown Development Authority	
Assets					
Assets					
Cash and cash equivalents	\$ 234,541	\$ 151,357	\$ 84,679	\$ 560,708	\$ 1,031,285
Receivables:					
Other governmental units	7,468	9,873	3,166	17,662	38,169
Due from other funds	4,000	1,421	-	-	5,421
Total assets	<u>\$ 246,009</u>	<u>\$ 162,651</u>	<u>\$ 87,845</u>	<u>\$ 578,370</u>	<u>\$ 1,074,875</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 6,956	\$ -	\$ -	\$ -	\$ 6,956
Accrued payroll and liabilities	3,309	-	-	-	3,309
Due to other funds	-	-	1,421	-	1,421
Total liabilities	10,265	-	1,421	-	11,686
Fund Balances					
Restricted	-	162,651	86,424	578,370	827,445
Unassigned	235,744	-	-	-	235,744
Total fund balance	<u>235,744</u>	<u>162,651</u>	<u>86,424</u>	<u>578,370</u>	<u>1,063,189</u>
Total liabilities and fund balances	<u>\$ 246,009</u>	<u>\$ 162,651</u>	<u>\$ 87,845</u>	<u>\$ 578,370</u>	<u>\$ 1,074,875</u>

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

Village of Metamora, Michigan

**Reconciliation of Fund Balance on the Balance Sheet for
Governmental Funds to Net Position of Governmental Activities
on the Statement of Net Position
March 31, 2019**

Total fund balances, governmental funds		\$ 1,063,189
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets	2,383,486	
Accumulated depreciation	<u>(896,049)</u>	<u>1,487,437</u>
Net position, governmental activities		<u>\$ 2,550,626</u>

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

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances
For the Year Ended March 31, 2019

	Major Funds				Total Governmental Funds
	General	Major Street	Local Street	Downtown Development Authority	
Revenue					
Property taxes	\$ 192,265	\$ -	\$ -	\$ 66,265	\$ 258,530
Licenses and permits	3,676	-	-	-	3,676
State sources	48,131	58,553	19,748	30,451	156,883
Charges for services	4,000	-	-	-	4,000
Interest income	277	14	8	8,739	9,038
Rental income	2,540	-	-	-	2,540
Miscellaneous	3,405	-	-	-	3,405
Total revenue	254,294	58,567	19,756	105,455	438,072
Expenditures					
General government	143,516	-	-	39,115	182,631
Public works	90,593	40,351	12,239	292,192	435,375
Economic development	2,108	-	-	-	2,108
Total expenditures	236,217	40,351	12,239	331,307	620,114
Excess of revenue over (under) expenditures	18,077	18,216	7,517	(225,852)	(182,042)
Other financing sources (uses)					
Transfers in	19,998	-	-	87,638	107,636
Transfers out	(87,638)	-	-	(19,998)	(107,636)
Total other financing sources (uses)	(67,640)	-	-	67,640	-
Net change in fund balances	(49,563)	18,216	7,517	(158,212)	(182,042)
Fund balances, beginning of year	285,307	144,435	78,907	736,582	1,245,231
Fund balances, end of year	<u>\$ 235,744</u>	<u>\$ 162,651</u>	<u>\$ 86,424</u>	<u>\$ 578,370</u>	<u>\$ 1,063,189</u>

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

Village of Metamora, Michigan

**Reconciliation of the Statement of Revenue,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended March 31, 2019**

Net change in fund balances, governmental funds \$ (182,042)

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

Capital outlay	58,481	
Loss on disposal of capital assets	(1,107)	
Depreciation expense	<u>(84,331)</u>	<u>(26,957)</u>

Change in net position, governmental activities \$ (208,999)

**Proprietary Funds
Statement of Net Position
March 31, 2019**

	Business Type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 83,975	\$ 99,775	\$ 183,750
Accounts receivable	4,230	9,291	13,521
Due from other funds	-	14,145	14,145
Total current assets	88,205	123,211	211,416
Noncurrent assets:			
Long-term contracts	7,818	-	7,818
Capital assets, net	1,574,828	570,082	2,144,910
Total noncurrent assets	1,582,646	570,082	2,152,728
Total assets	1,670,851	693,293	2,364,144
Liabilities			
Current liabilities:			
Accounts payable	2,901	18,523	21,424
Due to other funds	16,145	2,000	18,145
Total current liabilities	19,046	20,523	39,569
Net Position			
Investment in capital assets, net	1,574,828	570,082	2,144,910
Unrestricted	76,977	102,688	179,665
Total net position	\$ 1,651,805	\$ 672,770	\$ 2,324,575

Proprietary Funds
Statement of Revenue, Expenses, and Changes in Net Position
For the Year Ended March 31, 2019

	Business Type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
Operating Revenue			
Sale of water	\$ -	\$ 86,355	\$ 86,355
Sewage disposal charges	45,588	-	45,588
Connection fees	-	10,000	10,000
Rental income	-	3,300	3,300
Total operating revenue	45,588	99,655	145,243
Operating Expenses			
Contracted services	37,139	63,365	100,504
Repairs	2,383	21,544	23,927
Supplies	10,062	8,328	18,390
Utilities	7,092	10,734	17,826
Administration	2,033	4,529	6,562
Depreciation	85,462	45,141	130,603
Total operating expenses	144,171	153,641	297,812
Operating loss	(98,583)	(53,986)	(152,569)
Nonoperating Revenue			
Investment income	-	10	10
Change in net position	(98,583)	(53,976)	(152,559)
Net position, beginning of year	1,750,388	726,746	2,477,134
Net position, end of year	\$ 1,651,805	\$ 672,770	\$ 2,324,575

**Proprietary Funds
Statement of Cash Flows
For the Year Ended March 31, 2019**

	Business Type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
Cash flows from operating activities:			
Receipts from customers	\$ 47,518	\$ 84,037	\$ 131,555
Payments to suppliers	(42,207)	(89,977)	(132,184)
Net cash provided (used) by operating activities	5,311	(5,940)	(629)
Cash flows from investing activities:			
Investment income	-	10	10
Net increase (decrease) in cash and cash equivalents	5,311	(5,930)	(619)
Cash and cash equivalents, beginning of year	78,664	105,705	184,369
Cash and cash equivalents, end of year	<u>\$ 83,975</u>	<u>\$ 99,775</u>	<u>\$ 183,750</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss for the year	\$ (98,583)	\$ (53,986)	\$ (152,569)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	85,462	45,141	130,603
Change in assets and liabilities:			
Accounts receivable	1,930	(1,473)	457
Due from other funds	-	(14,145)	(14,145)
Accounts payable	2,357	18,523	20,880
Due to other funds	14,145	-	14,145
Net cash provided (used) by operating activities	<u>\$ 5,311</u>	<u>\$ (5,940)</u>	<u>\$ (629)</u>

**Fiduciary Funds
Statement of Net Position
March 31, 2019**

	<u>Escrow Account</u>
Assets	
Cash and cash equivalents	\$ <u>909</u>
Liabilities	
Accounts payable	\$ <u>909</u>

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Metamora, Michigan conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component unit discussed below is included in the Village's reporting entity because of its operational or financial relationship with the Village.

Blended Component Unit

The financial statements of the following component unit have been "blended" with those of the Village because the component unit provides services entirely to the Village.

Downtown Development Authority – The members of the governing board of the Downtown Development Authority (DDA) are appointed by the Village Council. The budgets and expenditures of the DDA must be approved by the Village Council. The Village also has the ability to significantly influence operations of the DDA. Complete separate financial statements of the DDA are not prepared.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net position and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business type activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net position are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net position, and (3) unrestricted net position. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

The net costs (by function) are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village's net position resulting from current year activities.

Fund Financial Statements

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

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

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

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

The *Major Street fund* is used to account for the maintenance and construction of the Village's major street system.

The *Local Street fund* is used to account for the maintenance and construction of the Village's local street system.

The *Downtown Development Authority* assists the Village in financing improvements to the downtown area.

The Village reports the following major enterprise funds:

The *Sewer fund* is used to account for the revenues and expenses for the operation of the sewer system.

The *Water fund* is used to account for the revenues and expenses for the operation of the water system.

Restricted net position is assets that are subject to restrictions beyond the Village's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Equity

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased and all local government investment pools to be cash equivalents.

Interfund Receivables and Payables

Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 40 years
Machinery and equipment	7 - 10 years
Office equipment	5 years
Water and sewer distribution systems	10 - 50 years
Infrastructure	20 years

Long-term Obligations

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

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Council (the government’s highest level of decision-making authority). A formal resolution of the Council is required to establish, modify, or rescind a fund balance commitment. The Village reports assigned fund balance for amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the General Fund.

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

Use of Estimates

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

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Property Taxes

Village property taxes become an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14.

The 2018 taxable valuation of the Village totaled \$17,770,265 on which ad valorem taxes levied consisted of 10.4711 mills for the Village’s operating purposes.

The delinquent real property taxes of the Village are purchased by Lapeer County. The delinquent real property taxes are received before year end.

Subsequent events

The Village has evaluated subsequent events through September 4, 2019, the date the financial statements were available to be issued.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

1. The Village Clerk submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General fund and major Special Revenue funds budgets as originally adopted and amended by the Village Council is included in the required supplementary information.
7. All annual appropriations lapse at fiscal year end.

The Village overspent its budget in the following areas:

	Amended Budget	Actual	Variance
General fund:			
General government:			
Council:			
Legal	\$ 15,000	\$ 16,900	\$ 1,900
Treasurer:			
Wages-elected	16,310	16,915	605

3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated two banks for the deposit of Village funds. The DDA board has designated two banks for the deposit of DDA funds. The investment policy adopted by the Council in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The Village's deposits and investment policy are in accordance with statutory authority.

The Village's deposits and investments at March 31, 2019 are included in the statement of net position as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 1,031,285</u>	<u>\$ 183,750</u>	<u>\$ 1,215,035</u>

Deposits and Investments

The Village maintains savings accounts and certificates of deposits. At March 31, 2019, the Village's deposits and investment balances were as follows:

	<u>Primary Government</u>	<u>Fiduciary Fund</u>
Deposits	<u>\$ 1,215,035</u>	<u>\$ 909</u>

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Village's deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year end, the Village had \$340,682 of bank deposits that were uninsured and uncollateralized.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Village has no investment policy that would further limit its investment choices. As of year end, the Village had no investments.

4. CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2019 was as follows:

	Balance April 1, 2018	Additions	Retirements	Balance March 31, 2019
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 659,756	\$ -	\$ -	\$ 659,756
Construction in progress	-	16,360	-	16,360
Total nondepreciable capital assets	659,756	16,360	-	676,116
Depreciable capital assets:				
Buildings and improvements	204,938	-	-	204,938
Machinery and equipment	136,371	42,121	12,078	166,414
Office equipment	7,124	-	-	7,124
Infrastructure	1,328,894	-	-	1,328,894
Total depreciable capital assets	1,677,327	42,121	12,078	1,707,370
Less accumulated depreciation	822,689	84,331	10,971	896,049
Depreciable capital assets, net	854,638	(42,210)	1,107	811,321
Capital assets, net	\$ 1,514,394	\$ (25,850)	1,107	\$ 1,487,437
Business type activities:				
Nondepreciable capital assets:				
Sewer land	\$ 115,744	\$ -	\$ -	\$ 115,744
Water land	6,515	-	-	6,515
Total nondepreciable capital assets	122,259	-	-	122,259
Depreciable capital assets:				
Sewer system	3,061,785	-	-	3,061,785
Water system	1,649,321	-	-	1,649,321
Total depreciable capital assets	4,711,106	-	-	4,711,106
Less accumulated depreciation	2,557,852	130,603	-	2,688,455
Depreciable capital assets, net	2,153,254	(130,603)	-	2,022,651
Capital assets, net	\$ 2,275,513	\$ (130,603)	\$ -	\$ 2,144,910

Depreciation was charged to activities as follows:

Governmental activities	
General government	\$ 4,410
Public works	79,921
Total governmental activities	\$ 84,331
Business type activities	
Sewer	\$ 85,462
Water	45,141
Total business type activities	\$ 130,603

5. RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of March 31, 2019 for the Village’s governmental and business type activities in the aggregate are as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Receivables		
Accounts	\$ -	\$ 13,521
Intergovernmental	38,169	-
Amounts due from utility connection fees	<u>-</u>	<u>7,818</u>
Total receivables	<u>\$ 38,169</u>	<u>\$ 21,339</u>
Payables and accrued expenses		
Accounts	\$ 6,956	\$ 21,424
Accrued payroll and liabilities	<u>3,309</u>	<u>-</u>
Total payables and accrued expenses	<u>\$ 10,265</u>	<u>\$ 21,424</u>

The accounts receivable are reported net of allowances for uncollectible accounts of \$1,750. The amounts due for utility connection fees are due over a 40 year period and bear interest at 6.25% annually. The annual principal due under these agreements approximates \$1,300.

6. INTERFUND TRANSACTIONS

The composition of interfund receivable and payable balances at March 31, 2019 is as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Sewer Fund	\$ 2,000
	Water Fund	\$ 2,000
Major Street	Local Street	\$ 1,421
Water Fund	Sewer Fund	\$ 14,145

These balances resulted from a time lag between the dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Advance

Interfund transfers reported in the fund statements were as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General Fund	Downtown Development Authority	\$ 87,638
Downtown Development Authority	General Fund	\$ 19,998

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

7. RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation).

The Village participates in the Michigan Municipal Liability and Property Pool (the "Pool") for workers' compensation and property risk. The Pool is a public entity risk pool providing property and liability coverage to its participating members. The Village pays an annual premium for its insurance coverage. The Pool is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies.

Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in the past three fiscal years.

8. ECONOMIC DEPENDENCY AND CREDIT RISK

Concentrations

One taxpayer, a local manufacturer, accounts for approximately 13 percent of the Village's property tax revenue.

Credit Risk

The Village grants credit to its residents for water and sewer services.

9. TAX ABATEMENTS

The Village enters into property tax abatement agreements with local businesses under the state Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended. Under the Act, localities may grant property tax abatements of up to 50 percent of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the Village.

For the fiscal year ended March 31, 2019, the Village abated property taxes totaling \$2,764 under this program, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- A 50 percent tax abatement to a manufacturing company for the construction and installation of new industrial property. The abatement amounted to \$601.
- A 50 percent tax abatement to a manufacturing company for the construction and installation of new industrial property. The abatement amounted to \$1,827.
- A 50 percent tax abatement to a manufacturing company for the construction and installation of new industrial property. The abatement amounted to \$336.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Metamora, Michigan

**General Fund
Budgetary Comparison Schedule
For the Year Ended March 31, 2019**

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenue				
Property taxes	\$ 190,000	\$ 190,000	\$ 192,265	\$ 2,265
Licenses and permits	2,400	2,400	3,676	1,276
State sources	45,000	45,000	48,131	3,131
Charges for services	4,000	4,000	4,000	-
Interest income	100	100	277	177
Rental income	2,300	2,300	2,540	240
Miscellaneous	-	-	3,405	3,405
Total revenue	243,800	243,800	254,294	10,494
Expenditures				
General government:				
Council:				
President's wage	1,626	1,626	1,626	-
Council wages	6,000	6,000	5,220	780
Supplies	200	200	-	200
Audit	12,000	12,680	12,680	-
Legal	10,000	15,000	16,900	(1,900)
Printing	1,000	1,000	541	459
Dues	2,000	2,000	1,610	390
Insurance	6,700	9,200	9,189	11
Transportation	1,000	1,000	596	404
Parks and beautification	5,000	5,000	2,239	2,761
Concerts	3,000	3,000	1,981	1,019
Other	7,100	27,100	23,986	3,114
Total council	55,626	83,806	76,568	7,238
Clerk:				
Wages-elected	39,000	39,000	39,000	-
Assistant clerk wage	3,000	3,000	2,276	724
Health insurance	4,000	6,000	4,492	1,508
Repairs	300	300	-	300
Supplies	2,500	2,500	2,012	488
Equipment	1,000	1,000	34	966
Education	1,000	1,100	1,051	49
Dues	300	300	295	5
Other	45	45	-	45
Total clerk	51,145	53,245	49,160	4,085
Treasurer:				
Wages-elected	16,310	16,310	16,915	(605)
Bonds	751	751	-	751
Supplies	400	800	753	47
Printing	125	125	120	5
Total treasurer	17,586	17,986	17,788	198
Total general government	124,357	155,037	143,516	11,521

**General Fund
Budgetary Comparison Schedule
For the Year Ended March 31, 2019
(Continued)**

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Public works:				
DPW wages	15,000	15,000	13,387	1,613
Payroll taxes	7,000	7,000	6,293	707
DS physical	100	100	-	100
Supplies	6,000	6,000	3,099	2,901
Street lighting	22,000	22,000	18,613	3,387
Utilities	7,000	7,000	6,920	80
Repairs	2,000	2,000	160	1,840
Equipment	35,000	44,000	42,121	1,879
Total public works	94,100	103,100	90,593	12,507
Economic development:				
Planning and zoning:				
Wages-board	3,000	3,000	1,540	1,460
Inspections	1,000	1,000	526	474
Printing and publishing	1,000	1,000	42	958
Professional services	3,000	3,000	-	3,000
Total economic development	8,000	8,000	2,108	5,892
Total expenditures	226,457	266,137	236,217	29,920
Excess of revenues over (under) expenditures	17,343	(22,337)	18,077	40,414
Other financing sources (uses)				
Transfers in	20,000	20,000	19,998	(2)
Transfers out	(88,000)	(88,000)	(87,638)	362
Total other financing sources (uses)	(68,000)	(68,000)	(67,640)	360
Net change in fund balance	(50,657)	(90,337)	(49,563)	40,774
Fund balance, beginning of year	285,307	285,307	285,307	-
Fund balance, end of year	<u>\$ 234,650</u>	<u>\$ 194,970</u>	<u>\$ 235,744</u>	<u>\$ 40,774</u>

Village of Metamora, Michigan

**Special Revenue Fund
Major Street Fund
Budgetary Comparison Schedule
For the Year Ended March 31, 2019**

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenue				
State sources	\$ 40,000	\$ 40,000	\$ 58,553	\$ 18,553
Interest income	7	7	14	7
 Total revenue	 40,007	 40,007	 58,567	 18,560
Expenditures				
Public works:				
Routine maintenance, wages	1,500	1,500	1,500	-
Routine maintenance, supplies	2,000	2,000	1,188	812
Routine maintenance, contractual	15,000	15,000	14,789	211
Traffic services, materials	250	250	-	250
Snow removal, supplies	9,500	13,500	9,978	3,522
Snow removal, contractual services	11,055	11,055	11,055	-
Snow removal, rents	2,200	2,200	1,540	660
Bank fees	100	100	33	67
Administration	268	268	268	-
 Total expenditures	 41,873	 45,873	 40,351	 5,522
Net change in fund balance	(1,866)	(5,866)	18,216	24,082
Fund balance, beginning of year	144,435	144,435	144,435	-
Fund balance, end of year	<u>\$ 142,569</u>	<u>\$ 138,569</u>	<u>\$ 162,651</u>	<u>\$ 24,082</u>

Village of Metamora, Michigan

**Special Revenue Fund
Local Street Fund
Budgetary Comparison Schedule
For the Year Ended March 31, 2019**

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenue				
State sources	\$ 12,000	\$ 12,000	\$ 19,748	\$ 7,748
Interest income	5	5	8	3
	<u>12,005</u>	<u>12,005</u>	<u>19,756</u>	<u>7,751</u>
Expenditures				
Public works:				
Routine maintenance, wages	800	800	800	-
Routine maintenance, supplies	350	350	-	350
Routine maintenance, repairs	1,000	1,000	261	739
Routine maintenance, contractual	2,000	2,000	-	2,000
Snow removal, rents	1,000	1,000	653	347
Snow removal, supplies	5,000	7,000	4,915	2,085
Snow removal, contractual services	5,445	5,445	5,445	-
Bank fees	100	100	33	67
Administration	132	132	132	-
	<u>15,827</u>	<u>17,827</u>	<u>12,239</u>	<u>5,588</u>
Net change in fund balance	(3,822)	(5,822)	7,517	13,339
Fund balance, beginning of year	<u>78,907</u>	<u>78,907</u>	<u>78,907</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 75,085</u></u>	<u><u>\$ 73,085</u></u>	<u><u>\$ 86,424</u></u>	<u><u>\$ 13,339</u></u>

Village of Metamora, Michigan

**Blended Component Unit
Downtown Development Authority Fund
Budgetary Comparison Schedule
For the Year Ended March 31, 2019**

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenue				
Captured taxes	\$ 64,093	\$ 64,093	\$ 66,265	\$ 2,172
State sources	-	-	30,451	30,451
Interest income	500	500	8,739	8,239
Total revenue	64,593	64,593	105,455	40,862
Expenditures				
General government	86,000	86,000	39,115	46,885
Public works	762,617	762,617	292,192	470,425
Total expenditures	848,617	848,617	331,307	517,310
Excess of revenue under expenditures	(784,024)	(784,024)	(225,852)	558,172
Other financing sources (uses)				
Transfers in	84,492	84,492	87,638	3,146
Transfers out	(20,000)	(20,000)	(19,998)	2
Total other financing sources (uses)	64,492	64,492	67,640	3,148
Net change in fund balance	(719,532)	(719,532)	(158,212)	561,320
Fund balance, beginning of year	736,582	736,582	736,582	-
Fund balance, end of year	<u>\$ 17,050</u>	<u>\$ 17,050</u>	<u>\$ 578,370</u>	<u>\$ 561,320</u>

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September 4, 2019

To the Village Council
Village of Metamora

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Metamora for the year ended March 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 18, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village of Metamora are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the bad debt reserves for the uncollectible utility bills. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 4, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and so not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Very truly yours,



Hyzer, Hill, Kuzak & Co., P.C.