

**VILLAGE OF LAWRENCE, MICHIGAN**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**For the Year Ended February 28, 2019**

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# SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Village Council  
Village of Lawrence, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the Village of Lawrence, Michigan (the Village) as of and for the year ended February 28, 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.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village'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 Village'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, the aggregate discretely presented component units and each major fund of the Village as of February 28, 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; budgetary comparison information; and the pension schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2019, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

*Seber Tans, PLC*

Seber Tans, PLC  
Kalamazoo, Michigan

September 3, 2019



**Village of Lawrence**  
**157 North Paw Paw**  
**P.O. Box 217**  
**Lawrence Michigan 49064**

## **Management's Discussion and Analysis**

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provides information about the activities of the Village of Lawrence (the Village) as a whole as well as providing a view of the Village's long-term finances. Fund financial statements show how services were financed in the short term and also show what remains for future spending.

### Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended February 28, 2019:

The Village's combined net position showed a decrease of \$118,099 during the 2018/2019 fiscal year. This compares to an increase in net position of \$18,225 in the 2017/2018 year. Factors contributing to current year decrease are found primarily in the governmental-type activities of the Village.

### Government-wide Financial Statements

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Village's assets, outflows, inflows and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid. The two government-wide statements report the Village's net position and how it has changed. Net position (the difference between the Village's assets and liabilities) is one way to measure the Village's financial health. Over time, increases or decreases in the Village's net position are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Village you need to consider additional non-financial factors such as changes in the Village's property tax base and condition of the Village's capital assets.

The government-wide statements are divided into two categories:

- *Governmental activities* – These activities are functions most commonly associated with government (general government, major street and local street).
- *Business-type activities* – The village charges fees to customers to operate the water and waste water funds.

### Fund Financial Statements

The fund financial statements provide more detailed information about the Village's significant funds, not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending.

- Some funds are required by state law and by grant agreements.
- The Village Council establishes other funds to control and manage money for particular purposes or to show that is properly using certain taxes and other revenues.

The Village has these types of funds:

- *Governmental funds* – Most of the Village's basic services are included in its governmental funds, which focus on how cash and other financial assets can be readily converted to cash, flows in and out, and the balances left at the end of the year available for spending. These governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources to be spent in the near future. Because these statements do not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Proprietary funds* – Services for which the Village charges customers a fee is generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both long-term and short-term information.

The Village as a Whole,

The table below shows a summary of the net position at February 28, 2019, and February 29, 2018:

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 1,183,828	\$ 1,171,053	\$ 132,399	\$ 236,219	\$ 1,316,227	\$ 1,407,272
Capital assets	713,077	771,313	2,633,380	2,579,952	3,346,457	3,351,265
Noncurrent assets	-	12,005	131,197	155,034	131,197	167,039
Deferred outflows	10,863	2,609	-	-	10,863	2,609
<b>Total assets</b>	<b>1,907,768</b>	<b>1,956,980</b>	<b>2,896,976</b>	<b>2,971,205</b>	<b>4,804,744</b>	<b>4,928,185</b>
Current liabilities	46,909	64,578	261,244	200,293	308,153	264,871
Noncurrent liabilities	11,637	2,986	957,750	1,013,057	969,387	1,016,043
Deferred inflows	-	1,968	-	-	-	1,968
<b>Total liabilities</b>	<b>58,546</b>	<b>69,532</b>	<b>1,218,994</b>	<b>1,213,350</b>	<b>1,277,540</b>	<b>1,282,882</b>
Net position:						
Net investment in capital assets	713,077	771,313	1,622,630	1,517,483	2,335,707	2,288,796
Restricted - Streets	466,822	476,693	-	-	466,822	476,693
Unrestricted	669,323	639,442	55,352	240,372	724,675	879,814
<b>Total net position</b>	<b>\$ 1,849,222</b>	<b>\$ 1,887,448</b>	<b>\$ 1,677,982</b>	<b>\$ 1,757,855</b>	<b>\$ 3,527,204</b>	<b>\$ 3,645,303</b>

The table below shows a summary of the change net position at February 28:

	2019	2018
<b>REVENUES</b>		
Program revenues:		
Charges for service	\$ 438,852	\$ 428,982
General revenues:		
Property taxes	231,337	216,241
Intergovernmental revenue	287,666	263,091
Other state grants	-	4,185
Licenses and permits	4,160	3,172
Refunds and rebates	-	100
Interest income	6,501	5,960
Equipment rental	35,782	44,149
Transfers	26,000	15,000
Miscellaneous	3,371	10,469
<b>TOTAL REVENUES</b>	<b>1,033,669</b>	<b>991,349</b>
<b>EXPENSES</b>		
General government	\$ 116,980	\$ 246,206
Public safety	94,408	102,506
Public works	855,823	543,133
Recreation and culture	26,321	19,997
Depreciation (unallocated)	58,236	61,282
<b>TOTAL EXPENSES</b>	<b>1,151,768</b>	<b>973,124</b>
Change in Net Position	(118,099)	18,225
Beginning Net Position	3,645,303	3,762,020
Ending Net Position	<b>\$ 3,527,204</b>	<b>\$ 3,780,245</b>

In light of the on-going challenges in today's economy, the Village continues to look for ways to drive economies in all areas of fiscal management. The Village has been participating with the state's City, Village, and Township Revenue Sharing (CVTRS) Program and County Incentive Program (CIP). By participating in the program the Village will continue to receive our State Revenue Sharing. One part of this program requires the Village to prove they are collaborating with other communities in an effort to reduce cost. These activities are required to be reported to the state on an annual basis.

Over the past Twelve (12) years, the Village Administrator has overseen the day to day operations of the Village and continues to be beneficial. Benefits continue to include: regular monitoring of expenses, enhanced control measures of both income and expenses and improved investment of Village funds. Other benefits include: improved supervision of general operations, internal control measures, improved response time for grant opportunities, improved collaboration with other municipal officials, increased growth potential for the area, and an open and positive communication channel for Village elected officials. The addition of this position continues to be not only cost effective, but has allowed the elected officials to focus on policy and future growth of the Village.

#### Asset Improvement Activities

During the 2018/2019 fiscal year, the Van Buren County Intermediate School District (VBISD) Building Trades Department continued the construction of an eighth home on Corwin Meadows Drive. The previous seven homes built have been sold and added back to the Village's tax rolls. These building efforts continue to provide additional real property tax revenue to the Village's General Fund and Local Street Fund while also increasing the revenues of water and waste water systems through the additional usage of those services. It is anticipated more homes will be built and sold during the 2019/2020 fiscal year.

The Village Council and Planning Commission continue to look at ordinances and amend them if appropriate. In 2019/2020 the Village Planning Commission will continue efforts for updating the Village Master Plan. It's the goal of the Village to update the master plan every 5 years which will help make the Village eligible for future loans and grants as they come available. Our codes are available via the internet, for residents to access at their convenience, or at the Village Hall, during normal business hours.

The Village's general fund and savings accounts reside at Chemical Bank, and the Village continues to experience very low interest rates. The Village continues to monitor its diversification efforts with different financial institutions to insure adequate federal insurance and to provide opportunities to take advantage of better interest rates as they become available. Management continues to closely monitor rates at these banking institutions to gain as much interest as possible on future investments.

#### The Village's Funds

Municipal funding requires income and expenses to be divided into five specific purpose funds. These funds are: General Fund, Water Fund, Waste Water Fund, Major Street Fund and Local Street Fund.

The General Fund pays for the majority of operating expenses including administration, contracted police coverage, general labor for areas of General Fund activity such as but not limited to: maintenance of the parks, building maintenance, DPW equipment purchase and maintenance, sidewalk maintenance, refuse disposal, office equipment purchases and maintenance, holiday decorations, elections, zoning & code enforcement administration, etc. The General Fund also covers expenses for other funds when required.

The Water Fund pays for both minor and major repairs of the Village's water system as well as general maintenance of the system including administration, labor costs, spare parts inventory, electrical usage by the well pumps, security for the system, chemicals used in the treatment process, laboratory costs associated with Department of Environmental Quality requirements, etc. The Water Fund pays the General Fund for equipment use through a rental program; the rental use fees help pay for equipment purchased using funds from the General Fund.

The Village continues to make the payments to the Van Buren County Revolving Loan Fund for a low interest loan that was acquired to partially fund the planning, engineering, and construction of the water tower constructed in the Lawrence Crandall Business Centre (LCBC). The Village refinanced the remaining balance with the Van Buren County Revolving loan fund for a term of five years. After the five-year term, the loan will be satisfied. The Village Local Development Finance Authority (LDFA) has committed to pay back the Village Water Fund through their annual tax captures from the LDFA designated lots in the LCBC. Payments to the Van Buren County Revolving Loan Fund are due in August of each year. The Business Centre Water Tower construction was completed and put into operation in September, 2008. During 2019/2020 the Village will continue efforts to increase revenue for the water fund.

The Waste Water Fund pays for both minor and major repairs of the Village's Waste Water system as well as general maintenance of the system including labor costs, spare parts inventory, electrical usage by the four lift stations, security for the system, chemicals used in the system, laboratory costs of discharging Waste Water associated with DEQ requirements, etc. The Waste Water Fund also pays the General Fund for equipment use based on a rental program to help pay for required equipment originally purchased using funds from the General Fund.

Users of the water and waste water systems are billed monthly. This billing cycle continues to provide several advantages such as; but not limited to: a more consistent revenue stream, allowing the Village to catch residential leaks sooner which has proven to save both the residents and Village unnecessary expenses, allowing for problem meters to be identified sooner, keeping invoice amounts down to a manageable amount for fixed income residents, and providing a more accurate reflection of water and waste water usage.

The Major Street Fund pays for minor and major repairs of all streets classified as part of the Major Street System including storm drainage systems, administration, tree trimming and planting programs, etc. The Village receives funds monthly from the State of Michigan through the Act-51 funding system, which is calculated by the state on a lineal footage basis. Additional funds are collected from the property tax payers of the Village. The Major Street Fund also pays the General Fund for equipment purchased through the general fund based on a rental program and to help maintain and purchase new equipment in the future. Additional use of these funds for fiscal 2019/2020 will be to address tree trimming along the 4 major corridors, storm drainage along West St. Joseph and provide matching funds for the Rural Task Force Grant to restore the entrances to A&B Packing and Mosses Fire Equipment due to some erosion issues from the resurfacing of West St. Joseph.

The Local Street Fund pays for minor and major repairs of all streets classified as part of the Local Street System including storm drainage systems, administration, tree trimming and planting programs, etc. The Village receives funds monthly from the State of Michigan through the Act-51 funding system, which is calculated by the state on a lineal footage basis. Additional funds are collected from the property taxes. The Local Street Fund also pays the General Fund for equipment purchased through the general fund based on a rental program and to help maintain and purchase new equipment. North Fifth Street, North Exchange and Midway Court were identified as needing to be resurfaced in fiscal year 2018-2019. The resurfacing was completed by Michigan Paving. The same contractor that was selected for the West St. Joseph resurfacing project.

#### Governmental Activities

Actual street fund revenues averaged approximately 24% lower than originally budgeted at the beginning of the fiscal year and the General Fund revenues were approximately 4% lower than originally budgeted at the beginning of FY 2018/2019.

#### Business-Type Activities

The Village's business-type activities consist of the Water and Waste Water Funds. The Village provides these services to 100% of its residents (approximately 400 customers). The Village also provides water and waste water services to a few residents living outside the Village limits who are Lawrence Township residents. The customers living in the Township receiving services pay a rate of 1-1/2 times the rate of a Village resident. The VBISD, located within the Village limits, is currently the largest user of the two systems. Other budget details include:

- a) Revenues from the sale of water were approximately 10% lower compared to what was initially budgeted and the sewer sales were 1% higher than originally budgeted.
- b) Budgeted yields on investments of Water and Waste Water Fund certificates of deposit (CD's) were significantly higher than what was budgeted although the total amount continues to be significantly lower than years past due to continued slow economic growth nationwide. CD's were invested with staggered maturity dates which will allow for increased investment opportunities in the future.

#### Restrictions on Funds

No restrictions on funds have been imposed by the Village; any restrictions or other limitations come at the direction of the State and Federal Governments. The United States Department of Agriculture (USDA) Loan to the Water Fund was not closed as of the end of FY 2018/2019.

#### Significant Budget Variances

Variances between the original budget and final budget greater than \$10,000 FY 2018/2019 included:

- a) Amendments to the General Fund included: The Village Administrator salaries is lower due to health insurance being split between the water and sewer fund. Salaries for public works decreased due to less work being performed in the department.
- b) Amendments to the Major Street Fund included: Street construction increased due to construction modifications on the West St. Joseph project. Winter maintenance decreased due to less work being performed in the department.
- c) Amendments to the Local Street Fund included: Road construction increased due to the resurfacing of fifth street, North Exchange and midway court resurfacing.



The following schedule sets for the unfavorable expenditure variances which exceeded \$1,000:

<b>Fund - Function</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
General Fund - Other Executive Activities	\$ 46,650	\$ 53,846	\$ (7,196)
General Fund - Clerk	29,422	32,121	(2,699)
General Fund - Planning Commision	1,545	3,334	(1,789)
General Fund - Recreation and Culture	24,360	26,321	(1,961)
Major Street - Winter Maintenance	17,100	23,655	(6,555)
Major Street - Traffic Services	16,200	20,445	(4,245)
Local Street - Winter Maintenance	7,350	11,762	(4,412)
Local Street - Traffic Service	5,500	6,854	(1,354)

Capital Assets and Long-Term Debt

At February 28, 2019, the Village had invested approximately \$3.3 million (net of accumulated depreciation) in various capital assets, including land, buildings, vehicles, equipment and its waste water and water systems. More detailed information about the Village's capital assets is presented in Note E of the notes to the basic financial statements.

At the end of the fiscal year, the Village's Water Fund had debt outstanding totaling \$1,010,750, which represents a decrease of \$51,719 from the prior year. All required principal payments were paid in a timely manner. More detailed information about the Village's long-term obligations in the Water Fund is presented in Note G of the notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The Village's fiscal year 2019/2020 budget anticipates state-shared revenue to be consistent with fiscal year 2019. Current economic conditions in the State of Michigan have put statutory revenue-sharing at risk of being reduced. The Council has adopted a conservative budget that retains current fund balance, but also facilitates community priorities and quality services.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, and customers with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have any questions about this report or need additional information, we encourage you to contact the Village Hall during normal business hours by calling 269-674-8161 or inquire at the Village Hall, 157 N. Paw Paw Street, P.O. Box 217, Lawrence, Michigan 49064.

**Village of Lawrence, Michigan**  
**Statement of Net Position**  
**February 28, 2019**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 611,144	\$ 233,096	\$ 844,240	\$ 42,529
Investments	105,872	156,912	262,784	-
Accounts receivable	66,616	69,982	136,598	-
Taxes receivable	42,364	-	42,364	25,684
Due from other governments	-	336	336	14,910
Internal balances	357,832	(357,832)	-	-
Due from component units	-	1,120	1,120	-
Inventory	-	28,785	28,785	-
Restricted cash	-	131,197	131,197	-
Capital assets not being depreciated	63,039	-	63,039	125,000
Capital assets - net of depreciation	650,038	2,633,380	3,283,418	305
Deferred outflows of resources related to pension	10,863	-	10,863	-
<b>Total Assets</b>	<b>\$ 1,907,768</b>	<b>\$ 2,896,976</b>	<b>\$ 4,804,744</b>	<b>\$ 208,428</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 31,999	\$ 191,137	\$ 223,136	\$ 35
Accrued interest payable	-	9,424	9,424	-
Customer deposits	-	7,683	7,683	-
Due to primary government	-	-	-	1,120
Due to component units	14,910	-	14,910	-
Noncurrent liabilities				
Due within one year	-	53,000	53,000	-
Due in more than one year	-	957,750	957,750	-
Net pension liability	11,637	-	11,637	-
<b>Total Liabilities</b>	<b>\$ 58,546</b>	<b>\$ 1,218,994</b>	<b>\$ 1,277,540</b>	<b>\$ 1,155</b>
<b>NET POSITION</b>				
Net investment in capital assets	713,077	1,622,630	2,335,707	125,305
Restricted for:				
Streets	466,822	-	466,822	-
Unrestricted	669,323	55,352	724,675	81,968
<b>Total Net Position</b>	<b>\$ 1,849,222</b>	<b>\$ 1,677,982</b>	<b>\$ 3,527,204</b>	<b>\$ 207,273</b>

The Accompanying Notes are an Integral Part of These Financial Statements.

**Village of Lawrence, Michigan**  
**Statement of Activities**  
**February 28, 2019**

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	State Capital Grants	Governmental Activities	Business-Type Activities	Totals	
<b>Primary government</b>							
Governmental activities:							
General government	\$ (116,980)	\$ 6,909	\$ -	\$ (110,071)	\$ -	\$ (110,071)	\$ -
Public safety	(94,408)	-	-	(94,408)	-	(94,408)	-
Public works	(314,488)	(340)	-	(314,828)	-	(314,828)	-
Recreation and culture	(26,321)	-	-	(26,321)	-	(26,321)	-
Depreciation (unallocated)	(58,236)	-	-	(58,236)	-	(58,236)	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>(610,433)</b>	<b>6,569</b>	<b>-</b>	<b>(603,864)</b>	<b>-</b>	<b>(603,864)</b>	<b>-</b>
Business-type activities							
Water	(324,306)	240,915	-	-	(83,391)	(83,391)	-
Sewer	(217,029)	191,368	-	-	(25,661)	(25,661)	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>(541,335)</b>	<b>432,283</b>	<b>-</b>	<b>-</b>	<b>(109,052)</b>	<b>(109,052)</b>	<b>-</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ (1,151,768)</b>	<b>\$ 438,852</b>	<b>\$ -</b>	<b>\$ (603,864)</b>	<b>\$ (109,052)</b>	<b>\$ (712,916)</b>	<b>\$ -</b>
Component Units							
Downtown Development Authority	\$ (13,635)	\$ 4,678	\$ -	\$ -	\$ -	\$ -	\$ (8,957)
Local Development Finance Authority	(26,275)	33	-	-	-	-	(26,242)
<b>TOTAL COMPONENT UNITS</b>	<b>\$ (39,910)</b>	<b>\$ 4,711</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (35,199)</b>
GENERAL REVENUES							
Property taxes				\$ 231,337	\$ -	\$ 231,337	\$ 36,516
Licenses and permits				4,160	-	4,160	-
Intergovernmental revenues				287,666	-	287,666	-
Operating transfer in				-	26,000	26,000	-
Interest income				3,322	3,179	6,501	-
Miscellaneous income				3,371	-	3,371	-
Equipment rental				35,782	-	35,782	-
<b>TOTAL GENERAL REVENUES</b>				<b>565,638</b>	<b>29,179</b>	<b>594,817</b>	<b>36,516</b>
<b>CHANGE IN NET POSITION</b>				<b>(38,226)</b>	<b>(79,873)</b>	<b>(118,099)</b>	<b>1,317</b>
Net Position at Beginning of Year, Restated				1,887,448	1,757,855	3,645,303	205,956
<b>NET POSITION AT END OF YEAR</b>				<b>\$ 1,849,222</b>	<b>\$ 1,677,982</b>	<b>\$ 3,527,204</b>	<b>\$ 207,273</b>

The Accompanying Notes are an Integral Part of These Financial Statements.

**Village of Lawrence, Michigan  
Balance Sheet - Governmental Funds and the  
Reconciliation to the Statement of Net Position  
February 28, 2019**

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Govern- mental</u>
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 154,210	\$ 311,256	\$ 145,678	\$ 611,144
Investments	105,872	-	-	105,872
Accounts receivable	39,796	21,435	5,385	66,616
Taxes receivable	30,956	7,642	3,766	42,364
Due from other funds	388,548	4,177	11,326	404,051
<b>Total Assets</b>	<b><u>\$ 719,382</u></b>	<b><u>\$ 344,510</u></b>	<b><u>\$ 166,155</u></b>	<b><u>\$ 1,230,047</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 27,002	\$ 3,345	\$ 1,652	\$ 31,999
Due to component units	14,910	-	-	14,910
Due to other funds	7,373	8,130	30,716	46,219
Total Liabilities	<u>49,285</u>	<u>11,475</u>	<u>32,368</u>	<u>93,128</u>
Fund Balances				
Restricted for street services	-	333,035	133,787	466,822
Unassigned	670,097	-	-	670,097
Total Fund Balances	<u>670,097</u>	<u>333,035</u>	<u>133,787</u>	<u>1,136,919</u>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 719,382</u></b>	<b><u>\$ 344,510</u></b>	<b><u>\$ 166,155</u></b>	<b><u>\$ 1,230,047</u></b>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement  
of Net Position:**

Total governmental fund balances	\$ 1,136,919
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 are not reported in the funds:	
The cost of the capital is	1,517,877
Accumulated depreciation is	<u>(804,800)</u>
	<u>713,077</u>
Certain pension contributions and unamortized changes in pension plan net position are reported as deferred outflows of resources in the statement of net position but are not reported in the funds.	10,863
The net pension liability is not due and payable in the current period and is not reported in the funds.	<u>(11,637)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 1,849,222</u></b>

The Accompanying Notes are an Integral Part of These Financial Statements.

**Village of Lawrence, Michigan**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Year Ended February 28, 2019**

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Govern- mental</u>
<b>REVENUES</b>				
Property taxes	\$ 159,367	\$ 48,016	\$ 23,954	\$ 231,337
Intergovernmental revenues	124,175	128,369	35,122	287,666
Equipment rental	56,683	-	-	56,683
Miscellaneous	3,371	-	-	3,371
Charges for service	6,569	-	-	6,569
Licenses and permits	4,160	-	-	4,160
Interest	2,698	428	196	3,322
Total Revenues	<u>357,023</u>	<u>176,813</u>	<u>59,272</u>	<u>593,108</u>
<b>EXPENDITURES</b>				
Public works	89,433	164,540	81,416	335,389
General government	118,551	-	-	118,551
Public safety	94,408	-	-	94,408
Recreation and culture	26,321	-	-	26,321
Total Expenditures	<u>328,713</u>	<u>164,540</u>	<u>81,416</u>	<u>574,669</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>28,310</b>	<b>12,273</b>	<b>(22,144)</b>	<b>18,439</b>
Fund Balances at Beginning of Year	<u>641,787</u>	<u>320,762</u>	<u>155,931</u>	<u>1,118,480</u>
<b>Fund Balances at End of Year</b>	<b><u>\$ 670,097</u></b>	<b><u>\$ 333,035</u></b>	<b><u>\$ 133,787</u></b>	<b><u>\$ 1,136,919</u></b>

The Accompanying Notes are an Integral Part of These Financial Statements.

**Village of Lawrence, Michigan  
 Reconciliation of the Statement of Revenues,  
 Expenditures and Changes in Fund Balances - Governmental Funds  
 to the Statement of Activities  
 For the Year Ended February 28, 2019**

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Net change in fund balance - total governmental funds		\$ 18,439
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:</p>		
Depreciation expense	(58,236)	(58,236)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in net pension liability and related deferred outflows and inflows		1,571
<b>Change in Net Position of Governmental Activities</b>		<b>\$ (38,226)</b>

The Accompanying Notes are an Integral Part of These Financial Statements.

**Village of Lawrence, Michigan**  
**Statement of Net Position - Proprietary Funds**  
**February 28, 2019**

	<u>Water Fund</u>	<u>Waste Water Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 41,750	\$ 191,346	\$ 233,096
Investments	51,063	105,849	156,912
Accounts receivable	34,821	35,161	69,982
Due from other governments	336	-	336
Due from other funds	25,145	28,779	53,924
Due from component unit	-	1,120	1,120
Inventory	20,305	8,480	28,785
Total Current Assets	<u>173,420</u>	<u>370,735</u>	<u>544,155</u>
Property and Equipment			
Water system	3,522,253	-	3,522,253
Sewer system	-	2,629,697	2,629,697
	<u>3,522,253</u>	<u>2,629,697</u>	<u>6,151,950</u>
Accumulated depreciation	(1,884,545)	(1,634,025)	(3,518,570)
Net Property and Equipment	<u>1,637,708</u>	<u>995,672</u>	<u>2,633,380</u>
Restricted cash	<u>131,197</u>	<u>-</u>	<u>131,197</u>
<b>Total Assets</b>	<b><u>\$ 1,942,325</u></b>	<b><u>\$ 1,366,407</u></b>	<b><u>\$ 3,308,732</u></b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ 8,746	\$ 182,391	\$ 191,137
Accrued interest payable	9,424	-	9,424
Customer deposits	7,683	-	7,683
Due to other funds	231,063	180,693	411,756
Current maturities of long-term debt	53,000	-	53,000
Total Current Liabilities	<u>309,916</u>	<u>363,084</u>	<u>673,000</u>
Long-Term Debt, net of current maturities	<u>957,750</u>	<u>-</u>	<u>957,750</u>
<b>Total Liabilities</b>	<b><u>1,267,666</u></b>	<b><u>363,084</u></b>	<b><u>1,630,750</u></b>
<b>NET POSITION</b>			
Net investment in capital assets	626,958	995,672	1,622,630
Unrestricted	<u>47,701</u>	<u>7,651</u>	<u>55,352</u>
<b>Total Net Position</b>	<b><u>\$ 674,659</u></b>	<b><u>\$ 1,003,323</u></b>	<b><u>\$ 1,677,982</u></b>

The Accompanying Notes are an Integral Part of These Financial Statements.

**Village of Lawrence, Michigan**  
**Statement of Revenues, Expenses and Changes in**  
**Net Position - Proprietary Funds**  
**For the Year Ended February 28, 2019**

	<u>Water Fund</u>	<u>Waste Water Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 236,363	\$ 188,632	\$ 424,995
Miscellaneous	2,026	2,736	4,762
Late charges	2,526	-	2,526
Total Operating Revenues	<u>240,915</u>	<u>191,368</u>	<u>432,283</u>
<b>OPERATING EXPENSE</b>			
Contracted services	512	7,854	8,366
Depreciation	76,560	49,732	126,292
Equipment rental	10,225	12,861	23,086
Repairs and maintenance	52,694	27,827	80,521
Utilities	17,863	13,837	31,700
Supplies	21,508	11,455	32,963
Legal and accounting	13,062	8,708	21,770
Salaries	44,816	47,472	92,288
Administrative salaries	18,208	17,563	35,771
Payroll taxes	17,106	17,457	34,563
Miscellaneous	7,013	595	7,608
Insurance	1,464	1,668	3,132
Printing and publishing	59	-	59
Total Operating Expenses	<u>281,090</u>	<u>217,029</u>	<u>498,119</u>
<b>OPERATING LOSS</b>	<b>(40,175)</b>	<b>(25,661)</b>	<b>(65,836)</b>
<b>NON-OPERATING INCOME (EXPENSE)</b>			
Transfer in from component unit	26,000	-	26,000
Interest income	307	2,872	3,179
Interest expense	(43,216)	-	(43,216)
Net Non-Operating Income (Expense)	<u>(16,909)</u>	<u>2,872</u>	<u>(14,037)</u>
<b>CHANGE IN NET POSITION</b>	<b>(57,084)</b>	<b>(22,789)</b>	<b>(79,873)</b>
Net Position at Beginning of Year	<u>731,743</u>	<u>1,026,112</u>	<u>1,757,855</u>
<b>Net Position at End of Year</b>	<b><u>\$ 674,659</u></b>	<b><u>\$ 1,003,323</u></b>	<b><u>\$ 1,677,982</u></b>

The Accompanying Notes are an Integral Part of These Financial Statements.



**Village of Lawrence, Michigan**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended February 28, 2019**

	<u>Water Fund</u>	<u>Waste Water Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from:			
Receipts from customers	\$ 233,141	\$ 187,340	\$ 420,481
Other receipts	336	-	336
Total cash received	<u>233,477</u>	<u>187,340</u>	<u>420,817</u>
Cash paid for:			
Contracted services	(512)	(13,982)	(14,494)
Labor and equipment rental	(10,225)	(12,861)	(23,086)
Utilities	(17,863)	(13,837)	(31,700)
Legal and accounting	(13,062)	(8,708)	(21,770)
Salaries	(63,024)	(65,035)	(128,059)
Payroll taxes	(17,106)	(17,457)	(34,563)
Supplies	(9,802)	(5,287)	(15,089)
Repairs and maintenance	(52,694)	(27,827)	(80,521)
Miscellaneous	(7,072)	(595)	(7,667)
Insurance	(1,464)	(1,668)	(3,132)
Total cash paid	<u>(192,824)</u>	<u>(167,257)</u>	<u>(360,081)</u>
Net Cash Provided by Operating Activities	40,653	20,083	60,736
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Transfer from other funds	26,000	-	26,000
Transfer to restricted cash	23,837	-	23,837
Transfer from investments	-	(379)	(379)
Redemption of certificate of deposit	(90)	-	(90)
Purchase of fixed assets	-	(114,061)	(114,061)
Interest income	307	2,872	3,179
Net Cash Provided by (Used in) Investing Activities	<u>50,054</u>	<u>(111,568)</u>	<u>(61,514)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Internal payments from other funds	(18,090)	(32,083)	(50,173)
Interest paid on long-term debt	(46,773)	-	(46,773)
Principal payments on long-term debt	(51,719)	-	(51,719)
Net Cash Used for Financing Activities	<u>(116,582)</u>	<u>(32,083)</u>	<u>(148,665)</u>
<b>Net Change in Cash</b>	<b>(25,875)</b>	<b>(123,568)</b>	<b>(149,443)</b>
Cash at Beginning of Year	<u>67,625</u>	<u>314,914</u>	<u>382,539</u>
<b>Cash at End of Year</b>	<b><u>\$ 41,750</u></b>	<b><u>\$ 191,346</u></b>	<b><u>\$ 233,096</u></b>

The Accompanying Notes are an Integral Part of These Financial Statements.

**Village of Lawrence, Michigan  
Statement of Cash Flows - Proprietary Funds  
For the Year Ended February 28, 2019**

	<u>Water Fund</u>	<u>Waste Water Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating Loss	\$ (40,175)	\$ (25,661)	\$ (65,836)
Adjustments to reconcile operating loss to cash provided by operating activities:			
Depreciation	76,560	49,732	126,292
Change in:			
Accounts receivable	(7,438)	(4,028)	(11,466)
Accounts payable	1,389	(6,128)	(4,739)
Inventory	10,317	6,168	16,485
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 40,653</u></b>	<b><u>\$ 20,083</u></b>	<b><u>\$ 60,736</u></b>

The Accompanying Notes are an Integral Part of These Financial Statements.

**Village of Lawrence, Michigan**  
**Notes to the Financial Statements**  
**For the Year Ended February 28, 2019**

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**NOTE A – Summary of Significant Accounting Policies**

The accounting policies of the Village of Lawrence, Michigan (the Village) are in conformity with 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 used by the Village.

Reporting Entity

The Village was incorporated as a general law village under act of the legislature approved March 24, 1869, and operates under a Council-President form of government. The Village provides streets, water and sewer, parks and recreation, public improvement, planning and zoning, and general administrative services. Fire protection and quick response services are provided by the Township of Lawrence. Police protection is provided through a contract from the Sheriff of Van Buren County. The financial statements of the Village do not reflect the activity of the fire department or quick response service. Educational services are provided through the local school district, which is a separate entity.

As required by accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Omnibus*, these financial statements present the Village and its component units. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, the decision to include the individual component units in the Village's reporting entity was made because of their financial relationship with the Village.

Discretely Presented Component Units

The following component units are reported within the "component units" column in the combined financial statements. The discretely presented component units are entities that are legally separate from the Village, but for which the Village is financially accountable.

*Downtown Development Authority (DDA)*

The DDA was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body, which consists of eight members, is recommended by the Village President and approved by the Village Council. In addition, the DDA's budget is subject to approval by the Village Council. The complete financial statements of the DDA are included within the Village's general purpose financial statements.

**Village of Lawrence, Michigan**  
**Notes to the Financial Statements**  
**For the Year Ended February 28, 2019**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

*Local Development Finance Authority (LDFA)*

The LDFA was created to encourage local development, prevent conditions of unemployment, promote economic growth, and authorize the creation and implementation of development and financing plans in the Village. The LDFA's governing body, which consists of seven members, is recommended by the Village President and approved by the Village Council. In addition, the LDFA's budget is subject to approval by the Village Council. The complete financial statements of the LDFA are included within the Village's general-purpose financial statements.

Government-Wide and Fund Financial Statements

*Government-Wide 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 non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's governmental funds and the proprietary funds of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**Village of Lawrence, Michigan**  
**Notes to the Financial Statements**  
**For the Year Ended February 28, 2019**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

*Fund Financial Statements*

The fund financial statements present the Village's individual major funds. Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and the major proprietary fund are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

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

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

The Local Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.

Additionally, the Village reports the following major proprietary funds:

The Water Fund accounts for the activities of the water production and distribution system.

The Waste Water Fund accounts for the activities of the sewage collection and treatment system.

Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, similar to that used by business enterprises. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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.

All governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

**Village of Lawrence, Michigan**  
**Notes to the Financial Statements**  
**For the Year Ended February 28, 2019**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

All governmental funds are reported using the modified accrual basis of accounting. Under this method revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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, with the exception of property taxes which is extended to 120 days to align with the Village's budget. 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, severance pay, claims and adjustments are recorded only when payment is due.

Taxes Receivable

The Village's tax is levied on each July 1<sup>st</sup> on the taxable valuation of property (as defined by state statutes) located in the Village as of the preceding July 31<sup>st</sup>. Uncollected taxes are purchased by the County within 120 days following the close of the fiscal year of the tax levy. Uncollectible accounts are charged back to the Village by the County.

The 2018 taxable valuation of the Village totaled \$13,637,906, on which ad valorem taxes levied consisted of mills for operating purposes, mills for major street services, and mills for local street services. These amounts are recognized in the respective financial statements as taxes receivable or as tax revenue.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing water and waste water services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relate to charges to customers for sales and services. The Water and Waste Water Funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Assets, Liabilities, and Net Position or Equity

*Deposits and Investments*

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

*Receivables and Payables*

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

**Village of Lawrence, Michigan**  
**Notes to the Financial Statements**  
**For the Year Ended February 28, 2019**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

Taxes are levied on July 1st and are collected through February 28 by various local units for the Village. The local units then remit to the Village any delinquent real property taxes by June 30.

*Inventories and Prepaid Costs*

Inventories are valued at cost, on a first-in, first-out basis. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both the government-wide and fund financial statements.

*Restricted Assets*

Certain resources for streets and other purposes are classified as restricted assets on the statement of net position because their use is limited by the Village and State Statute.

*Capital Assets*

Capital assets, which include property, buildings, equipment, vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized.

Building, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings	20-50 years
Building improvements	15-30 years
Water and waste water lines	40-50 years
Roads	10-30 years
Other infrastructure	5-20 years
Vehicles	3-5 years
Office equipment	5-7 years
Computer equipment	3-5 years

*Deferred Outflows of Resources*

The statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The related expense will not be recognized until a future event occurs. The Village has one item in this category: a deferred amount relating to pensions. Village contributions made after the measurement date of the net pension liability, as well as the unamortized difference between projected and actual investment earnings of the defined pension plan. The deferred pension contributions will be expensed in the subsequent year and the net difference between projected and actual earnings on pension plan investments is being amortized over a closed, five-year period using the straight-line method. No deferred outflows of resources affect the governmental funds financial statements.

**Village of Lawrence, Michigan**  
**Notes to the Financial Statements**  
**For the Year Ended February 28, 2019**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

*Pension Costs*

For purposes of measuring the net pension liability, deferred outflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plan, and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Deferred Inflows of Resources*

A deferred inflow of resources is an acquisition of net position by the Village that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. The Village does not have a deferred inflow of resources in the current year.

*Long-Term Obligations*

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

*Fund Equity*

In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable – Amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for a specific purpose. At February 28, 2019, the Village had \$466,822 restricted for street services.

Committed – Amounts that have been formally set aside by the Village council for use for specific purposes. Commitments are made and can be rescinded via the Village council.

Assigned – Intent to spend resources on specific purposes expressed by the Village council or by an official or committee to which the Village board delegates authority.

Unassigned – Amounts that can be used for any purpose.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted funds are available.



**Village of Lawrence, Michigan**  
**Notes to the Financial Statements**  
**For the Year Ended February 28, 2019**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

*Fund Equity 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 to be applied. It is the Village's policy to consider restricted fund balance to have been depleted before using any 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.

*Net Position*

Net position represents the difference between the assets and deferred outflows of resources, less liabilities and deferred inflows of resources. The Village reports three categories of net position as follows:

*Net investment in capital assets* – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets, and increases by balances of deferred outflows or resources related to those assets.

*Restricted net position* – is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws. Restricted net positions are reduced by the liabilities and deferred inflows of resources related to the restricted assets.

*Unrestricted net position* – consists of all other net position that does not meet the definition of the above components.

Comparative Data/Reclassifications

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Village's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**NOTE B – Stewardship, Compliance, and Accountability**

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the governmental funds. The budget documents information by fund, function, and activity. The legal level of budgetary control adopted by the governing body is at the activity level. All annual appropriations lapse at fiscal year-end.

**Village of Lawrence, Michigan  
Notes to the Financial Statements  
For the Year Ended February 28, 2019**

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**NOTE B – Stewardship, Compliance, and Accountability (Continued)**

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

1. At the December Village Council meeting, the Village President submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1<sup>st</sup>. 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 March 1<sup>st</sup>, the budget is legally adopted by the Village Council.
4. The Village President is authorized to transfer up to \$1,000 of budgeted amounts between activities within any fund; however, any revisions that alter 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 the General Fund, Major Street Fund, Local Street Fund, and Water and Waste Water Funds.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Village's actual expenditures and budgeted expenditures for the funds budgeted have been shown on a functional basis. The approved budgets of the Village for these budgeted funds were adopted at the activity level.

Expenditures made in excess of the functional amended budgets are as follows:

<b>Fund - Function</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
General Fund - Other Executive Activities	\$ 46,650	\$ 53,846	\$ (7,196)
General Fund - Clerk	29,422	32,121	(2,699)
General Fund - Village Hall and Grounds	11,100	11,525	(425)
General Fund - Planning Commission	1,545	3,334	(1,789)
General Fund - Crossing Guard	3,475	3,650	(175)
General Fund - Sanitation	4,400	4,980	(580)
General Fund - Recreation and Culture	24,360	26,321	(1,961)
Major Street - Winter Maintenance	17,100	23,655	(6,555)
Major Street - Traffic Services	16,200	20,445	(4,245)
Local Street - Winter Maintenance	7,350	11,762	(4,412)
Local Street - Traffic Service	5,500	6,854	(1,354)
Local Street - Tree Trimming	1,050	1,385	(335)

**Village of Lawrence, Michigan**  
**Notes to the Financial Statements**  
**For the Year Ended February 28, 2019**

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**NOTE C – Cash and Investments**

At February 28, 2019, the Village’s deposits and investments were reported in the basic financial statements in the following categories:

	<b>Govern- mental Activities</b>	<b>Business- Type Activities</b>	<b>Total Primary Government</b>	<b>Component Units</b>
Cash and cash equivalents	\$ 611,144	\$ 233,096	\$ 844,240	\$ 42,529
Restricted cash	-	131,197	131,197	-
Investments	105,872	156,912	262,784	-
<b>TOTAL</b>	<b>\$ 717,016</b>	<b>\$ 521,205</b>	<b>\$ 1,238,221</b>	<b>\$ 42,529</b>

The breakdown between deposits and investments is as follows:

	<b>Primary Govern- ment</b>	<b>Component Units</b>
Bank deposits (checking, savings and money market accounts)	\$ 975,437	\$ 42,529
Investments (certificates of deposit)	262,784	-
<b>TOTAL</b>	<b>\$ 1,238,221</b>	<b>\$ 42,529</b>

Deposits with financial institutions

Michigan Laws and the Village’s investment policy authorize the Village to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Village’s deposits are in accordance with statutory authority.

Investments

State statutes and the Village’s investment policy authorize the Village to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) mutual funds composed of otherwise legal investments. The Village’s investments are carried at cost, which approximates fair market value. The Village’s investments are in accordance with statutory authority.

The Village’s deposits and investments are subject to several types of risk, which are discussed below:

**Village of Lawrence, Michigan**  
**Notes to the Financial Statements**  
**For the Year Ended February 28, 2019**

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**NOTE C – Cash and Investments (Continued)**

*Custodial Credit Risk*

Custodial credit risk of deposits and investments is the risk that, in the event of the failure of a depository financial institution, the Village will not be able to recover its deposits. Deposits and investments are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of February 28, 2019, the Village had approximately \$846,000 of bank deposits (CD's, checking and savings) that was uninsured and uncollateralized.

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

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Village will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State statutes and the Village's investment policy do not contain requirements that would limit the exposure to custodial credit risk for investments.

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Village manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

*Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government are not considered to have credit risk.

*Concentration of Credit Risk*

State statutes and the Village's investment policy place no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities) that represent 5% or more of the Village's total investments are as follows:

Issuer	Investment Type	Reported Amount
Chemical Bank	Certificate of deposits	\$ 105,849
PNC Bank	Certificate of deposits	102,945
Keystone Bank	Certificate of deposits	53,990

**Village of Lawrence, Michigan**  
**Notes to the Financial Statements**  
**For the Year Ended February 28, 2019**

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**NOTE D – Receivables**

At February 28, 2019, the Village receivables were reported in the basic financial statements as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Taxes</u>	<u>Total</u>
General	\$ 39,796	\$ 30,956	\$ 70,752
Major Streets	21,435	7,642	29,077
Local Streets	5,385	3,766	9,151
Water	34,821	-	34,821
Waste Water	<u>35,161</u>	<u>-</u>	<u>35,161</u>
Total	<u>\$ 136,598</u>	<u>\$ 42,364</u>	<u>\$ 178,962</u>

All receivables are shown net of allowance for uncollectible amounts.

**NOTE E – Capital Assets**

Capital asset activity of the Village's proprietary fund type activities was as follows:

	<u>March 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>February 28, 2019</u>
Capital assets being depreciated:				
Water supply system	\$2,771,254	\$ -	\$ -	\$ 2,771,254
Water mains	677,615	-	-	677,615
Water equipment	73,384	-	-	73,384
Waste water lagoon	1,499,858	-	-	1,499,858
Waste water lines	723,642	-	-	723,642
Waste water equipment	<u>226,476</u>	<u>179,721</u>	<u>-</u>	<u>406,197</u>
	<u>\$ 5,972,229</u>	<u>\$ 179,721</u>	<u>\$ -</u>	<u>\$ 6,151,950</u>
Accumulated depreciation:				
Water supply system	(1,329,281)	(63,382)	-	(1,392,663)
Water mains	(409,805)	(12,949)	-	(422,754)
Water equipment	(68,900)	(228)	-	(69,128)
Waste water lagoon	(1,057,972)	(29,997)	-	(1,087,969)
Waste water lines	(452,765)	(12,767)	-	(465,532)
Waste water equipment	<u>(73,556)</u>	<u>(6,968)</u>	<u>-</u>	<u>(80,524)</u>
	<u>(3,392,279)</u>	<u>(126,291)</u>	<u>-</u>	<u>(3,518,570)</u>
Net capital assets being depreciated	<u>\$ 2,579,950</u>	<u>\$ 53,430</u>	<u>\$ -</u>	<u>\$ 2,633,380</u>

**Village of Lawrence, Michigan**  
**Notes to the Financial Statements**  
**For the Year Ended February 28, 2019**

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**NOTE E – Capital Assets (Continued)**

Capital asset activity of the Village’s governmental activities was as follows:

	<u>March 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>February 28, 2019</u>
Capital assets not being depreciated:				
Land	\$ 33,244	\$ -	\$ -	\$ 33,244
Construction in progress	29,795	-	-	29,795
	<u>63,039</u>	<u>-</u>	<u>-</u>	<u>63,039</u>
Capital assets being depreciated:				
Parking lots	60,208	-	-	60,208
Paved recreational areas	22,883	-	-	22,883
Buildings and improvements	204,049	-	-	204,049
Equipment	61,462	-	-	61,462
Vehicles	112,784	-	-	112,784
Infrastructure	993,453	-	-	993,453
	<u>1,454,839</u>	<u>-</u>	<u>-</u>	<u>1,454,839</u>
Accumulated depreciation:				
Parking lots	(60,208)	-	-	(60,208)
Paved recreational areas	(13,067)	(946)	-	(14,013)
Buildings and improvements	(122,828)	(5,612)	-	(128,440)
Equipment	(56,467)	(1,036)	-	(57,503)
Vehicles	(98,515)	(3,004)	-	(101,519)
Infrastructure	(395,480)	(47,638)	-	(443,118)
	<u>(746,565)</u>	<u>(58,236)</u>	<u>-</u>	<u>(804,801)</u>
Net capital assets being depreciated	<u>708,274</u>	<u>(58,236)</u>	<u>-</u>	<u>650,038</u>
Governmental activities capital total – net of accumulated depreciation	<u>\$ 771,313</u>	<u>\$ (58,236)</u>	<u>\$ -</u>	<u>\$ 713,077</u>

Depreciation expense was not charged to activities as the Village considers its assets to impact multiple activities and allocation is not practical.

**Village of Lawrence, Michigan  
Notes to the Financial Statements  
For the Year Ended February 28, 2019**

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**NOTE E – Capital Assets (Continued)**

Capital asset activity of the Village’s component units was as follows:

	<u>March 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>February 28, 2019</u>
Capital assets not being depreciated:				
Land	\$ 125,000	\$ -	\$ -	\$ 125,000
Capital assets being depreciated:				
Lighting	75,299	-	-	75,299
Accumulated depreciation:	(73,966)	(1,028)	-	(74,994)
Net capital assets being depreciated	1,333	(1,028)	-	305
Capital total - net of accumulated depreciation	<u>\$ 126,333</u>	<u>\$ (1,028)</u>	<u>\$ -</u>	<u>\$ 125,305</u>

**NOTE F – Interfund Receivables and Payables**

The composition of interfund balances as of February 28, 2019, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Waste Water Fund	\$ 156,546
	Water Fund	232,002
Major Street Fund	General Fund	4,177
Local Street Fund	Major Street Fund	8,130
	General Fund	3,196
Waste Water Fund	Local Street Fund	28,779
Water Fund	Local Street Fund	1,937
	Waste Water Fund	23,208
		<u>\$ 457,975</u>

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
LDFA	General Fund	\$ 8,467
Waste Water Fund	LDFA	1,120
DDA	General Fund	6,443
		<u>\$ 16,030</u>

**Village of Lawrence, Michigan**  
**Notes to the Financial Statements**  
**For the Year Ended February 28, 2019**

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**NOTE G – Long-Term Debt**

The individual fund long-term debt and other long-term obligations of the Village and the changes therein, are summarized as follows:

	<u>Balance at March 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at February 28, 2019</u>
<b>PROPRIETARY FUNDS</b>				
2002 general obligation bonds in the amount of \$1,000,000. Principal payments are due annually on January 1, with interest at 4.75% payable semi-annually.	\$ 794,000	\$ -	\$ (20,000)	\$ 774,000
Installment purchase agreement with a bank in the amount of \$150,000 to finance water tower improvements. Principal payments are due annually on April 1, bearing interest at 3.24%.	142,076	-	(8,149)	133,927
Note payable to Economic Development Corporation of Van Buren County, Principal payments are due annually on August 30, bearing interest at 3.50%.	<u>126,393</u>	<u>-</u>	<u>(23,570)</u>	<u>102,823</u>
<b>TOTAL PROPRIETARY FUNDS</b>	<u>\$ 1,062,469</u>	<u>\$ -</u>	<u>\$ (51,719)</u>	<u>\$ 1,010,750</u>



**Village of Lawrence, Michigan**  
**Notes to the Financial Statements**  
**For the Year Ended February 28, 2019**

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**NOTE G – Long-Term Debt (Continued)**

Annual debt service requirements to maturity for debt obligations are approximately as follows:

Payments due for years ending February 28:	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	-	-	\$ 53,000	\$ 44,700
2021	-	-	56,000	42,600
2022	-	-	57,000	40,400
2023	-	-	60,000	37,800
2024	-	-	34,000	35,800
2025-2029	-	-	195,000	155,600
2030-2034	-	-	216,000	109,400
2035-2039	-	-	208,000	61,500
2040-2044	-	-	131,750	12,500
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,010,750</b>	<b>\$ 540,300</b>

2002 General Obligation Bonds

On July 16, 2002, the Village issued a water and sanitary sewage collection use disposal revenue bond totaling \$1,000,000, for the purpose of paying part of the cost of acquiring and constructing water supply improvements to serve the Village. The bond is payable in annual installments due January 1<sup>st</sup> and repayment is not expected to exceed 40 years. The bonds bear interest at 4.75% per annum calculated on the daily outstanding balance. Interest is payable semiannually and is paid on January 1 and July 1.

Installment Note for Water Tower Improvements

On July 14, 2016, the Village entered an installment purchase agreement to finance improvements for the Village's water tower. The note is payable in annual installments of \$12,784 due April 1 until 2031. All remaining principal is due April 1, 2031. The note bears interest at 3.24% per annum.

Note with Economic Development Corporation of Van Buren County

On August 30, 2007, the Village received a loan from the Economic Development Corporation of Van Buren County for the construction of a water tower. The loan was refinanced in 2017 and is payable in annual installments of \$27,994 due August 30 until 2022. All remaining principal is due August 30, 2022. The note bears interest at 3.5% per annum.

**Village of Lawrence, Michigan  
Notes to the Financial Statements  
For the Year Ended February 28, 2019**

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**NOTE H – Employee Retirement and Benefit System**

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, if any, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly-available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

Benefits Provided

The following are the benefits provided from the December 31, 2018 valuation. All divisions are closed to new hires.

	General	Police and Fire
	1.0% Multiplier (no max)	1.0% Multiplier (no max)
Benefit Multiplier:	1.0% Multiplier (no max)	1.0% Multiplier (no max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	-	-
Early Retirement (Reduced):	50/25 55/15	50/25 55/15
Final Average Compensation:	5 years	5 years
Employee Contributions:	0%	0%
Act 88:	No	No

**Village of Lawrence, Michigan**  
**Notes to the Financial Statements**  
**For the Year Ended February 28, 2019**

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**NOTE H – Employee Retirement and Benefit System (Continued)**

Employees Covered by Benefit Terms

At the December 31, 2018, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits:	6
Inactive employees entitled to but not yet receiving benefits:	3
Active employees:	0
Total	<u><u>9</u></u>

Contributions

The Village is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Village may establish contribution rates to be paid by its covered employees.

Because all divisions of the Village’s benefit plan are closed to new hires, the annual required contributions (ARC) are determined on a monthly basis rather than as a percentage of covered payroll. The Village’s ARC, for the current year, were \$388 per month. Amount determined based on the actuarial assumptions from the December 31, 2015 actuarial valuation.

Net Pension Liability

The Village’s net pension liability was measured as of December 31, 2018. The total pension liability as of December 31, 2018 was calculated by the roll-forward method based on the December 31, 2017, valuation.

Actuarial Assumptions

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the most recent actuarial experience study in 2018.

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Inflation 2.50%; Salary Increases: 3.75% in the long-term; Investment rate of return: 7.75%, net of investment and administrative expenses including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3-4%. Mortality rates used were based on the RP-2014 Group Annuity Table of a 50% Male and 50% Female blend.

Mortality rates were based on a blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables all with a 50 percent male and 50 percent female blend. For disabled retirees, the RP-2014 Disabled Mortality Table with a 50 percent and 50 percent female blend is used to reflect higher expected mortality rates of disabled members.

**Village of Lawrence, Michigan**  
**Notes to the Financial Statements**  
**For the Year Ended February 28, 2019**

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**NOTE H – Employee Retirement and Benefit System (Continued)**

Return on Investments

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimated ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target of asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following schedule:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.50%	8.65%
Global Fixed Income	18.50%	3.76%
Real Assets	13.50%	9.72%
Diversifying Strategies	12.50%	7.50%

Discount Rate

The discount rate used to measure the total pension liability is 8%. The projection of cash flows used to determine the rate assumes that Village and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected payments to determine the total pension liability.

**Village of Lawrence, Michigan**  
**Notes to the Financial Statements**  
**For the Year Ended February 28, 2019**

**NOTE H – Employee Retirement and Benefit System (Continued)**

Changes in net pension liability during the measurement year were as follows:

	<b>Increase (Decrease)</b>		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2017	\$ (113,552)	\$ 110,566	\$ 2,986
Service cost	-	-	-
Interest on total pension liability	8,561	-	8,561
Difference between expected and actual experience	2,537	-	2,537
Change in Assumptions	-	-	-
Employer contributions	-	6,798	(6,798)
Employee contributions	-	-	-
Net investment income	-	(4,141)	4,141
Benefit payments including refunds	(13,086)	(13,086)	-
Administrative expenses	-	(210)	210
Other changes	-	-	-
Net Changes	<u>(1,988)</u>	<u>(10,639)</u>	<u>8,651</u>
Balances at December 31, 2018	<u>\$ 111,564</u>	<u>\$ 99,927</u>	<u>\$ 11,637</u>

The entire net pension liability is recorded in governmental activities for the year ended February 28, 2018.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Village, calculated using the discount rate of 8%, as well as the Village's net pension liability using a discount rate 1 percentage point lower (7%) and 1 percentage point higher (9%) than the current rate.

	1% Decrease (7%)	Current Rate (8%)	1% Increase (9%)
Net pension liability	<u>\$ 20,034</u>	<u>\$ 11,637</u>	<u>\$ 4,311</u>

**Village of Lawrence, Michigan**  
**Notes to the Financial Statements**  
**For the Year Ended February 28, 2019**

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**NOTE H – Employee Retirement and Benefit System (Continued)**

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended February 28, 2018, the Village recognized pension expense, on the defined benefit plan, of \$5,253. The Village reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,887	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	7,772	-
Contributions subsequent to the measurement date	1,204	-
	<u>\$ 10,863</u>	<u>\$ -</u>

Deferred outflows and inflows of resources are recorded in governmental activities for the year ended February 28, 2018.

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the Village contributions to the plan made subsequent to the measurement date (\$1,204), which would impact the net pension liability in the fiscal year 2020, rather than pension expense.

<u>Year Ended</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
2020	\$ 3,064	\$ -
2021	1,952	-
2022	2,098	-
2023	2,545	-
	<u>\$ 9,659</u>	<u>\$ -</u>

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at [www.mersofmich.com](http://www.mersofmich.com). The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized when due and payable in accordance with the benefit terms.

**Village of Lawrence, Michigan**  
**Notes to the Financial Statements**  
**For the Year Ended February 28, 2019**

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**NOTE I – Commitments and Contingencies**

Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for death and disability, hospitalization and life claims, and is a member of the Michigan Municipal League Liability and Property Pool for claims relating to liability, fire, fleet, and bonds. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Village participates in the Michigan Municipal Worker's Compensation Fund risk pools for the purpose of its workers compensation coverage.

The Pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Contingency

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. In the opinion of management, future disallowances of grant expenditures, if any, would not have a material adverse effect on the Village's financial condition.

**NOTE J – Impact of Recent and Upcoming Accounting Pronouncements**

*Upcoming Accounting Pronouncements*

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, effective for periods beginning after December 15, 2020. The objective of this Statement is to increase 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 the 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. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the fiscal year beginning March 1, 2021.

**Village of Lawrence, Michigan**  
**Notes to the Financial Statements**  
**For the Year Ended February 28, 2019**

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**NOTE J – Impact of Recent and Upcoming Accounting Pronouncements (continued)**

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2018, and will be effective for periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The Village is currently evaluating the impact, if any, that this standard will have on the financial statements.

**NOTE K – Subsequent Events**

Management has evaluated subsequent events through September 3, 2019, the date on which the financial statements were available to be issued.



**REQUIRED SUPPLEMENTARY INFORMATION**

**Village of Lawrence, Michigan**  
**Budget Comparison Schedule - General Fund**  
**For the Year Ended February 28, 2019**

	Budgeted Amounts			Variance with Final Budget Fav (Unfav)
	Original	Final	Actual	
<b>REVENUES</b>				
Property taxes	\$ 150,860	\$ 149,860	\$ 159,367	\$ 9,507
Licenses and permits	2,870	4,090	4,160	70
Intergovernmental revenues				
State shared revenues	151,800	130,600	123,299	(7,301)
Liquor license fees	1,000	1,300	876	(424)
	<u>152,800</u>	<u>131,900</u>	<u>124,175</u>	<u>(7,725)</u>
Charges for services				
Cable franchise fees	6,000	5,200	6,909	1,709
Charges for services rendered	3,100	600	(340)	(940)
	<u>9,100</u>	<u>5,800</u>	<u>6,569</u>	<u>769</u>
Interest	1,450	1,450	2,698	1,248
Equipment rental	45,000	45,000	56,683	11,683
Miscellaneous	3,113	3,233	3,371	138
	<u>48,113</u>	<u>48,233</u>	<u>60,054</u>	<u>11,821</u>
<b>Total Revenues</b>	<u>\$ 365,193</u>	<u>\$ 341,333</u>	<u>\$ 357,023</u>	<u>\$ 15,690</u>
<b>EXPENDITURES</b>				
General government				
Village council				
Salaries	\$ 6,000	\$ 6,000	\$ 5,085	\$ 915
Payroll taxes	500	2,113	389	1,724
Miscellaneous	1,095	81	81	-
	<u>7,595</u>	<u>8,194</u>	<u>5,555</u>	<u>2,639</u>
President				
Salaries	1,560	1,560	669	891
Payroll taxes	110	116	116	-
Training and conferences	500	150	150	-
Miscellaneous	-	115	114	1
	<u>2,170</u>	<u>1,941</u>	<u>1,049</u>	<u>892</u>
Village administrator				
Salaries	21,000	8,000	5,368	2,632
Payroll taxes	4,614	1,300	892	408
Employee benefits	3,069	3,500	2,832	668
Training and conferences	400	325	473	(148)
	<u>29,083</u>	<u>13,125</u>	<u>9,565</u>	<u>3,560</u>
Other executive activities				
Contracted services	1,500	50	39	11
Auditing	4,800	10,400	12,005	(1,605)
Legal	1,500	4,200	4,804	(604)
County computer	5,600	3,725	3,847	(122)
Insurance	3,000	4,500	4,454	46
Memberships and dues	1,500	650	635	15
Miscellaneous	14,750	23,125	28,062	(4,937)
	<u>32,650</u>	<u>46,650</u>	<u>53,846</u>	<u>(7,196)</u>

**Village of Lawrence, Michigan  
Budget Comparison Schedule - General Fund  
For the Year Ended February 28, 2019**

	Budgeted Amounts			Variance with Final Budget Fav (Unfav)
	Original	Final	Actual	
Clerk				
Salary	\$ 21,400	\$ 17,400	\$ 13,223	\$ 4,177
Payroll taxes	2,700	5,827	6,509	(682)
Employee benefits	1,475	850	857	(7)
Postage and office supplies	1,400	1,800	2,338	(538)
Office equipment maintenance	1,200	1,000	1,519	(519)
Membership and dues	100	-	60	(60)
Miscellaneous	1,860	2,545	7,615	(5,070)
	<u>30,135</u>	<u>29,422</u>	<u>32,121</u>	<u>(2,699)</u>
Treasurer				
Salary	1,200	1,200	(221)	1,421
Payroll taxes	92	92	92	-
Postage	1,750	1,300	626	674
Miscellaneous	-	-	-	-
	<u>3,042</u>	<u>2,592</u>	<u>497</u>	<u>2,095</u>
Village hall and grounds				
Utilities-telephone	2,700	2,800	2,877	(77)
Utilities-heat	3,200	3,200	3,436	(236)
Utilities-water and sewer	500	450	529	(79)
Repairs and maintenance	500	550	592	(42)
Equipment rental	600	-	-	-
Equipment acquisition	5,000	4,100	4,091	9
Miscellaneous	30	-	-	-
	<u>12,530</u>	<u>11,100</u>	<u>11,525</u>	<u>(425)</u>
Village property				
Insurance	3,700	4,200	4,199	1
Repairs and maintenance	500	200	194	6
	<u>4,200</u>	<u>4,400</u>	<u>4,393</u>	<u>7</u>
Total general government	<u>121,405</u>	<u>117,424</u>	<u>118,551</u>	<u>(1,127)</u>
Public safety				
Police				
Contracted services	100,000	100,000	87,424	12,576
Telephone	500	-	-	-
	<u>100,500</u>	<u>100,000</u>	<u>87,424</u>	<u>12,576</u>
Planning commission				
Salaries	1,000	1,200	1,008	192
Payroll taxes	50	80	78	2
Printing and publishing	500	-	57	(57)
Contracted services	7,500	205	2,191	(1,986)
Miscellaneous expense	-	60	-	60
Conferences	150	-	-	-
	<u>9,200</u>	<u>1,545</u>	<u>3,334</u>	<u>(1,789)</u>

**Village of Lawrence, Michigan**  
**Budget Comparison Schedule - General Fund**  
**For the Year Ended February 28, 2019**

	Budgeted Amounts			Variance with Final Budget Fav (Unfav)
	Original	Final	Actual	
Crossing guard				
Salaries	\$ 3,100	\$ 3,200	\$ 3,348	\$ (148)
Miscellaneous	400	40	38	2
Payroll taxes	235	235	264	(29)
	<u>3,735</u>	<u>3,475</u>	<u>3,650</u>	<u>(175)</u>
Total public safety	<u>113,435</u>	<u>105,020</u>	<u>94,408</u>	<u>10,612</u>
Public works				
Department of public works				
Salaries	43,000	30,000	18,847	11,153
Payroll taxes	2,500	2,500	1,424	1,076
Employee benefits	16,246	13,746	11,452	2,294
Operating supplies	3,400	2,000	1,971	29
Uniforms	3,650	3,950	4,493	(543)
Contracted services	-	1,045	1,045	-
Utilities and telephone	3,380	5,075	5,990	(915)
Gas and oil	7,000	7,500	9,425	(1,925)
Repairs and maintenance	7,000	13,300	16,592	(3,292)
Miscellaneous	6,500	9,100	7,685	1,415
Postage/office supplies	-	45	44	1
Capital outlay	1,100	200	5,469	(5,269)
	<u>93,776</u>	<u>88,461</u>	<u>84,437</u>	<u>4,024</u>
Sidewalks				
Salaries	100	20	15	5
Payroll taxes	10	2	1	1
Repairs and maintenance	2,000	-	-	-
	<u>2,110</u>	<u>22</u>	<u>16</u>	<u>6</u>
Sanitation				
Salaries	-	-	349	(349)
Payroll taxes	-	-	26	(26)
Employee Benefits	-	-	10	(10)
Operating supplies	100	50	20	30
Contracted services	3,500	4,000	4,234	(234)
Equipment rental	650	350	341	9
	<u>4,250</u>	<u>4,400</u>	<u>4,980</u>	<u>(580)</u>
Total public works	<u>100,136</u>	<u>92,883</u>	<u>89,433</u>	<u>3,450</u>
Recreation and culture				
Village park				
Operating supplies	450	1,200	1,017	183
Salaries	10,000	10,000	8,972	1,028
Payroll taxes	500	800	794	6
Tree planting and trimming	150	1,800	5,000	(3,200)
Repairs and maintenance	3,000	5,100	5,069	31
Christmas décor	1,500	310	307	3
Equipment rental	5,000	4,800	4,760	40
Miscellaneous	5,300	350	402	(52)
Total recreation and culture	<u>25,900</u>	<u>24,360</u>	<u>26,321</u>	<u>(1,961)</u>
Total Expenditures	<u>360,876</u>	<u>339,687</u>	<u>328,713</u>	<u>10,974</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>4,317</b>	<b>1,646</b>	<b>28,310</b>	<b>26,664</b>
Fund Balance, Beginning of Year	<u>641,787</u>	<u>641,787</u>	<u>641,787</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<b><u>\$ 646,104</u></b>	<b><u>\$ 643,433</u></b>	<b><u>\$ 670,097</u></b>	<b><u>\$ 26,664</u></b>

**Village of Lawrence, Michigan  
 Budget Comparison Schedule - Major Street Fund  
 For the Year Ended February 28, 2019**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Fav (Unfav)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Property Taxes	\$ 38,000	\$ 40,000	\$ 48,016	\$ 8,016
Intergovernmental revenues	102,087	61,910	128,369	66,459
Interest	81	382	428	46
Total Revenues	<u>140,168</u>	<u>102,292</u>	<u>176,813</u>	<u>74,521</u>
<b>EXPENDITURES</b>				
Routine street maintenance	22,160	31,000	29,910	1,090
Street construction	47,000	78,100	78,019	81
Winter maintenance	37,900	17,100	23,655	(6,555)
Traffic services	17,120	16,200	20,445	(4,245)
Administrative	7,558	14,282	12,511	1,771
Total Expenditures	<u>131,738</u>	<u>156,682</u>	<u>164,540</u>	<u>(7,858)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>8,430</b>	<b>(54,390)</b>	<b>12,273</b>	<b>66,663</b>
Fund Balance, Beginning of Year	<u>320,762</u>	<u>320,762</u>	<u>320,762</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<b><u>\$ 329,192</u></b>	<b><u>\$ 266,372</u></b>	<b><u>\$ 333,035</u></b>	<b><u>\$ 66,663</u></b>

**Village of Lawrence, Michigan**  
**Budget Comparison Schedule - Local Street Fund**  
**For the Year Ended February 28, 2019**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Fav (Unfav)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Property Taxes	\$ 22,600	\$ 21,500	\$ 23,954	\$ 2,454
Intergovernmental revenues	30,603	35,603	35,122	(481)
Interest	50	50	196	146
Total Revenues	<u>53,253</u>	<u>57,153</u>	<u>59,272</u>	<u>2,119</u>
<b>EXPENDITURES</b>				
Winter maintenance	8,550	7,350	11,762	(4,412)
Routine maintenance	17,110	19,590	15,499	4,091
Road construction	4,500	42,000	42,000	-
Administrative	2,450	4,355	3,916	439
Traffic services	5,200	5,500	6,854	(1,354)
Tree trimming	-	1,050	1,385	(335)
Total Expenditures	<u>37,810</u>	<u>79,845</u>	<u>81,416</u>	<u>(1,571)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>15,443</b>	<b>(22,692)</b>	<b>(22,144)</b>	<b>548</b>
Fund Balance, Beginning of Year	<u>155,931</u>	<u>155,931</u>	<u>155,931</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<b><u>\$ 171,374</u></b>	<b><u>\$ 133,239</u></b>	<b><u>\$ 133,787</u></b>	<b><u>\$ 548</u></b>

**Village of Lawrence, Michigan**  
**Schedule of Changes in the Village's Net Pension**  
**Liability and Related Ratios**  
**Last Four Fiscal Years (Calculated as of 12/31 of each fiscal year)**  
**(Schedule is built prospectively upon implementation of GASB 68)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service cost	\$ -	\$ -	\$ -	\$ -
Interest	8,561	8,729	9,376	9,289
Difference in experience	2,537	2,247	(4,558)	2,280
Change in assumptions	-	-	-	5,729
Other	-	1	1	1
Benefit payments, including refunds	(13,086)	(13,086)	(12,713)	(12,679)
Net change in total pension liability	(1,988)	(2,109)	(7,894)	4,620
Total pension liability, beginning of year	113,552	115,661	123,555	\$ 118,935
Total pension liability, end of year	<u>\$ 111,564</u>	<u>\$ 113,552</u>	<u>\$ 115,661</u>	<u>\$ 123,555</u>
Plan fiduciary net position				
Contributions - employer	\$ 6,798	\$ 3,890	\$ -	\$ -
Net investment income	(4,141)	13,546	11,630	(1,685)
Benefit payments, including refunds	(13,086)	(13,086)	(12,713)	(12,679)
Administrative expenses	(210)	(216)	(230)	(257)
Net change in plan fiduciary net position	(10,639)	4,134	(1,313)	(14,621)
Plan fiduciary net position, beginning of year	110,566	106,432	107,745	122,366
Plan fiduciary net position, end of year	<u>\$ 99,927</u>	<u>\$ 110,566</u>	<u>\$ 106,432</u>	<u>\$ 107,745</u>
Village's net pension liability, end of year	<u>\$ 11,637</u>	<u>\$ 2,986</u>	<u>\$ 9,229</u>	<u>\$ 15,810</u>
Plan fiduciary net position as a percent of total pension liability	89.57%	97.37%	92.02%	87.20%
Covered payroll (none, closed)	\$ -	\$ -	\$ -	\$ -
Village's net pension liability as a percentage of covered employee payroll	NA	NA	NA	NA

**Village of Lawrence, Michigan**  
**Schedule of Village Pension Contributions**  
**Last Four Fiscal Years (ultimately ten fiscal years will be displayed)**  
**(Amounts were determined as of 12/31, 14 months prior to each fiscal year)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 7,689	\$ 4,656	\$ 1,836	\$ 1,308
Contributions in relation to actuarially determined contributions	<u>7,689</u>	<u>4,656</u>	<u>1,836</u>	<u>1,308</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll - (none, closed)	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	NA	NA	NA	NA

*Methods and assumptions used to determine contribution rates can be found in the footnotes to the financial statements.*



**OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

# SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Village Council  
Village of Lawrence, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units and each major fund of the Village of Lawrence, Michigan (the Village), as of and for the year ended February 28, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 3, 2019.

#### **Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses reported as items 2019-001, 2019-002 and 2019-003, that we consider to be material weaknesses.

### **Compliance and Other Matters**

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

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

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

### **Purpose of this Report**

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

*Seber Tans, PLC*

Seber Tans, PLC  
Kalamazoo, Michigan

September 3, 2019

**Village of Lawrence, Michigan  
Schedule of Findings and Responses  
For the Year Ended February 28, 2019**

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**FINDINGS AND RESPONSES**

2019-001 – Internal Control over Financial Reporting – Material Weakness

Criteria: Management is responsible for establishing and maintaining effective segregation of duties and for safeguarding Village assets.

Condition: The Village does not have adequate segregation of duties. One of the most critical areas of separation is receipts, where we noted the Office Clerk receives and processes payments under single control. This is a repeat finding.

Cause: The Village has a limited number of personnel.

Effect: Without adequate segregation of duties the risk of errors or fraud may occur and not be detected by other internal controls.

Recommendation: We recommend the Village Council continue to explore ways of segregating duties and monitoring financial activities.

Management Response: The Village has a small office with only two employees. To help mitigate the risk associated with the lack of segregations of duties, the Village is going to provide more supervision from their Village Council and outside parties.

**Village of Lawrence, Michigan  
Schedule of Findings and Responses  
For the Year Ended February 28, 2019**

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**FINDINGS AND RESPONSES**

2019-002 – Internal Control over Financial Reporting – Material Weakness

Criteria:	The Village must provide detailed accountability of their financial assets including cash, accounts receivable and accounts payable. This requirement mandates timely and accurate reconciliations including proper cutoff.
Condition:	Accounts receivable and payable accounts were not analyzed, reviewed and reconciled to the general ledger on a timely basis. This is a repeat finding.
Cause:	The Village did not reconcile accounts all assets and liabilities to the general ledger. Additionally, proper cutoff procedures were not in place for accounts payable and accounts receivable.
Effect:	Without timely and effective reconciliations, the Village's general ledger accounts become materially misstated, increasing the risk of errors and fraud occurring and not being detected in a timely manner.
Recommendation:	We recommend all asset and liability accounts be reviewed, analyzed and reconciled on a timely basis.
Management Response:	The Village plans to hire outside assistance to reduce misstatements and improve accuracy of their financial records.

**Village of Lawrence, Michigan  
Schedule of Findings and Responses  
For the Year Ended February 28, 2019**

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**FINDINGS AND RESPONSES**

2019-003 – Internal Control over Financial Reporting – Material Weakness

Criteria:	All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e. maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related notes to the financial statements (i.e. external financial reporting).
Condition:	As is the case with many small and medium-sized governmental units, the Village has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Village's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot, by definition, be considered part of the Village's internal controls.
Cause:	This condition was caused by the Village's decision that it was more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for Village personnel to prepare them internally.
Effect:	The Village lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this duty.
Recommendation:	We recommend that the Village Council evaluate the cost verses benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determine if it is in the best interests of the Village to outsource this duty to its external auditors.
Management Response:	The Village is going to seek assistance from a third party to assist in preparing financial statements.

**Village of Lawrence, Michigan  
Status of Prior Year Findings  
For the Year Ended February 28, 2019**

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The following is a summary of the current status of findings reported in the prior audit.

**FINDINGS – FINANCIAL STATEMENTS**

<b>Audit Finding</b>	<b>Current Status</b>
The Village does not have adequate segregation of duties.	See Finding 2019-001.
The Village does not reconcile all asset and liability accounts to the general ledger.	See Finding 2019-002.
The Village does not prepare financial statements in accordance with generally accepted accounting principles (GAAP).	See Finding 2019-003.