

Village of Rothbury
Oceana County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

March 31, 2022



Village of Rothbury
LIST OF ELECTED OFFICIALS
March 31, 2022

Village President..... Scott Beishuizen
Village Clerk.....Carol Witzke
Village Treasurer Deborah Murphy
Village Council Cynthia Cruz
Autum Drake
Jim Fekken
Michael Harris
Vernon Talmadge
Brandy Williams

Village of Rothbury

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Rothbury
Rothbury, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Village of Rothbury, Michigan, as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the Village of Rothbury, Michigan'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 and each major fund of the Village of Rothbury, Michigan, as of March 31, 2022, 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. 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 Rothbury, Michigan, 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 Rothbury, Michigan'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 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted 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 Rothbury, Michigan'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Rothbury, Michigan'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.

Village Council
Village of Rothbury
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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 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.

Handwritten signature of Brickley DeLong, P.C.

Muskegon, Michigan
August 4, 2022

As management of the Village of Rothbury, we present to the readers of the Village's financial statements this overview and analysis of the financial activities of the Village for the fiscal year ended March 31, 2022. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, the Village had total assets of \$1,848,449 and total liabilities of \$23,928 leaving net position of \$1,824,521, a decrease of 6.3 percent in the Village's overall net position from the prior year.
- The General Fund fund balance decreased \$37,908.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised 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 the reader with a broad overview of the Village's finances. These statements are similar to those of a private sector business.

The Statement of Net Position presents information on all of the Village's assets/deferred outflows of resources and liabilities/deferred inflows of resources, 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 Village's net position changed during the fiscal year. All changes in net position are reported when the 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 the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Village include general government, public safety, public works, community and economic development, and culture and recreation activities. The Village does not currently have any business-type activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. 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 are governmental 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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the 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 short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the two.

The Village maintains three 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 Fund, Major Streets Fund, and Local Streets Fund, which are considered to be major funds.

Notes to 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 reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

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 as it relates to the actual expenditures for the General Fund, Major Streets Fund, and Local Streets Fund.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide Statement of Net Position for the Village. As stated earlier, the net position may be used as an indicator of a government's financial health. As of March 31, 2022, the Village's net position from governmental activities totaled \$1,824,521.

Capital assets decreased as current year depreciation exceeded capital asset purchases.

In examining the composition of net position, the reader should note that governmental activities include net position that is invested in capital assets (i.e., infrastructure, buildings, land, vehicles, equipment, etc.). These assets are used to provide services to the Village's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Certain other governmental net position is shown as restricted, meaning that it is subject to external restrictions on how it may be used. The unrestricted net position for governmental activities actually depicts a balance of \$204,035. This represents the amount of discretionary resources that can be used for general governmental operations.

Net Position

	Governmental Activities	
	2022	2021
Current assets	\$ 354,106	\$ 330,939
Capital assets	1,494,343	1,631,461
Total assets	1,848,449	1,962,400
Current liabilities	23,928	15,167
Net position		
Net investment in capital assets	1,494,343	1,631,461
Restricted	126,143	73,829
Unrestricted	204,035	241,943
Total net position	\$ 1,824,521	\$ 1,947,233

Governmental Activities

Net position of the Village’s governmental activities decreased by \$122,712 (6.3%) during the 2022 fiscal year. Charges for services increased due to the Rothbury Community Center reopening during the year and higher charges for police services to an adjacent Township. Grants and contributions not restricted increased due to funding from the American Rescue Plan Act. Expenses were comparable to the prior year. The following table depicts these occurrences.

Change in Net Position

	Governmental Activities	
	2022	2021
Revenues:		
Program revenues		
Charges for services	\$ 27,429	\$ 19,547
Operating grants	91,756	85,122
General revenues		
Property taxes	90,879	88,026
Franchise fees	2,598	2,805
Grants and contributions not restricted	76,509	46,314
Unrestricted investment earning	178	524
Miscellaneous	6,283	4,236
Total revenues	<u>295,632</u>	<u>246,574</u>
Expenses:		
General government	146,646	148,287
Public safety	81,119	86,853
Public works	156,960	157,547
Community and economic development	2,696	2,413
Culture and recreation	30,923	36,620
Total expenses	<u>418,344</u>	<u>431,720</u>
Change in net position	(122,712)	(185,146)
Net position - Beginning	<u>1,947,233</u>	<u>2,132,379</u>
Net position - Ending	<u>\$ 1,824,521</u>	<u>\$ 1,947,233</u>

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, 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 in spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unassigned fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2022 fiscal year, the Village's governmental funds reported a combined unassigned fund balance of \$104,175.

The fund balance in the General Fund decreased by \$37,908 due to no mass gathering fees this year. The fund balance in the Major Streets Fund increased by \$8,408 and the fund balance in the Local Streets fund increased by \$43,906.

General Fund Budget

During the current fiscal year, the Village made several amendments to its original budget as follows:

- Licenses and permits revenues budget was reduced by \$265,000 as the Electric Forest festival was canceled so the Village did not receive any mass gathering fees.
- Unallocated expenditures budget was increased by \$19,350 as the budgets for other expenditures were reduced.
- Police expenditures budget was reduced by \$10,000 as the Village worked to reduce costs with the lack of mass gathering fees.
- Rothbury Community Center budget was reduced by \$11,700 as the facility was closed for a portion of the year due to the COVID-19 pandemic.
- Transfers out budget was reduced by \$80,000 because the McKinley Road project was deferred until next year.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- Village Council expenditures were under budget by \$10,421 as the Village budgeted conservatively and did not have as much need of professional services and other costs as budgeted.
- The unallocated expenditures budget is unspent contingency.
- Police expenditures were under budget by \$12,029 as the Village budgeted conservatively and did not have any unusual maintenance or other unexpected costs.

Capital Assets

The Village investment in capital assets for its governmental activities as March 31, 2022 totaled \$1,494,343 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, vehicles and infrastructure.

The significant capital asset additions during the current year were a new pavilion in Czarny Park and laptops for Council members.

**Capital Assets
(Net of Accumulated Depreciation)**

	Governmental Activities	
	2022	2021
Land	\$ 39,701	\$ 39,701
Land improvements	85,313	92,341
Buildings and improvements	131,901	134,969
Furniture and equipment	54,231	68,170
Vehicles	31,405	45,844
Infrastructure	1,151,792	1,250,436
Total	\$ 1,494,343	\$ 1,631,461

Additional information on the Village's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

General Economic Overview

The Village's General Fund is comprised of three major revenue sources, state revenue sharing, property taxes, and a mass gathering ordinance. Those three sources comprise approximately 70 percent of the General Fund's revenue sources. In fiscal 2023, the Village will once again receive funds from the mass gathering ordinance as the Electric Forest Festival returns after a two year absence. The Village has conservatively budgeted revenue sharing and property taxes to have modest increases. The Village anticipates receiving approximately \$23,000 in federal funds from the American Rescue Plan Act. The Village has not budgeted any other significant changes to revenues.

The Village expects General Fund operating expenditures in fiscal 2023 to be approximately the same as fiscal 2022.

The Village does not anticipate any significant capital projects in the General Fund in fiscal 2023.

In the Major Streets Fund, the Village has no significant projects budgeted. In the Local Streets Fund, the Village has budgeted \$150,550 for improvements on McKinley Road.

Requests for Information

This financial report is designed to provide a general overview of the Village of Rothbury's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Village of Rothbury, 7804 S. Michigan Avenue, Rothbury, Michigan 49452 or telephone (231) 894-2385.

Village of Rothbury
STATEMENT OF NET POSITION
 March 31, 2022

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and investments	\$ 320,547
Receivables	7,136
Due from other governmental units	<u>26,423</u>
Total current assets	354,106
Noncurrent assets	
Capital assets, net	
Nondepreciable	39,701
Depreciable	<u>1,454,642</u>
Total noncurrent assets	<u>1,494,343</u>
Total assets	1,848,449
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	<u>23,928</u>
NET POSITION	
Net investment in capital assets	1,494,343
Restricted for streets	126,143
Unrestricted	<u>204,035</u>
Total net position	<u><u>\$ 1,824,521</u></u>

The accompanying notes are an integral part of this statement.

Village of Rothbury
STATEMENT OF ACTIVITIES
For the year ended March 31, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities				
General government	\$ 146,646	\$ 10,681	\$ -	\$ (135,965)
Public safety	81,119	11,673	-	(69,446)
Public works	156,960	-	91,756	(65,204)
Community and economic development	2,696	-	-	(2,696)
Culture and recreation	30,923	5,075	-	(25,848)
Total governmental activities	<u>\$ 418,344</u>	<u>\$ 27,429</u>	<u>\$ 91,756</u>	(299,159)
General revenues				
Property taxes				90,879
Franchise fees				2,598
State shared revenues				76,509
Unrestricted investment earnings				178
Miscellaneous				6,283
Total general revenues				<u>176,447</u>
Change in net position				(122,712)
Net position at beginning of year				<u>1,947,233</u>
Net position at end of year				<u>\$ 1,824,521</u>

The accompanying notes are an integral part of this statement.

Village of Rothbury
BALANCE SHEET
 Governmental Funds
 March 31, 2022

	General Fund	Major Streets Fund	Local Streets Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 199,148	\$ 20,690	\$ 100,709	\$ 320,547
Receivables				
Accounts	1,786	-	-	1,786
Property taxes	5,350	-	-	5,350
Due from other governmental units	10,800	10,809	4,814	26,423
Total assets	\$ 217,084	\$ 31,499	\$ 105,523	\$ 354,106
LIABILITIES				
Accounts payable	\$ 13,049	\$ 5,370	\$ 5,509	\$ 23,928
FUND BALANCES				
Restricted for streets	-	26,129	100,014	126,143
Assigned for subsequent year's budget appropriation of fund balance	104,175	-	-	104,175
Unassigned	99,860	-	-	99,860
Total fund balances	204,035	26,129	100,014	330,178
Total liabilities and fund balances	\$ 217,084	\$ 31,499	\$ 105,523	\$ 354,106

The accompanying notes are an integral part of this statement.

Village of Rothbury
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION**
 March 31, 2022

Total fund balances—governmental funds		\$ 330,178
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

Cost of capital assets	\$ 3,087,813	
Accumulated depreciation	<u>(1,593,470)</u>	<u>1,494,343</u>
Net position of governmental activities		<u>\$1,824,521</u>

The accompanying notes are an integral part of this statement.

Village of Rothbury
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended March 31, 2022

	General Fund	Major Streets Fund	Local Streets Fund	Total Governmental Funds
REVENUES				
Property taxes	\$ 90,879	\$ -	\$ -	\$ 90,879
Licenses and permits	6,734	-	-	6,734
Intergovernmental revenues				
Federal	23,540	-	-	23,540
State	55,733	61,466	27,494	144,693
Charges for services	23,088	-	-	23,088
Fines and forfeitures	204	-	-	204
Investment earnings	178	6	26	210
Other	6,283	-	-	6,283
Total revenues	206,639	61,472	27,520	295,631
EXPENDITURES				
Current				
General government	131,090	-	-	131,090
Public safety	70,971	-	-	70,971
Public works	8,887	23,431	13,247	45,565
Community and economic development	2,696	-	-	2,696
Culture and recreation	19,921	-	-	19,921
Capital outlay	10,982	-	-	10,982
Total expenditures	244,547	23,431	13,247	281,225
Excess of revenues over (under) expenditures	(37,908)	38,041	14,273	14,406
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	29,633	29,633
Transfers out	-	(29,633)	-	(29,633)
Total other financing sources (uses)	-	(29,633)	29,633	-
Net change in fund balances	(37,908)	8,408	43,906	14,406
Fund balances at beginning of year	241,943	17,721	56,108	315,772
Fund balances at end of year	\$ 204,035	\$ 26,129	\$ 100,014	\$ 330,178

The accompanying notes are an integral part of this statement.

Village of Rothbury
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended March 31, 2022

Net change in fund balances—total governmental funds \$ 14,406

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	\$ (148,100)	
Capital outlay	<u>10,982</u>	<u>(137,118)</u>
Change in net position of governmental activities		<u>\$(122,712)</u>

The accompanying notes are an integral part of this statement.

Village of Rothbury
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Rothbury (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

Reporting Entity

The Village is a general law village governed by an elected seven-member Village Council. Generally accepted accounting principles require that if the Village is considered to be financially accountable for other organizations, those organizations should be included as component units in the Village's financial statements. Since no organizations met this criterion, none are included in the financial statements.

Basis of Presentation—Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Village. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The Village has no business-type activities.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds columns.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the Village's governmental funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All of the Village's funds are reported as major funds.

The Village reports the following major governmental funds:

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

The Major Streets Fund and Local Streets Fund account for money distributed by the State of Michigan for construction and maintenance of major and local streets within the Village.

Village of Rothbury
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements—Continued

During the course of operations the Village has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Village of Rothbury
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

Property taxes, franchise taxes, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. 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. All other revenue items are considered to be measurable and available only when cash is received by the Village.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

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

Investments for the Village are reported at fair value (generally based on quoted market prices).

The Village has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Village to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

Prepaid Items

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years.

Village of Rothbury
NOTES TO FINANCIAL STATEMENTS
 March 31, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Capital Assets—Continued

As the Village constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and construction in progress are not depreciated. The other property, equipment, and infrastructure of the Village are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	20-50
Furniture and equipment	5-20
Vehicles	8
Infrastructure	10-20

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Village of Rothbury
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Fund Balance Flow Assumptions

Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Village itself can establish limitation on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Village's highest level of decision-making authority. The Village Council is the highest level of decision-making authority for the Village that can, by formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as committed. The Village Council has by resolution authorized the budget committee or its designee to assign fund balance. The Village Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Village of Rothbury
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Property Taxes

All accounts and property tax receivables are shown net of allowance for uncollectibles.

The Village bills and collects its own property taxes. Taxes are levied and liened on July 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollected real property taxes as of the following September 14 are turned over by the Village to the County for collection. The County advances the Village all of these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Village. The Village recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2021 state taxable value for real/personal property of the Village totaled approximately \$17,703,000. The ad valorem taxes levied consisted of 5.073 mills for operation. This amount is recognized in the General Fund.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by fund, function and department. The Village's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Village Council. The legal level of budgetary control is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

Village of Rothbury
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

NOTE C—DEPOSITS AND INVESTMENTS

Deposit and Investment Risks

Interest Rate Risk

The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Village's investment policy does not authorize it to invest in commercial paper or corporate bonds.

Concentration of Credit Risk

The Village does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Village investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Village does not have any investments exposed to concentration of credit risk.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of March 31, 2022, the Village's bank balance of \$320,800 was not exposed to custodial credit risk because it was fully insured.

Custodial Credit Risk – Investments

The Village does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village does not have any investments exposed to custodial credit risk.

Foreign Currency Risk

The Village is not authorized to invest in investments which have this type of risk.

Village of Rothbury
NOTES TO FINANCIAL STATEMENTS
 March 31, 2022

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2022 was as follows:

	Balance April 1, 2021	Additions	Deductions	Balance March 31, 2022
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 39,701	\$ -	\$ -	\$ 39,701
Capital assets, being depreciated:				
Land improvements	193,385	-	-	193,385
Buildings and improvements	404,946	4,726	-	409,672
Furniture and equipment	173,363	6,256	-	179,619
Vehicles	133,499	-	-	133,499
Infrastructure	2,131,937	-	-	2,131,937
Total capital assets, being depreciated	3,037,130	10,982	-	3,048,112
Less accumulated depreciation:				
Land improvements	101,044	7,028	-	108,072
Buildings and improvements	269,977	7,794	-	277,771
Furniture and equipment	105,193	20,195	-	125,388
Vehicles	87,655	14,439	-	102,094
Infrastructure	881,501	98,644	-	980,145
Total accumulated depreciation	1,445,370	148,100	-	1,593,470
Total capital assets, being depreciated, net	1,591,760	(137,118)	-	1,454,642
Capital assets, net	\$ 1,631,461	\$ (137,118)	\$ -	\$ 1,494,343

Depreciation expense has been charged to functions as follows:

Government activities:	
General government	\$ 15,554
Public safety	10,148
Public works	111,396
Culture and recreation	11,002
	\$148,100

Village of Rothbury
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

NOTE E—INTERFUND TRANSFERS

During the year ended March 31, 2022, the Major Streets Fund transferred \$29,633 to the Local Streets Fund. The transfer was for various street maintenance or improvement projects.

NOTE F—OTHER INFORMATION

Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Village manages its liability and property risk by participating in the Michigan Municipal Liability and Property Pool (MMLPP), a public entity risk pool providing property and liability coverage to its participating members. The Village pays an annual premium to MMLPP for its insurance coverage. The MMLPP 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 insurance coverage in any of the past three fiscal years.

The Village manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Fund (MMWCF), a public entity risk pool providing workers' compensation coverage to its participating members. The Village pays an annual premium to MMWCF for its workers' compensation coverage. The MMWCF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE G—PENSION PLANS

Defined Contribution Plan

The Village contributes to the Village of Rothbury Defined Contribution Plan for all of its employees and elected officials. The Plan is administered by the Village.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Village Council. For each employee in the Plan, the Village is required to contribute 7.5 percent of gross earnings. Employees are not required to contribute to the Plan. For the year ended March 31, 2022, the Village recognized pension expense of \$10,032.

Employees are immediately vested for all contributions and earnings on those contributions.

Village of Rothbury
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

NOTE H—ECONOMIC DEPENDENCY

The Village's General Fund has a significant economic dependence on a local festival that usually generates approximately 60 percent of the General Fund's revenue every year as a result of the mass gathering fee ordinance; however, the festival did not occur this year due to the COVID-19 pandemic. The Village also has a significant economic dependency on a local taxpayer. During the year ended March 31, 2022, the taxpayer's billings for property taxes approximated 32 percent of total property taxes in the General Fund.

NOTE I—SUBSEQUENT EVENT

In April 2022, the Village entered into a contract for street improvements to McKinley Road at a cost of approximately \$161,000. The project will be paid with available fund balance in the Local Streets Fund.

NOTE J—UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement 87—*Leases* was issued by the GASB in June 2017 and will be effective for the Village's 2023 fiscal year. The objective of this Statement is to better meet the information needs of financial statements users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement 96—*Subscription-Based Information Technology Arrangements* was issued by the GASB in May 2020 and will be effective for the Village's 2024 fiscal year. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Rothbury
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended March 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 92,700	\$ 91,300	\$ 90,879	\$ (421)
Licenses and permits	272,100	7,100	6,734	(366)
Intergovernmental revenues				
Federal	5,000	30,000	23,540	(6,460)
State	44,000	51,000	55,733	4,733
Charges for services	23,100	19,100	23,088	3,988
Fines and forfeitures	500	500	204	(296)
Investment earnings	500	500	178	(322)
Other	2,000	7,000	6,283	(717)
Total revenues	<u>439,900</u>	<u>206,500</u>	<u>206,639</u>	<u>139</u>
EXPENDITURES				
Current				
General government				
Village Council	68,900	60,900	50,479	10,421
Clerk	22,800	20,800	17,973	2,827
Treasurer	25,300	23,300	20,016	3,284
Village hall	56,500	54,000	42,622	11,378
Unallocated	114,250	133,600	-	133,600
Public safety				
Police	93,000	83,000	70,971	12,029
Public works				
Highways, streets, and bridges	11,000	11,000	8,887	2,113
Community and economic development				
Planning	10,950	4,900	2,696	2,204
Culture and recreation				
Rothbury Community Center	31,200	19,500	12,529	6,971
Recreation	12,000	10,500	7,392	3,108
Capital outlay	<u>144,000</u>	<u>15,000</u>	<u>10,982</u>	<u>4,018</u>
Total expenditures	<u>589,900</u>	<u>436,500</u>	<u>244,547</u>	<u>191,953</u>
Excess of revenues over (under) expenditures	(150,000)	(230,000)	(37,908)	192,092
OTHER FINANCING USES				
Transfers out	(80,000)	-	-	-
Net change in fund balance	<u>\$ (230,000)</u>	<u>\$ (230,000)</u>	(37,908)	<u>\$ 192,092</u>
Fund balance at beginning of year			<u>241,943</u>	
Fund balance at end of year			<u>\$ 204,035</u>	

Village of Rothbury
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Major Streets Fund
For the year ended March 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues - State	\$ 61,200	\$ 61,200	\$ 61,466	\$ 266
Investment earnings	25	25	6	(19)
Total revenues	61,225	61,225	61,472	247
EXPENDITURES				
Current				
Public works				
Routine maintenance	18,800	18,800	17,617	1,183
Winter maintenance	10,000	10,000	3,938	6,062
Administration	2,425	2,425	1,876	549
Total expenditures	31,225	31,225	23,431	7,794
Excess of revenues over (under) expenditures	30,000	30,000	38,041	8,041
OTHER FINANCING USES				
Transfers out	(30,000)	(30,000)	(29,633)	367
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	8,408	<u>\$ 8,408</u>
Fund balance at beginning of year			<u>17,721</u>	
Fund balance at end of year			<u>\$ 26,129</u>	

Village of Rothbury
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Local Streets Fund
For the year ended March 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues - State	\$ 35,500	\$ 35,500	\$ 27,494	\$ (8,006)
Investment earnings	50	50	26	(24)
Total revenues	35,550	35,550	27,520	(8,030)
EXPENDITURES				
Current				
Public works				
Routine maintenance	147,300	17,300	7,060	10,240
Winter maintenance	15,000	15,000	5,509	9,491
Administration	1,000	1,000	678	322
Capital outlay	1,000	1,000	-	1,000
Total expenditures	164,300	34,300	13,247	21,053
Excess of revenues over (under) expenditures	(128,750)	1,250	14,273	13,023
OTHER FINANCING SOURCES				
Transfers in	80,000	30,000	29,633	(367)
Net change in fund balance	<u>\$ (48,750)</u>	<u>\$ 31,250</u>	43,906	<u>\$ 12,656</u>
Fund balance at beginning of year			<u>56,108</u>	
Fund balance at end of year			<u>\$ 100,014</u>	