

VILLAGE OF FIFE LAKE, MICHIGAN

FEBRUARY 29, 2012

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

VILLAGE OF FIFE LAKE, MICHIGAN

FEBRUARY 29, 2012

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May 12, 2012

INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Fife Lake
Fife Lake, MI

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Fife Lake, Michigan as of and for the year ended February 29, 2012, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 unit, each major fund, and the aggregate remaining fund information of the Village of Fife Lake, Michigan as of February 29, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iii through ix and page 26 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 inquires 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Fife Lake, Michigan's financial statements as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

VILLAGE OF FIFE LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 29, 2012

Management's Discussion and Analysis

The management of the Village of Fife Lake, Michigan ("the Village") offers this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 29, 2012, for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Village's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

Government-Wide:

- The assets of the Village exceeded its liabilities at the close of the fiscal year by \$720,343. Of this amount, \$335,025 may be used to meet the Village's ongoing obligations to citizens and creditors.
- The Village's net assets increased by \$6,200 during the fiscal year.

Fund Level:

- As of February 29, 2012, the governmental funds of the Village of Fife Lake reported combined ending fund balances of \$287,468, of which \$122,691 is restricted for street improvements and \$164,777 is unassigned.

Long-Term Debt

- At February 29, 2012, the Village owes \$13,094 on an installment purchase agreement for a snowplow truck.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The *Government-Wide Financial Statements* are designed to provide a broad overview of the Village's financial position. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry.

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

The *Statement of Activities* presents information showing how the Village's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

VILLAGE OF FIFE LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 29, 2012

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

Fund Financial Statements

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

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

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

Proprietary Funds – Proprietary funds account for services for which the Village charges its customers for the services they are provided. These charges can be to external customers or other agencies within the Village. Internal Service funds are one type of proprietary funds:

- ❖ Internal Service Funds provide services to other departments within the village. This fund allows the Village to allocate costs of centralized services such as the Village's vehicles and equipment. The Village has one internal service fund, which is the Equipment Fund.

Component Units Component Units are separate legal entities for which the Village has some level of financial responsibility. The Village's only component unit is the Downtown Development Authority.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found beginning on Page 12 of this report.

VILLAGE OF FIFE LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 29, 2012

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements. This information can be found beginning on Page 26 of this report.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Village's financial position over time. The Net Assets of the Village were \$720,343 at February 29, 2012, meaning the Village's assets were greater than its liabilities by this amount.

**Village of Fife Lake
Net Assets
As of February 29, 2012**

Primary Government

	<u>Governmental Activities</u>
Assets	
Current Assets	\$ 338,569
Capital Assets	398,412
Total Assets	<u>\$ 736,981</u>
Liabilities	
Current Liabilities	\$ 15,798
Long-Term Liabilities	840
Total Liabilities	<u>16,638</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	385,318
Unrestricted	335,025
Total Net Assets	<u>720,343</u>
Total Liabilities and Net Assets	<u>\$ 736,981</u>

The majority of the Village's Net Assets are comprised of \$385,318 invested in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Village used to acquire or construct the asset. The Village has \$335,025 in unrestricted Net Assets. These assets

VILLAGE OF FIFE LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 29, 2012

represent resources that are available for appropriation, but are limited by Village policies regarding their use.

The total net assets of the Village increased by \$6,200 during the fiscal year, which is a good indicator that the Village experienced positive financial growth during the year.

The following table illustrates and summarizes the results of the changes in the Net Assets for the Village. The condensed information was derived from the Government-Wide Statement of Activities.

**Village of Fife Lake
Change in Net Assets
For the Fiscal Year Ended February 29, 2012**

Primary Government

	Governmental Activities
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 4,948
Operating Grants and Contributions	52,326
Capital Grants and Contributions	2,500
General Revenues	
Property Taxes	98,649
State Shared Revenue	33,575
Investment Earnings	1,002
Other	18,061
Total Revenues	211,061
<u>Expenses</u>	
General Government	71,893
Public Works	96,105
Community and Economic Development	7,392
Recreation and Culture	22,167
Other Function	7,304
Total Expenses	204,861
Change in Net Assets	6,200
<u>NET ASSETS</u> - Beginning of Year	714,143
<u>NET ASSETS</u> - End of year	\$ 720,343

VILLAGE OF FIFE LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 29, 2012

Governmental Activities

During the fiscal year ended February 29, 2012, the Village's net assets increased by \$6,200 in the governmental funds. GASB 34 requires the Village to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of the Village of Fife Lake comes from property taxes. The Village's operating millage was 9.7258 mills. The Village's charter allows the Village to levy up to 15.00 mills for operations.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the state sales tax and motor fuel and weight taxes. In 2011-2012, the amount of state shared revenue received by the Village increased, representing increased sales tax collections by the state in revenue sharing payments.

The Village's governmental activities expenses are dominated by the Public Works expenses. The Village spent \$96,105 in fiscal year 2012 on Public Works. General Government represented the next largest expense at \$71,893.

Financial Analysis of the Government's Funds

Governmental Activities At the completion of the Village's fiscal year ended February 29, 2012, its governmental funds reported fund balances of \$287,468.

General Fund – The General Fund is the main operating fund of the Village. The General Fund decreased its fund balance in this fiscal year by \$5,629, bringing the fund balance to \$164,777, all of which was unassigned.

Major Street Fund – The fund balance of the Major Street Fund ended the year at \$90,245, all of which is restricted for street improvements. This was an increase of \$9,039 from the previous year.

Local Street Fund – The fund balance of the Local Street Fund ended the year at \$32,446, all of which is restricted for street improvements. This was an increase of \$15,979 from the previous year.

Proprietary Funds

Equipment Fund – The Equipment Fund ended this fiscal year with \$47,557 in unrestricted net assets. The net assets of this fund decreased by \$11,248 in 2012. This fund remains in sound fiscal condition moving forward.

General Fund Budgetary Highlights

During the year, there was a \$16,745 increase in appropriations between the original budget and final amended budget.

VILLAGE OF FIFE LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 29, 2012

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Total Revenues	\$ 140,450	\$ 157,195	\$ 161,371
Total Expenditures	\$ 135,559	\$ 152,304	\$ 154,800

Capital Asset and Debt Administration

Capital Assets. The Village's investment in capital assets for the governmental activities as of February 29, 2012, amounted to \$398,412 (net of accumulated depreciation). Capital assets of the Village include any items purchased that cost in excess of \$5,000 and have an expected useful life of over one year. The Village has invested in a broad range of capital assets, as detailed below:

**Village of Fife Lake
Capital Assets as of February 29, 2012**

	Governmental Activities
Land	\$ 46,079
Buildings	134,250
Public Domain Infrastructure	247,715
Machinery and Equipment	265,225
Subtotal	693,269
Less: Accumulated Depreciation	294,857
Net Capital Assets	\$ 398,412

Additional information regarding the Village's capital assets can be found in the Notes to the Financial Statements section on pages 12-25.

Long-Term Debt. As of February 29, 2012, the Village owed \$13,094 on an installment purchase agreement for a snowplow truck that was purchased in fiscal year 2008-09. Additional information regarding the Village's long-term debt can be found in the Notes to the Financial Statements section on pages 12-25.

Economic Condition & Future Outlook

It appears state shared revenues have stabilized.

VILLAGE OF FIFE LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 29, 2012

These factors were considered in preparing the Village's budgets for the 2012/2013 fiscal year.

Contacting the Village's Finance Department

This financial report is designed to provide the wide variety of users of this document with a general overview of the Village's finances and demonstrate the Village's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the Village of Fife Lake, P.O. Box 298, Fife Lake, Michigan 49663, or call us at (231) 879-4291.

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VILLAGE OF FIFE LAKE, MICHIGAN

STATEMENT OF NET ASSETS
FEBRUARY 29, 2012

	<u>PRIMARY GOVERNMENT</u>	
	<u>GOVERNMENTAL ACTIVITIES</u>	<u>COMPONENT UNIT</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 313,077	\$ 103,697
Taxes Receivables	1,276	4,751
Due from Other Governmental Units	24,216	0
Total Current Assets	<u>338,569</u>	<u>108,448</u>
<u>CAPITAL ASSETS</u>		
Land	46,079	0
Buildings	134,250	0
Public Domain Infrastructure	247,715	0
Machinery and Equipment	265,225	0
	693,269	0
Less Accumulated Depreciation	<u>294,857</u>	<u>0</u>
Net Capital Assets	<u>398,412</u>	<u>0</u>
TOTAL ASSETS	<u>736,981</u>	<u>108,448</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	1,599	0
Due to Other Governmental Units	1,945	0
Current Portion of Long-Term Debt	12,254	20,000
Total Current Liabilities	<u>15,798</u>	<u>20,000</u>
<u>LONG-TERM LIABILITIES</u>		
Installment Purchase Agreement (Net of Current Portion)	840	0
General Obligation Bonds (Net of Current Portion)	0	100,000
Total Long-Term Liabilities	<u>840</u>	<u>100,000</u>
TOTAL LIABILITIES	<u>16,638</u>	<u>120,000</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	385,318	0
Unrestricted (Deficit)	<u>335,025</u>	<u>(11,552)</u>
TOTAL NET ASSETS (DEFICIT)	<u>\$ 720,343</u>	<u>\$ (11,552)</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF FIFE LAKE, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 29, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT	
		TOTAL GOVERNMENTAL ACTIVITIES	COMPONENT UNIT			
<u>PRIMARY GOVERNMENT</u>						
<u>GOVERNMENTAL ACTIVITIES</u>						
General Government	\$ 71,893	\$ 4,698	\$ 997	\$ 0	\$ (66,198)	\$ 0
Public Works	96,105	0	51,329	0	(44,776)	0
Community and Economic Development	7,392	250	0	0	(7,142)	0
Recreation and Cultural	22,167	0	0	2,500	(19,667)	0
Other Functions	7,304	0	0	0	(7,304)	0
Total Primary Government	\$ 204,861	\$ 4,948	\$ 52,326	\$ 2,500	(145,087)	0
<u>COMPONENT UNIT</u>						
Downtown Development Authority	\$ 12,306	\$ 0	\$ 1,000	\$ 0	0	(11,306)

GENERAL REVENUES

Property Taxes	98,649	40,523
State Shared Revenue	33,575	0
Investment Earnings	1,002	714
Other	18,061	0
Total General Revenues	151,287	41,237
Change in Net Assets	6,200	29,931
<u>NET ASSETS</u> - Beginning of Year	714,143	(41,483)
<u>NET ASSETS</u> - End of Year	\$ 720,343	\$ (11,552)

The accompanying notes are an integral part of the financial statements.

VILLAGE OF FIFE LAKE, MICHIGAN
GOVERNMENTAL FUNDS

BALANCE SHEET
FEBRUARY 29, 2012

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	TOTAL
<u>ASSETS</u>				
Cash				
Petty Cash	\$ 100	\$ 0	\$ 0	\$ 100
Checking	300	0	0	300
Money Market Account	127,632	88,708	23,818	240,158
Certificates of Deposit	26,084	0	0	26,084
Taxes Receivable	1,276	0	0	1,276
Due from Other Funds	442	0	2,400	2,842
Due from Other Governmental Units	10,812	7,176	6,228	24,216
TOTAL ASSETS	\$ 166,646	\$ 95,884	\$ 32,446	\$ 294,976
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 1,025	\$ 0	\$ 0	\$ 1,025
Due to Other Funds	844	3,694	0	4,538
Due to Other Governments	0	1,945	0	1,945
Total Liabilities	1,869	5,639	0	7,508
 <u>FUND BALANCE</u>				
Restricted				
Street Improvements	0	90,245	32,446	122,691
Unassigned	164,777	0	0	164,777
Total Fund Balance	164,777	90,245	32,446	287,468
 TOTAL LIABILITIES AND FUND BALANCE	\$ 166,646	\$ 95,884	\$ 32,446	\$ 294,976

The accompanying notes are an integral part of the financial statements.

VILLAGE OF FIFE LAKE, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FEBRUARY 29, 2012

Total Fund Balances for Governmental Funds \$ 287,468

Amounts reported for Governmental Activities in the
Statement of Net Assets are different because:

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

Land	\$ 46,079	
Buildings	134,250	
Public Domain Infrastructure	247,715	
Accumulated Depreciation	<u>(107,023)</u>	321,021

Internal service funds are used by management to charge costs of
certain activities, such as equipment use, to individual funds.
The assets and liabilities of the internal service funds are
included in governmental activities in the Statement of
Net Assets.

111,854

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 720,343

The accompanying notes are an integral part of the financial statements.

VILLAGE OF FIFE LAKE, MICHIGAN
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED FEBRUARY 29, 2012

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	TOTAL
<u>REVENUES</u>				
Taxes	\$ 98,649	\$ 0	\$ 0	\$ 98,649
Licenses and Permits	4,468	0	0	4,468
State Grants	36,590	30,307	19,004	85,901
Contributions from Local Units	2,362	0	0	2,362
Interest and Rents	1,103	300	79	1,482
Other Revenue	18,199	0	0	18,199
Total Revenues	<u>161,371</u>	<u>30,607</u>	<u>19,083</u>	<u>211,061</u>
<u>EXPENDITURES</u>				
General Government	74,134	0	0	74,134
Public Works	46,853	15,718	21,154	83,725
Community and Economic Development	7,392	0	0	7,392
Recreation and Cultural	19,117	0	0	19,117
Other Functions	7,304	0	0	7,304
Total Expenditures	<u>154,800</u>	<u>15,718</u>	<u>21,154</u>	<u>191,672</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,571</u>	<u>14,889</u>	<u>(2,071)</u>	<u>19,389</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In	0	0	18,050	18,050
Operating Transfers Out	(12,200)	(5,850)	0	(18,050)
Total Other Financing Sources (Uses)	<u>(12,200)</u>	<u>(5,850)</u>	<u>18,050</u>	<u>0</u>
Net Change in Fund Balances	(5,629)	9,039	15,979	19,389
<u>FUND BALANCES</u> - Beginning of Year	<u>170,406</u>	<u>81,206</u>	<u>16,467</u>	<u>268,079</u>
<u>FUND BALANCES</u> - End of Year	<u>\$ 164,777</u>	<u>\$ 90,245</u>	<u>\$ 32,446</u>	<u>\$ 287,468</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF FIFE LAKE, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 29, 2012

Net Change in Fund Balances - Total Governmental Funds	\$	19,389
Amounts reported for Governmental Activities are different because:		
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation in the statement of activities.		
Depreciation Expense		(7,639)
Employees compensated absences are reported on the accrual method in the statement of activities, and recorded as expenditures when financial resources are used in the governmental funds		
Compensated Absences - Beginning of Year	\$	5,698
Compensated Absences - End of Year		<u>0</u> 5,698
Internal service funds are used by management to charge costs of equipment use to individual funds. The net revenue (expense) of the internal service fund is reported within the governmental activities.		<u>(11,248)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>6,200</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF FIFE LAKE, MICHIGAN
PROPRIETARY FUND

STATEMENT OF NET ASSETS
FEBRUARY 29, 2012

	<u>EQUIPMENT FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	
Money Market	\$ 40,909
Certificate of Deposit	5,526
Due from Other Funds	2,046
	<hr/>
Total Current Assets	48,481
	<hr/>
<u>CAPITAL ASSETS</u>	
Machinery and Equipment	265,225
Less Accumulated Depreciation	(187,834)
	<hr/>
Net Capital Assets	77,391
	<hr/>
TOTAL ASSETS	125,872
	<hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	574
Due to General Fund	350
Current Portion of Long-Term Debt	12,254
	<hr/>
Total Current Liabilities	13,178
<u>LONG-TERM LIABILITIES</u>	
Installment Purchase Agreement (Net of Current Portion)	840
	<hr/>
TOTAL LIABILITIES	14,018
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	64,297
Unrestricted	47,557
	<hr/>
TOTAL NET ASSETS	<u>\$ 111,854</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF FIFE LAKE, MICHIGAN
PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED FEBRUARY 29, 2012

	<u>EQUIPMENT FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	\$ 26,452
<u>OPERATING EXPENSES</u>	
Administrative and General	4,300
Plant	32,654
Total Operating Expenses	36,954
Operating Income (Loss)	(10,502)
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	218
Interest Expense	(964)
Total Nonoperating Revenues (Expenses)	(746)
Change in Net Assets	(11,248)
<u>TOTAL NET ASSETS - Beginning of Year</u>	123,102
<u>TOTAL NET ASSETS -End of Year</u>	\$ 111,854

The accompanying notes are an integral part of the financial statements.

VILLAGE OF FIFE LAKE, MICHIGAN
PROPRIETARY FUND

STATEMENT OF CASH FLOWS
YEAR ENDED FEBRUARY 29, 2012

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>EQUIPMENT FUND</u>
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	\$ 24,406
Cash Payments to Suppliers for Goods and Services	(14,525)
Cash Payments to Employees for Services	(6,679)
Net Cash Provided (Used) by Operating Activities	<u>3,202</u>
Cash Flows from Capital and Related Financing Activities	
Capital Asset Purchases	(6,737)
Payments on Installment Purchase Agreement	(11,672)
Interest Payments	(964)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(19,373)</u>
Cash Flows from Investing Activities:	
Interest on Investments	<u>218</u>
Net Increase in Cash and Cash Equivalents	(15,953)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>62,388</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 46,435</u></u>
<u>RECONCILIATION OF OPERATING INCOME</u>	
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	<u>\$ (10,502)</u>
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation	14,826
(Increase) Decrease in Current Assets	
Due from Other Funds	(2,046)
Increase (Decrease) in Current Liabilities	
Accounts Payable	574
Due to General Fund	350
Total Adjustments	<u>13,704</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 3,202</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF FIFE LAKE, MICHIGAN
COMPONENT UNIT

STATEMENT OF NET ASSETS
FEBRUARY 29, 2012

	<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 103,697
Taxes Receivable	4,751
	<hr/>
TOTAL ASSETS	108,448
	<hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Current Portion of Long-Term Debt	20,000
	<hr/>
<u>LONG-TERM LIABILITIES</u>	
General Obligation Bonds	120,000
Less: Current Portion	(20,000)
	<hr/>
Total Long-Term Liabilities	100,000
	<hr/>
TOTAL LIABILITIES	120,000
	<hr/>
<u>NET ASSETS</u>	
Unrestricted (Deficit)	\$ (11,552)
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF FIFE LAKE, MICHIGAN
COMPONENT UNIT

STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 29, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>				
Economic Development	\$ 3,951	\$ 0	\$ 1,000	\$ (2,951)
Recreation and Culture	200	0	0	(200)
Interest on Long-Term Debt	8,155	0	0	(8,155)
	\$ 12,306	\$ 0	\$ 1,000	(11,306)
<u>GENERAL REVENUES</u>				
Taxes				40,523
Interest Earnings				714
				41,237
Total General Revenues				41,237
Change in Net Assets				29,931
<u>NET ASSETS</u> – Beginning of Year (Deficit)				(41,483)
<u>NET ASSETS</u> – End of Year (Deficit)				\$ (11,552)

The accompanying notes are an integral part of the financial statements.

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of Fife Lake, Michigan, was organized in 1889 and covers an area of approximately one square mile. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the primary government. The discretely presented component unit has a February 29 year end.

DISCRETELY PRESENTED COMPONENT UNIT

Downtown Development Authority (DDA) – The members of the governing board of the Downtown Development Authority are appointed by the Village council. The Authority's operational and capital budgets and bonded debt must be approved by the Village council.

Financial statements of the individual component unit are included as supplemental information in the annual financial report of the Village of Fife Lake, Michigan. The component unit does not issue a separate financial report.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental 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 responsible.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2012

recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Village of Fife Lake reports the following major governmental funds:

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

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares.

The *Local Street Fund* receives all local street money paid to the Village by the state, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The Village of Fife Lake reports the following major proprietary fund:

The *Equipment Fund* accounts for operations that provide equipment use to other departments of the government on a cost-reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2012

their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

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

The investment policy adopted by this Village states that the Village Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- a. Bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States. This subdivision shall include securities issued or guaranteed by the Government National Mortgage Association.
- b. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2012

- c. In commercial paper rated prime at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service. In mutual funds composed of investment vehicles which are legal for direct investment of local units of government in Michigan.
- g. Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686.54789, 15 U.S.C.80a-1 to U.S.C.80a-3 and 80e-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the village treasurer. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
- h. Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.11 to 129.118.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. Village taxes are levied and due July 1, and become delinquent after September 14. Village property tax revenues are recognized when they become both measurable and available for use to finance Village operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2011 taxable valuation of the Village of Fife Lake totaled \$11,815,358, on which ad valorem taxes levied consisted of 9.7258 mills for the Village of Fife Lake. This levy raised \$114,240 in tax of which \$15,591 was captured by the Downtown Development Authority leaving \$98,649 for Village operating purposes.

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2012

3. *Inventories and Prepaid Items*

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two 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 date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	20-50
Building Improvements	20
Land Improvements	20
Public Domain Infrastructure	50
System Infrastructure	30
Equipment	5-10

5. *Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2012

using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Fund Balance

Beginning with fiscal year 2011/2012, the Village implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – Includes amounts that can only be used for specific purposes determined by a formal action by Council Resolution. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (Council Resolution) that was employed when the funds were initially committed.

Assigned – Includes amounts a government intends to use for a specific purpose. Intent can be expressed by the Council or by an official or body to which the Council delegates the authority.

Unassigned – Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

As stated in Note IC above, restricted resources are used first when an expense is incurred for which both restricted and unrestricted resources are available. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Village considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Council has provided otherwise in its commitment or assignment actions.

7. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2012

and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 493 of 2000 “The Uniform Budgeting and Accounting Act.” A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end.

The appropriated budget is prepared by fund and activity. The Village Council exercises budgetary control over expenditures.

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

1. Prior to March 1, the clerk submits, to the Village Council, proposed operating budgets for all funds of the Village for the fiscal year
2. The Village Council adopts a resolution approving the budgets.
3. All transfers of budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund must be approved by the Village Council.
4. During the year, the budget is monitored and amendments to the budget are made when it is deemed necessary.
5. Budget amounts as presented are as originally adopted on February 7, 2011, or as amended by the Village Council from time to time throughout the year.
6. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Expenditures in excess over appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
General Government		
Village Council	\$ 13,135	\$ 13,317
Building and Grounds	46,150	46,908
Recreation and Culture		
Parks and Recreation	16,150	19,117

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2012

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. As of February 29, 2012, none of the government’s bank balance of \$314,440 was exposed to custodial credit risk because it is covered by federal depository insurance. As of February 29, 2012 none of the component unit’s bank balance of \$92,859 was exposed to custodial credit risk because it is covered by federal depository insurance. Although the Village’s investment policy does not directly address custodial credit risk, it typically limits its exposure by controlling who holds the Village’s deposits.

Foreign Currency Risk. The Village is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

B. Receivables

Receivables as of year end for the government’s individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Receivables					
Taxes	\$ 1,276	\$ 0	\$ 0	\$ 1,276	\$ 4,751
Intergovernmental	10,812	7,176	6,228	24,216	0
Receivables	<u>\$ 12,088</u>	<u>\$ 7,176</u>	<u>\$ 6,228</u>	<u>\$ 25,492</u>	<u>\$ 4,751</u>

Amounts due from other governments include amounts due from state sources for various projects and programs.

By ordinance, the Village can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2012

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 46,079	\$ 0	\$ 0	\$ 46,079
Capital Assets, Being Depreciated				
Buildings	134,250	0	0	134,250
Public Domain Infrastructure	247,715	0	0	247,715
Machinery and Equipment	258,488	6,737	0	265,225
Total Capital Assets, Being Depreciated	640,453	6,737	0	647,190
Less Accumulated Depreciation For:				
Buildings	79,183	2,685	0	81,868
Public Domain Infrastructure	20,201	4,954	0	25,155
Machinery and Equipment	173,008	14,826	0	187,834
Total Accumulated Depreciation	272,392	22,465	0	294,857
Total Capital Assets, Being Depreciated, Net	368,061	(15,728)	0	352,333
Governmental Activities Capital Assets, Net	\$ 414,140	\$ (15,728)	\$ 0	\$ 398,412

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

 General Government

 General Government

 Public Works

\$ 2,154

20,311

\$ 22,465

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2012

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at February 29, 2012, were:

	<u>INTERFUND RECEIVABLES DUE FROM'S</u>	<u>INTERFUND PAYABLES DUE TO'S</u>
<u>Primary Government</u>		
General Fund	\$ 442	\$ 844
Major Street Fund	0	3,694
Local Street Fund	2,400	0
Proprietary Fund		
Equipment Fund	2,046	350
	<u>\$ 4,888</u>	<u>\$ 4,888</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

Interfund Transfers as of February 29, 2012, were:

	<u>TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
<u>Primary Government</u>		
General Fund	\$ 0	\$ 12,200
Major Street Fund	0	5,850
Local Street Fund	18,050	0
	<u>\$ 18,050</u>	<u>\$ 18,050</u>

E. Long-Term Debt

1. Primary Government

The following is a summary of debt transactions of the Village of Fife Lake for the year ended February 29, 2012:

Governmental Activities: None

VILLAGE OF FIFE LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2012

Business-type Activities:

	<u>INSTALLMENT PURCHASE AGREEMENT</u>
Debt Payable at March 1, 2011	\$ 24,766
New Debt Incurred	0
Debt Retired	(11,672)
Debt Payable at February 29, 2012	\$ 13,094

Debt payable at February 29, 2012, is comprised of the following:

Installment Purchase Agreement:

\$55,793 Installment Purchase Agreement for equipment due in monthly installments of \$1,053 through March 15, 2014; plus interest at 5.00%	\$ 13,094
---	-----------

The annual requirements to amortize these debts outstanding as of February 29, 2012 are as follows:

<u>YEAR ENDING FEBRUARY 28,</u>	<u>INSTALLMENT PURCHASE AGREEMENT</u>
2013	
PRINCIPAL	\$ 12,254
INTEREST	383
TOTAL	12,637
2014	
PRINCIPAL	840
INTEREST	5
TOTAL	845
GRAND TOTAL	
PRINCIPAL	13,094
INTEREST	388
TOTAL	\$ 13,482

VILLAGE OF FIFE LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2012

2. Component Units

The following is a summary of debt transactions of the Downtown Development Authority for the year ended February 29, 2012:

	<u>GENERAL OBLIGATION BONDS</u>
Debt Payable at March 1, 2011	\$ 135,000
New Debt Incurred	0
Debt Retired	<u>(15,000)</u>
Debt Payable at February 29, 2012	<u><u>\$ 120,000</u></u>

Debt payable at February 29, 2012, is comprised of the following:

General Obligation Bonds:

\$200,000 General Obligation Bonds due in annual installments of \$5,000 to \$25,000 through October 1, 2016; plus interest at 5.8% to 5.85% \$ 120,000

The annual requirements to amortize these debts outstanding as of February 29, 2012 are as follows:

<u>YEAR ENDING FEBRUARY 28,</u>	<u>GENERAL OBLIGATION BONDS</u>
2013	
PRINCIPAL	\$ 20,000
INTEREST	7,010
TOTAL	<u>27,010</u>
2014	
PRINCIPAL	25,000
INTEREST	5,850
TOTAL	<u>30,850</u>
2015	
PRINCIPAL	25,000
INTEREST	4,388
TOTAL	<u><u>\$ 29,388</u></u>

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2012

<u>YEAR ENDING</u> <u>FEBRUARY 28,</u>	<u>GENERAL</u> <u>OBLIGATION</u> <u>BONDS</u>
2016	
PRINCIPAL	\$ 25,000
INTEREST	2,926
TOTAL	<u> 27,926</u>
2017	
PRINCIPAL	25,000
INTEREST	1,462
TOTAL	<u> 26,462</u>
GRAND TOTAL	
PRINCIPAL	120,000
INTEREST	21,636
TOTAL	<u><u> \$ 141,636</u></u>

IV. OTHER INFORMATION

A. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Village participates in a pool of municipalities with the State of Michigan for self-insuring worker's compensation insurance through Michigan Municipal Worker's Compensation Fund. The Village pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Village has not been informed of any special assessments being required for the current year or the three prior years.

In addition, the Village carries commercial insurance to cover property and casualty, crime, general liability, errors and omissions, and fidelity bonds.

B. New GASB Standard

Effective March 1, 2011 the Village adopted GASB Statement 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement also clarifies existing governmental fund type definitions. Accordingly the components of fund balance in the prior year have been restated using the new definitions in order to be consistent with the current year's presentation.

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2012

C. Retirement Benefits

Retirement benefits are provided to full-time Village employees through contributions to a 457 Governmental Deferred Compensation Plan. Such contributions equal three percent of each employee's base pay. 457 Governmental Deferred Compensation Plan balances become the property of the employee immediately. Therefore, there are no plan assets or liabilities which would be included as part of the Village reporting entity. Covered wages were \$43,807 and total wages were \$76,802. The Village's total contributions were \$1,314 for the year ended February 29, 2012.

D. Related Party Transactions

The Downtown Development Authority purchased services from an individual related to a Downtown Development Authority board member in the amount of \$ 2,723.

VILLAGE OF FIFE LAKE, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED FEBRUARY 29, 2012

	GENERAL FUND			MAJOR STREET FUND			LOCAL STREET FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>									
Taxes	\$ 98,100	\$ 98,100	\$ 98,649	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits	3,650	3,650	4,468	0	0	0	0	0	0
State Grants	36,500	36,500	36,590	25,000	25,000	30,307	16,000	16,000	19,004
Contributions from Local Units	1,000	1,500	2,362	0	0	0	0	0	0
Interest and Rents	1,200	1,200	1,103	250	250	300	25	25	79
Other Revenues	0	16,245	18,199	0	0	0	0	0	0
Total Revenues	140,450	157,195	161,371	25,250	25,250	30,607	16,025	16,025	19,083
<u>EXPENDITURES</u>									
General Government									
Village Council	10,250	13,135	13,317	0	0	0	0	0	0
Accounting Department	16,150	14,310	13,909	0	0	0	0	0	0
Building and Grounds	33,950	46,150	46,908	0	0	0	0	0	0
Public Works									
Department of Public Works	44,050	47,050	46,853	0	0	0	0	0	0
Highways, Streets, and Bridges	0	0	0	18,928	18,928	15,718	27,238	27,238	21,154
Community and Economic Development									
Planning and Zoning	8,040	8,040	7,392	0	0	0	0	0	0
Recreation and Culture									
Parks and Recreation	16,150	16,150	19,117	0	0	0	0	0	0
Other Functions	6,969	7,469	7,304	0	0	0	0	0	0
Total Expenditures	135,559	152,304	154,800	18,928	18,928	15,718	27,238	27,238	21,154
Excess (Deficiency) of Revenues Over Expenditures	4,891	4,891	6,571	6,322	6,322	14,889	(11,213)	(11,213)	(2,071)
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In	0	0	0	0	0	0	11,213	11,213	18,050
Transfers Out	(4,891)	(4,891)	(12,200)	(6,322)	(6,322)	(5,850)	0	0	0
Total Other Financing Sources (Uses)	(4,891)	(4,891)	(12,200)	(6,322)	(6,322)	(5,850)	11,213	11,213	18,050
Net Change in Fund Balance	0	0	(5,629)	0	0	9,039	0	0	15,979
<u>FUND BALANCE</u> - Beginning of Year	0	0	170,406	0	0	81,206	0	0	16,467
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 164,777	\$ 0	\$ 0	\$ 90,245	\$ 0	\$ 0	\$ 32,446

VILLAGE OF FIFE LAKE, MICHIGAN
COMPONENT UNIT
DOWNTOWN DEVELOPMENT AUTHORITY FUND

BALANCE SHEET
FEBRUARY 29, 2012

ASSETS

Cash	\$ 103,697
Taxes Receivable	<u>4,751</u>

TOTAL ASSETS	<u>\$ 108,448</u>
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LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
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FUND BALANCE

Restricted for Economic Development	<u>108,448</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 108,448</u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF FIFE LAKE, MICHIGAN
COMPONENT UNIT
DOWNTOWN DEVELOPMENT AUTHORITY FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 29, 2012

REVENUES

Taxes	
Current Property Tax Levy	\$ 40,523
Interest and Rents	
Interest Earnings	714
Other	
Donations	<u>1,000</u>
 Total Receipts	 <u>42,237</u>

EXPENDITURES

Economic Development	
Supplies	482
Contract Services	1,523
Other	1,946
Recreation and Culture	
Historical Society	200
Debt Service	
Principal	15,000
Interest and Fees	<u>8,155</u>
 Total Expenditures	 <u>27,306</u>

Excess (Deficiency) of Revenues Over Expenditures 14,931

FUND BALANCE - Beginning of the Year 93,517

FUND BALANCE - End of the Year \$ 108,448

The accompanying notes are an integral part of the financial statements.

VILLAGE OF FIFE LAKE, MICHIGAN
COMPONENT UNIT
DOWNTOWN DEVELOPMENT AUTHORITY

2000 DOWNTOWN DEVELOPMENT BONDS
FEBRUARY 29, 2012

<u>TITLE OF ISSUE</u>	Village of Fife Lake 2000 Downtown Development Bonds	
<u>PURPOSE</u>	Paying the cost of the downtown development area improvements	
<u>DATE OF ISSUE</u>	May 24, 2000	
<u>AMOUNT OF ISSUE</u>		\$ 200,000
<u>AMOUNT REDEEMED</u>		
Prior to Current Period	\$ 65,000	
During Current Period	<u>15,000</u>	<u>80,000</u>
<u>BALANCE OUTSTANDING</u> - February 29, 2012		<u><u>\$ 120,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
April 1, 2012			\$ 3,505	\$ 3,505
October 1, 2012	5.80	\$ 20,000	3,505	23,505
April 1, 2013			2,925	2,925
October 1, 2013	5.85	25,000	2,925	27,925
April 1, 2014			2,194	2,194
October 1, 2014	5.85	25,000	2,194	27,194
April 1, 2015			1,463	1,463
October 1, 2015	5.85	25,000	1,463	26,463
April 1, 2016			731	731
October 1, 2016	5.85	25,000	731	25,731
		<u>\$ 120,000</u>	<u>\$ 21,636</u>	<u>\$ 141,636</u>

The accompanying notes are an integral part of the financial statements.

