

**VILLAGE OF FIFE LAKE, MICHIGAN**

**FEBRUARY 29, 2020**



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VILLAGE OF FIFE LAKE, MICHIGAN

FEBRUARY 29, 2020

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# Baird, Cotter & Bishop, P.C.

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May 1, 2020

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental 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, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Fife Lake, Michigan, as of February 29, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iii-ix and 24 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Fife Lake, Michigan's basic financial statements. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements are fairly stated, in all material respects, in relation to the basic 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, 2020

#### **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, 2020, 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.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management Discussion and Analysis (MD&A) – for State and Local Governments issued in June of 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because the audit of the Village is only required every other year, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, the Village has elected to exclude the comparative information. We expect this situation to continue due to the every other year audit requirement.

#### **Financial Highlights**

- ❖ The assets of the Village of Fife Lake exceeded its liabilities at the close of the most recent fiscal year by \$987,348 (*net position*). Of this amount, \$304,337 represents unrestricted net position, which may be used to meet the Village's ongoing obligations to citizens and creditors.
- ❖ At the close of the current fiscal year, the Village's governmental funds reported combined fund balances of \$231,407, a decrease of \$39,627 in comparison with the prior year. Approximately 64% of this amount (\$148,317) is available for spending at the Village's discretion (*unassigned fund balance*).

#### **Overview of the Financial Statements**

This discussion and analysis provided here are intended to serve as an introduction to the Village of Fife Lake's basic financial statements. The Village's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**Government-Wide Financial Statements** The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

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

## VILLAGE OF FIFE LAKE

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### FOR FISCAL YEAR ENDED FEBRUARY 29, 2020

The *Statement of Activities* presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

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 significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include general government, public works, community and economic development, and recreation and culture.

The government-wide financial statements include not only the Village of Fife Lake itself (known as the *primary government*), but also a legally separate Downtown Development Authority for which the Village is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 1-2 of this report.

**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 *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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

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

Village of Fife Lake adopts an annual appropriated budget for all major funds. A budgetary comparison has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-6 of this report.



VILLAGE OF FIFE LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 29, 2020

**Proprietary Funds** The Village maintains one type of proprietary fund. 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.

Proprietary funds provide the same type of information as the governmental-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 7-9 of this report.

**Notes to Financial Statements** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the governmental-wide and fund financial statements. The notes can be found on pages 10-23 of this report.

**Other Information** In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Village of Fife Lake, assets exceeded liabilities by \$987,348 at the close of the most recent fiscal year.

**Village of Fife Lake  
Net Position  
As of February 29, 2020**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Current Assets	\$ 401,607
Capital Assets	602,335
<b>Total Assets</b>	<b><u>1,003,942</u></b>
<b>Liabilities</b>	
Current Liabilities	<u>16,594</u>
<b>Net Position</b>	
Net Investment in Capital Assets	602,335
Restricted for a Street Improvements	80,676
Unrestricted	304,337
<b>Total Net Position</b>	<b><u>\$ 987,348</u></b>

VILLAGE OF FIFE LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 29, 2020

A large portion of the Village's net position (61%) represents its investment in capital assets (e.g. land, buildings, machinery, equipment, vehicles, infrastructure, and others), less any related outstanding debt that was used to acquire those assets. The Village uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net position (8%) reflects restricted resources that that are subject to external restrictions on how they may be used. The remaining balance of \$304,337 represents unrestricted resources that may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Village of Fife Lake's overall net position increased by \$42,467 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for the governmental activities.

**Village of Fife Lake  
Change in Net Position  
For the Fiscal Year Ended February 29, 2020**

	<b><u>Governmental Activities</u></b>
<b><u>Revenues</u></b>	
<b>Program Revenues</b>	
Charges for Services	\$ 8,175
Operating Grants and Contributions	121,447
<b>General Revenues</b>	
Property Taxes	111,383
State Shared Revenue	44,679
Investment Earnings	675
Other	<u>21,159</u>
<b>Total Revenues</b>	<u>307,518</u>

VILLAGE OF FIFE LAKE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED FEBRUARY 29, 2020

**Village of Fife Lake**  
**Change in Net Position**  
**For the Fiscal Year Ended February 29, 2020**

	<b>Governmental Activities</b>
<b><u>Expenses</u></b>	
General Government	74,230
Public Works	152,845
Community and Economic Development	5,929
Recreation and Culture	27,513
Other Functions	4,534
	<b>265,051</b>
<b>Total Expenses</b>	<b>265,051</b>
Change in Net Position	42,467
<u>NET POSITION</u> - Beginning of Year	944,881
<u>NET POSITION</u> - End of year	\$ 987,348

**Governmental Activities**

The governmental activities accounted for an increase of \$42,467 in the Village's net position. The most significant portions of the revenue for all governmental activities of the Village of Fife Lake comes from operating grants and contributions and property taxes. The Village's millage in 2019 was 9.2076 mills for operating. The Village's charter allows the Village to levy up to 12.50 mills for operations.

The Village's governmental activities expenses are dominated by General Government and Public Work expenses. The Village spent \$74,230 in fiscal year 2019-2020 on General Government and \$152,845 on Public Work expenses.

**Financial Analysis of the Government's Funds**

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

**Governmental Funds** The focus of the Village of Fife Lake's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Village itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Village Council.

VILLAGE OF FIFE LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 29, 2020

At February 29, 2020, the Village of Fife Lake's governmental funds reported combined fund balances of \$231,407, a decrease of \$39,627 in comparison with the prior year. Approximately 64% of this amount (\$148,317) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form (\$2,414), 2) legally required to be maintained intact, 3) restricted for particular purposes (\$80,676), 4) committed for particular purposes, or 5) assigned for particular purposes.

**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 \$10,564, bringing the fund balance to \$150,731, of which \$148,317 was unassigned.

**Major Street Fund** – The fund balance of the Major Street Fund ended the year at \$33,714, all of which is restricted for street improvements. This was an increase of \$3,793 from the previous year.

**Local Street Fund** – The fund balance of the Local Street Fund ended the year at \$46,962, all of which is restricted for street improvements. This was a decrease of \$32,856 from the previous year. The primary reason for the decrease is due to several road projects done during the fiscal year.

***Proprietary Funds***

**Equipment Fund** – Unrestricted net position of the Equipment Fund at the end of the year was \$222,345. The net position of this fund increased by \$25,611 in 2020. This fund remains in sound fiscal condition moving forward.

**General Fund Budgetary Highlights**

During the year, there was a \$9,800 decrease in appropriations and a \$6,701 increase in budgeted revenues between the original budget and final amended budget.

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	<u>\$ 161,999</u>	<u>\$ 168,700</u>	<u>\$ 178,140</u>
Total Expenditures	<u>\$ 168,700</u>	<u>\$ 158,900</u>	<u>\$ 143,704</u>

The final budget compared to actual results for revenues were different due to receiving other revenues which was not budgeted for. The final budget compare to actual results for expenditures were different due to the Village budgeting for more office expenditures than actually occurred during the year.

VILLAGE OF FIFE LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 29, 2020

**Capital Asset and Debt Administration**

**Capital Assets.** The Village's investment in capital assets for the governmental activities as of February 29, 2020, amounted to \$602,335 (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, 2020**

	<b>Governmental Activities</b>
Land	\$ 120,198
Land Improvements	5,538
Buildings	134,250
Public Domain Infrastructure	440,361
Machinery and Equipment	296,339
<b>Subtotal</b>	<b>996,686</b>
Less: Accumulated Depreciation	394,351
<b>Net Capital Assets</b>	<b>\$ 602,335</b>

Major capital asset events during fiscal year included the following:

- ❖ Paving of Merritt Street at a cost of \$59,450.
- ❖ Grade and paving of Clymene Street at a cost of \$9,610.
- ❖ Purchase of a tractor at a cost of \$20,499.

Additional information regarding the Village's capital assets can be found in the Notes to the Financial Statements section.

**Long-Term Debt.** The Village's primary government currently has no outstanding long-term debt.

**Economic Condition & Future Outlook**

There is uncertainty surrounding future state funding for local governments as a result of COVID-19. The Village's budget was prepared in February and did not factor any adverse impact for the 2020-2021 year. As more guidance becomes available and the situation becomes clearer, the Village will act accordingly.

**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 POSITION

FEBRUARY 29, 2020

	PRIMARY GOVERNMENT		GOVERNMENTAL ACTIVITIES	COMPONENT UNIT
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	\$	342,945	\$	129,927
Accounts Receivable		4,894		0
Taxes Receivable		0		7,563
Prepaid Expense		3,897		0
Due from Other Governmental Units		49,871		0
		401,607		137,490
 <u>CAPITAL ASSETS</u>				
Land		120,198		0
Land Improvements		5,538		0
Buildings		134,250		0
Public Domain Infrastructure		440,361		0
Machinery and Equipment		296,339		0
		996,686		0
Less Accumulated Depreciation		(394,351)		0
Net Capital Assets		602,335		0
		1,003,942		137,490
 <u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable		4,813		3,260
Accrued Payroll and Liabilities		2,541		0
Unearned Revenue		9,240		0
		16,594		3,260
 <u>NET POSITION</u>				
Net Investment in Capital Assets		602,335		0
Restricted for Street Improvements		80,676		0
Unrestricted		304,337		134,230
		987,348		134,230
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>987,348</b>	<b>\$</b>	<b>134,230</b>

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

VILLAGE OF FIFE LAKE, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED FEBRUARY 29, 2020

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT	
		TOTAL GOVERNMENTAL ACTIVITIES	TOTAL GOVERNMENTAL ACTIVITIES		COMPONENT UNIT	
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>						
General Government	\$ 74,230	\$ 8,175	\$ 0	\$ 0	\$ (66,055)	\$ 0
Public Works	152,845	0	0	0	(152,845)	0
Community and Economic Development	5,929	0	121,447	0	115,518	0
Recreation and Cultural	27,513	0	0	0	(27,513)	0
Other Functions	4,534	0	0	0	(4,534)	0
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 265,051</b>	<b>\$ 8,175</b>	<b>\$ 121,447</b>	<b>\$ 0</b>	<b>(135,429)</b>	<b>0</b>
<u>COMPONENT UNIT</u>						
Downtown Development Authority	\$ 20,599	\$ 0	\$ 0	\$ 0	0	(20,599)
<u>GENERAL REVENUES</u>						
Property Taxes					111,383	34,647
State Shared Revenue					44,679	0
Investment Earnings					675	993
Other					21,159	0
Total General Revenues					177,896	35,640
Change in Net Position					42,467	15,041
<u>NET POSITION - Beginning of Year</u>					944,881	119,189
<u>NET POSITION - End of Year</u>					\$ 987,348	\$ 134,230

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



VILLAGE OF FIFE LAKE, MICHIGAN  
GOVERNMENTAL FUNDS

BALANCE SHEET  
FEBRUARY 29, 2020

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 147,512	\$ 20,434	\$ 49,201	\$ 217,147
Accounts Receivable	4,894	0	0	4,894
Prepaid Expenditures	2,414	0	0	2,414
Due from Other Funds	13,199	8,132	3,049	24,380
Due from Other Governmental Units	6,840	26,583	16,448	49,871
TOTAL ASSETS	\$ 174,859	\$ 55,149	\$ 68,698	\$ 298,706
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 3,310	\$ 0	\$ 0	\$ 3,310
Accrued Payroll and Liabilities	2,541	0	0	2,541
Unearned Revenue	9,240	0	0	9,240
Due to Other Funds	9,037	21,435	21,736	52,208
Total Liabilities	24,128	21,435	21,736	67,299
 <u>FUND BALANCE</u>				
Nonspendable				
Prepaid Expenditures	2,414	0	0	2,414
Restricted				
Street Improvements	0	33,714	46,962	80,676
Unassigned	148,317	0	0	148,317
Total Fund Balance	150,731	33,714	46,962	231,407
 TOTAL LIABILITIES AND FUND BALANCE				
	\$ 174,859	\$ 55,149	\$ 68,698	\$ 298,706

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 POSITION  
FEBRUARY 29, 2020

Total Fund Balances for Governmental Funds \$ 231,407

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

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

Land	\$ 120,198	
Land Improvement	5,538	
Buildings	134,250	
Public Domain Infrastructure	440,361	
Machinery and Equipment	17,507	
Accumulated Depreciation	<u>(184,258)</u>	533,596

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 Position.

222,345

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 987,348

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, 2020

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	TOTAL
<u>REVENUES</u>				
Taxes	\$ 111,383	\$ 0	\$ 0	\$ 111,383
Licenses and Permits	7,765	0	0	7,765
State Grants	47,103	68,092	39,281	154,476
Contributions from Local Units	0	0	11,650	11,650
Interest and Rents	910	0	175	1,085
Other Revenue	10,979	10,180	0	21,159
Total Revenues	178,140	78,272	51,106	307,518
<u>EXPENDITURES</u>				
General Government	77,390	0	0	77,390
Public Works	29,174	80,079	123,362	232,615
Community and Economic Development	5,929	0	0	5,929
Recreation and Cultural	26,677	0	0	26,677
Other Functions	4,534	0	0	4,534
Total Expenditures	143,704	80,079	123,362	347,145
Excess (Deficiency) of Revenues Over Expenditures	34,436	(1,807)	(72,256)	(39,627)
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In	0	5,600	45,000	50,600
Operating Transfers Out	(45,000)	0	(5,600)	(50,600)
Total Other Financing Sources (Uses)	(45,000)	5,600	39,400	0
Net Change in Fund Balances	(10,564)	3,793	(32,856)	(39,627)
<u>FUND BALANCES</u> - Beginning of Year	161,295	29,921	79,818	271,034
<u>FUND BALANCES</u> - End of Year	\$ 150,731	\$ 33,714	\$ 46,962	\$ 231,407

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, 2020

Net Change in Fund Balances - Total Governmental Funds \$ (39,627)

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.

Capital Outlay	69,060
Depreciation Expense	(12,577)

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.

25,611

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES**

\$ 42,467

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

VILLAGE OF FIFE LAKE, MICHIGAN  
PROPRIETARY FUND

STATEMENT OF NET POSITION  
FEBRUARY 29, 2020

	<u>INTERNAL SERVICE FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$ 125,798
Prepaid Expense	1,483
Due from Other Funds	29,699
	<hr/>
Total Current Assets	156,980
	<hr/>
<u>CAPITAL ASSETS</u>	
Machinery and Equipment	278,832
Less Accumulated Depreciation	(210,093)
	<hr/>
Net Capital Assets	68,739
	<hr/>
TOTAL ASSETS	225,719
	<hr/>
<u>LIABILITIES</u>	
Accounts Payable	1,503
Due to Other Funds	1,871
	<hr/>
TOTAL LIABILITIES	3,374
	<hr/>
<u>NET POSITION</u>	
Net Investment in Capital Assets	68,739
Unrestricted	153,606
	<hr/>
TOTAL NET POSITION	\$ 222,345
	<hr/> <hr/>

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 NET POSITION  
YEAR ENDED FEBRUARY 29, 2020

	<u>INTERNAL SERVICE FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	<u>\$ 81,834</u>
<u>OPERATING EXPENSES</u>	
Administrative and General	1,246
Plant	<u>55,233</u>
Total Operating Expenses	<u>56,479</u>
Operating Income (Loss)	25,355
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	<u>256</u>
Change in Net Position	25,611
<u>TOTAL NET POSITION</u> - Beginning of Year	<u>196,734</u>
<u>TOTAL NET POSITION</u> -End of Year	<u><u>\$ 222,345</u></u>

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, 2020

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>EQUIPMENT FUND</u>
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	\$ 81,834
Cash Payments to Suppliers for Goods and Services	(41,555)
Cash Payments to Employees for Services	(4,377)
	<hr/>
Net Cash Provided (Used) by Operating Activities	35,902
	<hr/>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Equipment	(20,499)
	<hr/>
Cash Flows from Investing Activities:	
Interest on Investments	256
	<hr/>
Net Increase in Cash and Cash Equivalents	15,659
	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	110,139
	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 125,798
	<hr/> <hr/>
<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	\$ 25,355
	<hr/>
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities	
Depreciation	9,076
(Increase) Decrease in Current Assets	1,848
Increase (Decrease) in Current Liabilities	(377)
	<hr/>
Total Adjustments	10,547
	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 35,902
	<hr/> <hr/>

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

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2020

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**B. 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.

**C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the Village has one discretely presented component unit. While the Downtown Development Authority is considered to be major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.



VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2020

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

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

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.

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

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

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2020

**E. Measurement Focus and Basis of Accounting**

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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. General capital asset acquisitions are reported as expenditures in governmental funds.

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

The proprietary funds are reported using the *economic resources focus* and the *accrual basis of accounting*.

**F. Budgetary Information**

**1. Budgetary Basis of Accounting**

The annual budget is adopted on the modified accrual basis in accordance with the requirements of "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.

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2020

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 prior to February 28, 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.

**2. *Excess of Expenditures Over Appropriations***

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
General Government		
Village Council	\$ 20,000	\$ 22,626
Community and Economic Development		
Planning and Zoning	5,400	5,929
Major Street Fund		
Public Works		
Highways, Streets, and Bridges	79,300	80,079

These overages were funded by greater than anticipated revenues and available fund balance.

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

**1. *Cash and Cash Equivalents***

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments. The government considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2020

**2. Investments**

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.
- 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, 129.111 to 129.118.

**3. Inventories and Prepaid Items**

Inventory is valued at cost using first-in/first-out method. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2020

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**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 acquisition 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. *Unearned Revenue***

Unearned revenue arises when resources are received by the Village before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized.

**6. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any items that qualify for reporting in this category.

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2020

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has no items that qualify for reporting in this category.

**7. *Net Position Flow Assumption***

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

**8. *Fund Balance Flow Assumptions***

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

**9. *Fund Balance Policies***

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

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2020

have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

***10. Long-Term Obligations***

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related obligation.

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.

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

**H. Revenues and Expenditures/Expenses**

***1. Program Revenues***

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

***2. Property Taxes***

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 2019 taxable valuation of the Village of Fife Lake totaled \$12,285,911, on which ad valorem taxes levied consisted of 9.2076 mills for the Village of Fife Lake. This levy raised approximately \$122,835 in tax of which \$13,233 was captured by the Downtown Development Authority leaving approximately \$109,602 for Village operating purposes.

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2020

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Violations of Legal or Contractual Provisions**

Note I.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended February 29, 2020.

**III. DETAILED NOTES ON ALL FUNDS**

**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, 2020, none of the government's bank balance of \$348,660 was exposed to custodial credit risk because it is covered by federal depository insurance. As of February 29, 2020, none of the component unit's bank balance of \$129,927 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.

*Interest rate risk.* The Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Village's cash requirement.

*Credit risk.* State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

*Concentration of credit risk.* The Village will minimize Concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*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.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the Village's investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

**Fair Market Value Disclosure** - The Village is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the



VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2020

inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

The Village does not have any investments subject to fair market value disclosure.

The carrying amount of deposits is as follows:

	PRIMARY GOVERNMENT	COMPONENT UNIT
Cash on Hand	\$ 200	\$ 0
Carrying amount of Deposits	342,745	129,927
Total	\$ 342,945	\$ 129,927

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2020

The above amounts are reported in the financial statements as follows:

Government-Wide Statement of Net Position			
Cash	\$	342,945	\$ 0
Statement of Component Unit Net Position			
Cash		0	129,927
		<hr/>	<hr/>
Total	\$	342,945	\$ 129,927
		<hr/> <hr/>	<hr/> <hr/>

**B. Receivables**

Receivables as of February 29, 2020 for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Major Street	Local Street	Total Primary Government	Component Unit
Receivables					
Accounts	\$ 4,894	\$ 0	\$ 0	\$ 4,894	\$ 0
Taxes	0	0	0	0	7,563
Due from Other Governments	6,840	26,583	16,448	49,871	0
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Receivables	\$ 11,734	\$ 26,583	\$ 16,448	\$ 54,765	\$ 7,563
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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.

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2020

**C. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 120,198	\$ 0	\$ 0	\$ 120,198
Capital Assets, Being Depreciated				
Land Improvements	5,538	0	0	5,538
Buildings	134,250	0	0	134,250
Public Domain Infrastructure	371,301	69,060	0	440,361
Machinery and Equipment	290,672	20,499	14,832	296,339
Total Capital Assets, Being Depreciated	801,761	89,559	14,832	876,488
Less Accumulated Depreciation For:				
Land Improvements	1,592	277	0	1,869
Buildings	100,662	2,685	0	103,347
Public Domain Infrastructure	63,927	8,002	0	71,929
Machinery and Equipment	221,349	10,689	14,832	217,206
Total Accumulated Depreciation	387,530	21,653	14,832	394,351
Total Capital Assets, Being Depreciated, Net	414,231	67,906	0	482,137
Governmental Activities Capital Assets, Net	\$ 534,429	\$ 67,906	\$ 0	\$ 602,335

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

Governmental Activities:	
General Government	
General Government	\$ 2,154
Public Works	18,940
Recreation and Cultural	559
	\$ 21,653

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2020

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at February 29, 2020, were:

Receivable Fund	Payable Fund	Amount
General Fund	Major Street Fund	\$ 5,961
General Fund	Local Street Fund	5,367
General Fund	Renaissance Fund	1,871
Major Street Fund	General Fund	4,183
Major Street Fund	Local Street Fund	3,949
Local Street Fund	General Fund	3,049
Equipment Fund	General Fund	1,805
Equipment Fund	Major Street	15,474
Equipment Fund	Local Street	12,420
		\$ 54,079

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.

Individual fund transfers at February 29, 2020, were:

	Transfers In:		
	Major Street Fund	Local Street Fund	Total
Transfers Out:			
General Fund	\$ 0	\$ 45,000	\$ 45,000
Local Street Fund	5,600	0	5,600
Total	\$ 5,600	\$ 45,000	\$ 50,600

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

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2020

**IV. OTHER INFORMATION**

**A. Risk Management**

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

The Village participates in a distinct pool of Governmental Entities within the State of Michigan for various risks of loss, including general liability, property and casualty, and accident insurance, and workers' disability compensation. The pool is considered a public entity risk pool. The Village pays annual premiums to each 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 assessment to make up the deficiency. The Village has not been informed of any special assessments being required.

**B. Commitments and Contingencies**

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the district.

VILLAGE OF FIFE LAKE, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED FEBRUARY 29, 2020

	<u>GENERAL FUND</u>			<u>MAJOR STREET FUND</u>			<u>LOCAL STREET FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>									
Taxes	\$ 104,999	\$ 111,700	\$ 111,383	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits	8,500	8,500	7,765	0	0	0	0	0	0
State Grants	43,500	43,500	47,103	46,800	51,800	68,092	33,000	64,000	39,281
Contributions from Local Units	500	500	0	0	0	0	11,800	11,800	11,650
Charges for Service	1,500	1,500	0	0	0	0	0	0	0
Interest and Rents	1,000	1,000	910	200	200	0	200	200	175
Other Revenues	2,000	2,000	10,979	0	0	10,180	0	0	0
Total Revenues	161,999	168,700	178,140	47,000	52,000	78,272	45,000	76,000	51,106
<u>EXPENDITURES</u>									
General Government									
Village Council	20,000	20,000	22,626	0	0	0	0	0	0
Office	37,500	37,500	28,008	0	0	0	0	0	0
Building and Grounds	31,000	31,000	26,756	0	0	0	0	0	0
Public Works									
Department of Public Works	38,000	31,000	29,174	0	0	0	0	0	0
Highways, Streets, and Bridges	0	0	0	55,000	79,300	80,079	61,000	125,800	123,362
Community and Economic Development									
Planning and Zoning	5,200	5,400	5,929	0	0	0	0	0	0
Recreation and Culture									
Parks and Recreation	30,000	28,000	26,677	0	0	0	0	0	0
Other Functions	7,000	6,000	4,534	0	0	0	0	0	0
Total Expenditures	168,700	158,900	143,704	55,000	79,300	80,079	61,000	125,800	123,362
Excess (Deficiency) of Revenues Over Expenditures	(6,701)	9,800	34,436	(8,000)	(27,300)	(1,807)	(16,000)	(49,800)	(72,256)
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In	0	0	0	0	15,600	5,600	10,000	55,000	45,000
Transfers Out	0	0	(45,000)	(10,000)	0	0	0	0	(5,600)
Total Other Financing Sources (Uses)	0	0	(45,000)	(10,000)	15,600	5,600	10,000	55,000	39,400
Net Change in Fund Balance	(6,701)	9,800	(10,564)	(18,000)	(11,700)	3,793	(6,000)	5,200	(32,856)
<u>FUND BALANCE</u> - Beginning of Year	161,295	161,295	161,295	29,921	29,921	29,921	79,818	79,818	79,818
<u>FUND BALANCE</u> - End of Year	\$ 154,594	\$ 171,095	\$ 150,731	\$ 11,921	\$ 18,221	\$ 33,714	\$ 73,818	\$ 85,018	\$ 46,962

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

BALANCE SHEET  
FEBRUARY 29, 2020

ASSETS

Cash	\$ 129,927
Taxes Receivable	<u>7,563</u>

TOTAL ASSETS	<u>\$ 137,490</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 3,260
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FUND BALANCE

Unassigned	<u>134,230</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 137,490</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, 2020

REVENUES

Taxes	
Current Property Tax Levy	\$ 34,647
Interest and Rents	
Interest Earnings	<u>993</u>
 Total Receipts	 <u>35,640</u>

EXPENDITURES

Economic Development	
Supplies	2,897
Contract Services	15,202
Community Promotion	2,300
Recreation and Culture	
Historical Society	<u>200</u>
 Total Expenditures	 <u>20,599</u>

Excess (Deficiency) of Revenues Over Expenditures 15,041

FUND BALANCE - Beginning of the Year 119,189

FUND BALANCE - End of the Year \$ 134,230

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



