

VILLAGE OF FIFE LAKE, MICHIGAN

ANNUAL FINANCIAL REPORT

YEAR ENDED FEBRUARY 29, 2016

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
<hr/>	
Government-wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Governmental Funds	
Balance Sheet	17
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balance	19
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities	20
Proprietary Funds	
Statement of Net Position	21
Statement of Revenues, Expenses and Changes in Net Position	22
Statement of Cash Flows	23
Notes to the Financial Statements	25
REQUIRED SUPPLEMENTARY INFORMATION	
<hr/>	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund	38
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Local Street	39
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Major street	40
OTHER SUPPLEMENTARY INFORMATION	
<hr/>	
DDA	
Statement of Net Position and DDA Fund Balance	42
Statement of Activities and DDA Fund Revenue, Expenditures and Changes in Fund Balance	43

INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Fife Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Village of Fife Lake, Michigan (the "Village") as of and for the year ended February 29, 2016, 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 business-type activities, the discretely presented component unit, and each major fund of the Village of Fife Lake, Michigan, as of February 29, 2016, 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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the typed name of the firm.

Gabridge & Company, PLC
Grand Rapids, Michigan
August 26, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Village of Fife Lake, Michigan (The "Village" or "government") we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 29, 2016. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$966,027 (net position). Of this amount, \$323,939, or 33%, represents unrestricted net position, which may be used to meet the government'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 \$385,526, an increase of \$72,815 in comparison with the previously audited year (2014). Approximately 61% of this amount (\$234,937) is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$234,937, or approximately 94% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Village'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) the notes to financial statements. This 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 and liabilities, 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.

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 fiscal periods (e.g., earned but not yet received monies from the State of Michigan).

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, public works, community & economic development, and recreation & culture.

The government-wide financial statements can be found on pages 15 - 16 of this report.

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 (“DDA”) for which the Village is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The Downtown Development Authority’s (component unit) financial statements can be found on pages 42 - 43 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, the major street fund, and the local street fund which are considered to be major funds.

The Village adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided.

The basic governmental fund financial statements can be found on pages 17 - 20 of this report.

Proprietary Funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Village's various functions.

The Village uses an internal service fund to account for motor vehicle costs and allocating the costs to the funds that are using the resources. Because these services benefit governmental functions, they have been included within the governmental activities in the government-wide financial statements.

The internal service fund data is presented in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 21 - 23 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 25 - 36 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Village's budgetary comparison schedules.

Required supplementary information can be found on pages 38 - 40 of this report.

This report also presents other supplementary information consisting of statements for the Village's Downtown Development Authority. These statements illustrate a conversion from fund financial statements to government-wide financial statements. These statements are presented immediately following the required supplementary information.

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, assets exceeded liabilities by \$996,027, at the close of the most recent fiscal year.

Village of Fife Lake Net Position as of February 29, 2016 and February 28, 2014

	Governmental Activities	
	2016	2014
ASSETS		
<i>Current Assets</i>		
Cash & Cash Equivalents	\$ 452,027	\$ 363,284
Receivables (Net)	39,892	1,415
Due from State	28,116	26,814
<i>Total Current Assets</i>	520,035	391,513
<i>Noncurrent Assets</i>		
Capital Assets not being Depreciated	197,628	46,079
Capital Assets being Depreciated	323,871	322,598
<i>Total Assets</i>	1,041,534	760,190
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	41,020	1,101
Due to Other Governments	1,427	-
Unearned Revenue	-	18,900
Accrued Payroll & Related Liabilities	3,060	-
<i>Total Liabilities</i>	45,507	20,001
NET POSITION		
Net Investment in Capital Assets	521,499	368,677
Restricted	150,589	132,601
Unrestricted	323,939	238,911
<i>Total Net Position</i>	\$ 996,027	\$ 740,189

By far, the largest portion of the Village's net position (\$521,499, or 52%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure). The Village uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

An additional portion of the Village's net position (\$150,589 or 15%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$323,939 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Capital assets, accounts receivable, and accounts payable have all increased sharply when compared to the balances in fiscal year 2014. These increases are related to activities associated with a *Stormwater, Asset Management, and Wastewater* (“S.A.W.”) grant. This grant has allowed the Village to invest in the development of a stormwater management plan and a geographic information system.

At the end of the fiscal year, the accounts payable and accounts receivable balances were \$41,020 and \$39,982, respectively. The increases to accounts payable and accounts receivable, when compared to the previously audited year, are \$39,919 and \$38,477, respectively.

Capital assets have increased by \$152,822 or 41%. Much of this increase can be attributed to the work in progress related to the development of the geographic information system and infrastructure improvements.

The Village’s overall net position increased \$255,838 when compared to the previously audited year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. Governmental activities increased the Village’s net position by \$255,838. This is a 35% increase in net position when compared to fiscal year 2014 and is mostly attributable to the previously mentioned S.A.W. grant activity.

Property tax revenues in the governmental activities were \$94,973 for the year ending February 28, 2014 and increased to \$95,295 for the year ending February 29, 2016. The Village is hopeful that the state-wide trend of stabilizing tax bases will be reflected in the Village’s tax base in the upcoming years.

Village of Fife Lake
Change in Net Position for Fiscal Years Ended February 29, 2016 and
February 28, 2014

	Governmental	
	Activities	
	2016	2014
Revenue		
Program Revenues		
Charges for Services	\$ 9,935	\$ 5,261
Operating Grants & Contributions	70,449	56,433
Capital Grants & Contributions	117,185	11,124
<i>Total Program Revenues</i>	197,569	72,818
General Revenues		
Taxes	95,295	94,973
State Revenue Sharing	40,695	35,706
Other	26,982	1,577
Interest	987	1,021
Gain on Sale of Capital Asset	2,000	-
<i>Total General Revenues</i>	165,959	133,277
<i>Total Revenues</i>	363,528	206,095
Expenses		
General Government	96,644	61,857
Public Works	116,127	92,590
Community & Economic Development	6,732	3,955
Recreation and Culture	18,006	12,167
Other Functions	-	6,646
<i>Total Expenses</i>	237,509	177,215
<i>Change in Net Position</i>	126,019	28,880
Net Position at the Beginning of Period	870,008	711,309
<i>Net Position at the End of Period</i>	\$ 996,027	\$ 740,189

Financial Analysis of Governmental Funds

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

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

At February 29, 2016, the Village's governmental funds reported combined fund balances of \$385,526, an increase of \$72,815 in comparison with fiscal year 2014. Approximately 61% of this amount (\$234,937) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *restricted* for particular purposes (\$150,589 for major and local streets).

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the general fund was \$234,937. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 94% percent of total general fund expenditures.

The fund balance of the Village's general fund increased by \$39,256 during the current fiscal year. The Village Council monitors the expenditures of the general fund closely to ensure that spending does not exceed the Village's available resources.

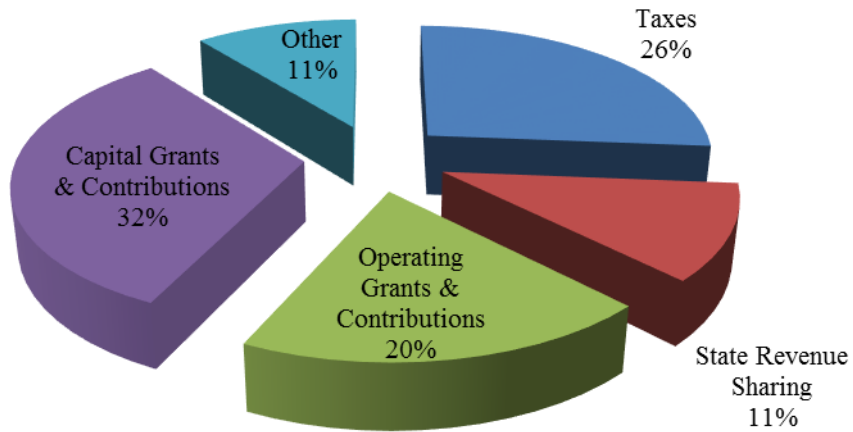
The major streets fund, a major fund, had a \$4,837 decrease in fund balance compared to fiscal year 2014 which put the overall fund balance at \$109,753.

The local streets fund, a major fund, had a \$3,062 increase in fund balance when compared to fiscal year 2014.

Governmental Activities

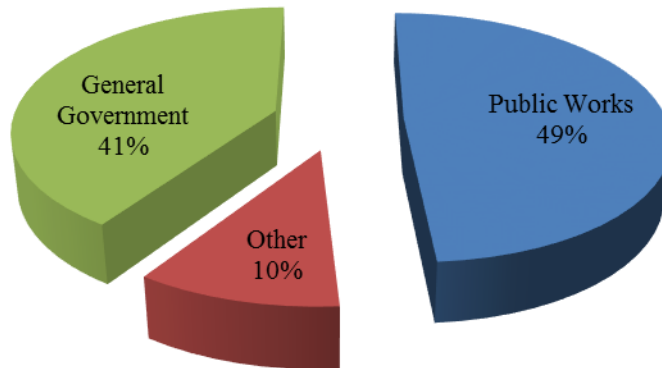
The following chart summarizes the revenue sources for the governmental activities of the Village for the most recent fiscal year end.

Governmental Activities Revenues



The following chart summarizes the expenses for the governmental activities of the Village for the most recent fiscal year end.

Governmental Activities Expenses



General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was a need to adjust expenditures in the final budget to \$233,419 from the originally budgeted \$161,381.

Final budget compared to actual results. During the current fiscal year the Village had the following budget variances between the final amended budgets compared to actual results at the functional level:

<u>Expenditure</u>	<u>Final Amount</u>	<u>Actual Amount</u>	<u>Variance</u>
Legislative			
Village Council	\$ 25,650	\$ 33,626	\$ (7,976)
General Government			
Office	21,975	23,308	(1,333)
Community & Economic Development			
Zoning	4,260	5,371	(1,111)
Capital Outlay	40,100	86,292	(46,192)

Capital Assets and Debt Administration

Capital assets. The Village's investment in capital assets for its governmental activities as of February 29, 2016, amounts to \$521,499 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, infrastructure, and machinery & equipment. The following summarizes the Village's capital assets:

	<u>Governmental Activities</u>
Land	\$ 120,197
Construction in Progress	77,431
Land Improvements	4,777
Buildings	41,642
Infrastructure	234,037
Machinery & Equipment	43,415
	<u>\$ 521,499</u>

More detailed information about the Villages' capital assets can be found in Note 4.

Long-term Debt

The Village's primary government currently has no outstanding long-term debt.

Economic Condition and Outlook

Property tax revenues are expected to change minimally reflecting fairly stable property values. The Village continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2017, the Village plans again to use current revenues to provide essential services and to maintain the Village's financial reserves at similar levels.

Contacting the Village

This financial report is designed to provide a general overview of the Village's finances to its citizens, customers, investors, and creditors and to demonstrate the Village's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

The Village of Fife Lake
P.O. Box 298
Fife Lake, MI 49633

BASIC FINANCIAL STATEMENTS

**Village of Fife Lake
Statement of Net Position
February 29, 2016**

	Primary Governmental Activities	Component Unit - DDA
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 452,027	\$ 57,398
Accounts Receivable	39,892	--
Taxes Receivable	--	8,182
Due From State	28,116	--
Total Current Assets	520,035	65,580
<i>Noncurrent Assets</i>		
Capital Assets being Depreciated	323,871	--
Capital Assets not being Depreciated	197,628	--
Total Assets	1,041,534	65,580
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	41,020	--
Due to Other Governments	1,427	--
Payroll Liabilities	3,060	--
Current Portion of Long-term Debt	--	25,000
Total Liabilities	45,507	25,000
NET POSITION		
Net Investment in Capital Assets	521,499	--
<i>Restricted for:</i>		
Street Improvements	150,589	--
Economic Development	--	40,580
<i>Unrestricted</i>	323,939	--
Total Net Position	\$ 996,027	\$ 40,580

The Notes to the Financial Statements are an integral part of these Financial Statements

**Village of Fife Lake
Statement of Activities
For the Year Ended February 29, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>	<u>Component Unit - DDA</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	
Primary Government						
Governmental Activities:						
General Government	\$ 96,644	\$ 9,935	\$ --	\$ --	\$ (86,709)	\$ --
Public Works	116,127	--	69,799	97,515	51,187	--
Community and Economic Development	6,732	--	650	19,670	13,588	--
Recreation and Cultural	18,006	--	--	--	(18,006)	--
Total Primary Government	\$ 237,509	\$ 9,935	\$ 70,449	\$ 117,185	\$ (39,940)	--
Component Unit						
DDA	\$ 8,427	\$ --	\$ --	\$ --	--	(8,427)
Total Component Unit	\$ 8,427	\$ --	\$ --	\$ --	--	(8,427)

General Purpose Revenues and Transfers:

Revenues

Taxes	95,295	38,057
State Revenue Sharing	40,695	--
Other Revenue	26,982	--
Interest Income	987	89
Gain on Sale of Capital Asset	2,000	--
Total General Revenues	165,959	38,146
Change in Net Position	126,019	29,719
<i>Net Position at Beginning of Period</i>	870,008	10,861
Net Position at End of Period	\$ 996,027	\$ 40,580

The Notes to the Financial Statements are an integral part of these Financial Statements

**Village of Fife Lake
Balance Sheet
Governmental Funds
February 29, 2016**

	Special Revenue			Total Governmental Funds
	General	Major Streets	Local Streets	
ASSETS				
Cash and Cash Equivalents	\$ 227,982	\$ 103,184	\$ 34,856	\$ 366,022
Accounts Receivable	39,892	--	--	39,892
Due From State	11,867	6,569	9,680	28,116
<i>Total Assets</i>	\$ 279,741	\$ 109,753	\$ 44,536	\$ 434,030
LIABILITIES				
Accounts Payable	\$ 40,317	\$ --	\$ --	\$ 40,317
Due to Other Governments	1,427	--	--	1,427
Payroll Liabilities	3,060	--	--	3,060
<i>Total Liabilities</i>	44,804	--	--	44,804
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	--	--	3,700	3,700
<i>Total Liabilities and Deferred Inflows of Resources</i>	44,804	--	3,700	48,504
FUND BALANCE				
Restricted	--	109,753	40,836	150,589
Unassigned	234,937	--	--	234,937
<i>Total Fund Balance</i>	234,937	109,753	40,836	385,526
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 279,741	\$ 109,753	\$ 44,536	\$ 434,030

The Notes to the Financial Statements are an integral part of these Financial Statements

Village of Fife Lake
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
February 29, 2016

Total Fund Balance - Governmental Funds	\$	385,526
Net Position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements.		115,796
General government capital assets of \$631,512, net of accumulated depreciation of \$140,507, are not financial resources and, accordingly, are not reported in the funds.		491,005
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those asset (such as property taxes receivable not collected in 60 days of year end) are offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance.		3,700
Total Net Position - Governmental Funds	\$	<u>996,027</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Village of Fife Lake
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended February 29, 2016

	<u>Special Revenue</u>			Total Governmental Funds
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	
Revenues				
Taxes	\$ 95,295	\$ --	\$ --	\$ 95,295
Licenses and Permits	2,450	--	--	2,450
State Revenue Sharing	40,695	32,235	25,862	98,792
State Grants	97,515	--	--	97,515
Local Grants	19,670	--	--	19,670
Contributions from Local Units	650	--	9,417	10,067
Other Revenue	31,473	--	2,994	34,467
Interest Income	614	290	83	987
<i>Total Revenues</i>	<u>288,362</u>	<u>32,525</u>	<u>38,356</u>	<u>359,243</u>
Expenditures				
General Government	94,490	--	--	94,490
Public Works	44,421	30,362	42,294	117,077
Community and Economic Development	6,732	--	--	6,732
Recreation and Cultural	17,171	--	--	17,171
Capital Outlay	86,292	--	--	86,292
<i>Total Expenditures</i>	<u>249,106</u>	<u>30,362</u>	<u>42,294</u>	<u>321,762</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>39,256</u>	<u>2,163</u>	<u>(3,938)</u>	<u>37,481</u>
Other Financing Sources (Uses)				
Transfers In	--	--	7,000	7,000
Transfers Out	--	(7,000)	--	(7,000)
<i>Net Other Financing Sources (Uses)</i>	<u>--</u>	<u>(7,000)</u>	<u>7,000</u>	<u>--</u>
<i>Net Change in Fund Balance</i>	<u>39,256</u>	<u>(4,837)</u>	<u>3,062</u>	<u>37,481</u>
<i>Fund Balance at Beginning of Period</i>	195,681	114,590	37,774	348,045
<i>Fund Balance at End of Period</i>	<u>\$ 234,937</u>	<u>\$ 109,753</u>	<u>\$ 40,836</u>	<u>\$ 385,526</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Village of Fife Lake
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended February 29, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	37,481
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements.		9,111
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred into the following year.		2,285
Governmental fund report capital outlay as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay expenditures of \$86,292 is in excess of depreciation expense of \$9,150.		77,142
Changes in Net Position - Governmental Funds	\$	<u>126,019</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Village of Fife Lake
Statement of Net Position
Proprietary Funds
February 29, 2016**

	Governmental Activities
	Internal Service Funds
ASSETS	
<i>Current Assets</i>	
Cash and Cash Equivalents	\$ 86,005
Total Current Assets	86,005
<i>Noncurrent Assets</i>	
Capital Assets being Depreciated	30,494
Total Assets	116,499
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	703
Total Liabilities	703
NET POSITION	
Net Investment in Capital Assets	30,494
<i>Unrestricted</i>	85,302
Total Net Position	\$ 115,796

The Notes to the Financial Statements are an integral part of these Financial Statements

Village of Fife Lake
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended February 29, 2016

	Governmental Activities
	Internal Service Funds
Operating Revenues	
Charges for Services	\$ 32,638
<i>Total Operating Revenues</i>	32,638
Operating Expenses	
Administrative and General	586
Equipment Operations	12,585
Depreciation	12,543
<i>Total Operating Expenses</i>	25,714
<i>Operating Income (Loss)</i>	6,924
Non-Operating Revenues (Expenses)	
Interest Income	187
<i>Net Non-Operating Revenues (Expenses)</i>	187
<i>Income Before Contributions and Transfers</i>	7,111
Sale of Capital Asset	2,000
<i>Change In Net Position</i>	9,111
<i>Net Position at Beginning of Period</i>	106,685
<i>Net Position at End of Period</i>	\$ 115,796

The Notes to the Financial Statements are an integral part of these Financial Statements

**Village of Fife Lake
Statement of Cash Flows
Proprietary Funds
For the Year Ended February 29, 2016**

	Governmental Activities
	Internal Service Funds
Cash Flows from Operating Activities	
Cash Received from Charges for Services	\$ 32,638
Cash Payments to Employees for Services and Fringe Benefits	(586)
Cash Payments to Suppliers for Goods and Services	(11,882)
Total Cash Flows from Operating Activities	20,170
 Cash Flows from Capital and Related Financing Activities	
Sale of Asset	2,000
Total Cash Flows from Capital and Related Financing Activities	2,000
 Cash Flows from Investing Activities	
Interest Income	187
Total Cash Flows from Investing Activities	187
Net Increase (Decrease) in Cash & Cash Equivalents	22,357
<i>Cash and Equivalents - Beginning of Year</i>	63,648
Cash & Cash Equivalents - End of Year	\$ 86,005
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ 6,924
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	12,543
Changes in Assets & Liabilities	
Accounts Payable	703
Net Cash Provided (Used) by Operating Activities	\$ 20,170

The Notes to the Financial Statements are an integral part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

Village of Fife Lake

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

The Village of Fife Lake (the “Village” or “government”) is a municipal corporation governed by an elected Council (7 members) and provides services to roughly 450 residents in many areas including street development and maintenance and parks. The accounting policies of the Village conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity

As required by generally accepted accounting principles, these financial statements present the Village and its component unit, an entity for which the Village is considered to be financially accountable. The discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Village.

Discretely Presented Component Unit

Downtown Development Authority

The members of the governing board of the Downtown Development Authority are appointed by the Village Council. The budgets, expenditures, and bonded debt of the Downtown Development Authority 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.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. 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 the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are 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

Village of Fife Lake

Notes to the Financial Statements

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 and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement 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 and fiduciary fund financial statements. The fiduciary fund financial statements use the economic resources measurement focus, although the agency funds do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the 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 Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and accrued employee benefit expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services 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. All other revenue items are considered to be measurable and available only when cash is received by the Village.

Village of Fife Lake

Notes to the Financial Statements

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

The **general fund** is the Village's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The **major streets fund** accounts for the revenue received from the State of Michigan under Act 51 which is specifically earmarked for construction and maintenance of roads designated as major streets within the Village.

The **local streets fund** accounts for the revenue received from the State of Michigan under Act 51 which is specifically earmarked for construction and maintenance of roads designated as local streets within the Village.

Additionally, the government reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Internal service funds account for the financing of goods or services provided by the Village to other departments or funds on a cost reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Assets, Liabilities, and Equity

Cash and Cash Equivalents

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value based on quoted market prices.

State statutes and Village policy authorize the Village to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.

Village of Fife Lake

Notes to the Financial Statements

- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts outstanding at February 29, 2016 were identified by as being uncollectible.

Inventories and Prepaids

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses 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 the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when purchased rather than when consumed.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and 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 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the 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 of capital assets and improvement 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 invested proceeds over the same period.

Village of Fife Lake

Notes to the Financial Statements

Depreciation on capital, assets (including infrastructure) of the primary government is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Life</u>
Buildings	20 - 50 Years
Building Improvements	20 Years
Land Improvements	20 Years
Infrastructure	50 Years
Machinery & Equipment	5 - 10 Years

The Village reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a current charge to income is recognized.

Long-term Obligations

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

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 uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

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

Village of Fife Lake

Notes to the Financial Statements

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 been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. 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 Village Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) 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 Village Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the Village's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Village Council.

Property Tax Revenue Recognition

All trade and property tax receivables are shown net of an allowance for uncollectables. 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 measureable and available for use to finance

Village of Fife Lake

Notes to the Financial Statements

Village operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

Interfund Transactions

During the course of normal operations, the Village had transactions between funds, including expenditures and transfers of resources to provide services. The accompanying financial statements generally reflect such transactions as transfers.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually.

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

- Prior to March 1, the clerk submits, to the Village Council, proposed operating budgets for all funds of the Village for the fiscal year.
- The Village Council adopts a resolution approving the budgets
- 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.
- During the year, the budget is monitored and amendments to the budget are made when it is deemed necessary.
- Budget amounts as presented are as originally adopted or as amended by the Village Council from time to time throughout the year.
- 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.

Village of Fife Lake

Notes to the Financial Statements

Note 2 – Excess of Expenditures over Budget

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. Budgetary control is exercised at the activity level in the general fund and the function level in other funds.

During the year ended February 29, 2016, the Village had the following expenditures in budgetary funds which were in excess of the amounts budgeted:

<u>Expenditure</u>	<u>Final Amount</u>	<u>Actual Amount</u>	<u>Variance</u>
Legislative			
Village Council	\$ 25,650	\$ 33,626	\$ (7,976)
General Government			
Office	21,975	23,308	(1,333)
Community & Economic Development			
Zoning	4,260	5,371	(1,111)
Capital Outlay	40,100	86,292	(46,192)

Capital Outlay expenditures in excess of budgeted amounts were funded by greater than anticipated grant revenues.

Note 3 – Cash and Investments

The captions on the government-wide and fund statements relating to cash and investments are as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Statement of Net Position		
Cash and Cash Equivalents	\$ 452,027	\$ 57,398
Deposits and Investments		
Checking and Savings Accounts	\$ 419,946	\$ 37,366
Certificates of Deposit	32,081	20,032
Total	\$ 452,027	\$ 57,398

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Village's deposits might not be returned. State law does not require, and the Village does not have, a policy for deposit custodial credit risk. As of year-end, \$55,377 of the Villages and DDA's bank balance of \$515,326 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of NCUA insurance, the Village believes it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses

Village of Fife Lake

Notes to the Financial Statements

the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Village's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Maturity dates for investments and certificates of deposit held at year-end are summarized as follows:

	<u>Certificates of Deposit</u>
Due within One Year	\$ 32,081
Due in 1-5 Years	<u>20,032</u>
	<u>\$ 52,113</u>

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the Village's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Village's investment policy does not limit investments in a single financial institution of a single security type (with the exception of U.S. treasuries and agencies and authorized pools) to a % of the total investment portfolio.

Village of Fife Lake

Notes to the Financial Statements

Note 4 - Capital Assets

Capital asset activities for governmental activities for the year ended February 29, 2016 were as follows:

Governmental Activities	Balance at 2/28/2015	Additions	Disposals	Balance at 2/29/2016
Capital Assets not being Depreciated				
Land	\$ 120,197	\$ -	\$ -	\$ 120,197
Construction in Progress	-	77,431	-	77,431
Capital Assets being Depreciated:				
Land Improvements	5,538	-	-	5,538
Buildings	134,250	-	-	134,250
Infrastructure	279,649	-	-	279,649
Machinery & Equipment	5,586	8,861	-	14,447
Total Capital Assets being Depreciated	<u>425,023</u>	<u>8,861</u>	<u>-</u>	<u>433,884</u>
Less Accumulated Depreciation:				
Land Improvements	486	276	-	762
Buildings	89,922	2,685	-	92,607
Infrastructure	40,019	5,593	-	45,612
Machinery & Equipment	930	596	-	1,526
Total Accumulated Depreciation	<u>131,358</u>	<u>9,150</u>	<u>-</u>	<u>140,507</u>
Net Capital Assets, Governmental	<u>413,862</u>	<u>77,142</u>	<u>-</u>	<u>491,005</u>
Internal Service Fund				
Capital Assets being Depreciated:				
Machinery & Equipment	268,124	-	62,949	205,175
Less Accumulated Depreciation:				
Machinery & Equipment	225,087	12,543	62,949	174,681
Net Capital Assets, Internal Service	<u>43,037</u>	<u>(12,543)</u>	<u>-</u>	<u>30,494</u>
Net Capital Assets per Statement of Net Position	<u>\$ 456,899</u>	<u>\$ 64,599</u>	<u>\$ -</u>	<u>\$ 521,499</u>

Village of Fife Lake

Notes to the Financial Statements

Depreciation expense was charged to governmental functions of the Village as follows:

Governmental Activities:	
General Government	\$ 2,154
Public Works	6,161
Recreation & Culture	835
Total Governmental Activities	\$ 9,150
 Internal Service Funds	
Equipment Fund	\$ 12,543

Note 5 – Interfund Transactions

The Village reported the following transfers between funds:

Transfer In	Transfer Out	Amount
Local Streets	Major Streets	\$ 7,000

There were no interfund payables or receivables at February 29, 2016.

Note 6 – Long-Term Debt

The Village’s primary government remained free of long-term debt as of February 29, 2016.

The following is a debt summary for the Downtown Development Authority component unit for the year ended February 29, 2016.

	Interest Rate	Maturity	2/28/2015	Additions	Reductions	2/29/2016	Due Within One Year
Component Unit:							
<i>Bonds Payable</i>							
General Obligation	5.85%	2016	\$ 50,000	\$ -	\$ 25,000	\$ 25,000	\$ 25,000
Total Component Unit Long-Term Debt			\$ 50,000	\$ -	\$ 25,000	\$ 25,000	\$ 25,000

The annual requirements, to maturity on the total long-term debt obligations outstanding at February 29, 2015 are as follows:

	Component Unit - DDA		
Year Ending February 28,	Principal	Interest	Total
2017	\$ 25,000	\$ 1,463	\$ 26,463
Totals	\$ 25,000	\$ 1,463	\$ 26,463

Village of Fife Lake

Notes to the Financial Statements

Note 7 – 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 (workers' compensation); and natural disasters. During the year ended February 29, 2016, the Village carried commercial insurance to cover all risks of loss. The Village has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. There was no significant change in coverage during the year.

Note 8 – Retirement Benefits

Previously, retirement benefits were provided to full-time Village employees through contributions to a 457 Governmental Deferred Compensation Plan. This plan is closed to new hires. 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 \$39,170. Total contributions to the plan for the year ended February 29, 2016 were \$3,271 which consisted of \$1,191 from the Village and \$2,080 in voluntary contributions from employees.

Note 11 – Subsequent Events

Management is not aware of any subsequent events that would have a significant impact on the financial condition of the Village as of August 26, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Fife Lake
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended February 29, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
				Final to Actual
Revenues				
Taxes	\$ 93,550	\$ 93,550	\$ 95,295	\$ 1,745
Licenses & Permits	700	700	2,450	1,750
State Revenue Sharing	38,475	38,475	40,695	2,220
State Grants	--	53,000	97,515	44,515
Local Grants	--	18,500	19,670	1,170
Contributions from Local Units	--	600	650	50
Other Revenue	7,525	11,525	31,477	19,952
Interest Income	500	500	614	114
Total Revenues	<u>140,750</u>	<u>216,850</u>	<u>288,366</u>	<u>71,516</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>140,750</u>	<u>216,850</u>	<u>288,366</u>	<u>71,516</u>
Expenditures				
Legislative				
Council	16,530	25,650	33,626	(7,976)
General Government				
Office	20,850	21,975	23,308	(1,333)
Building & Grounds	32,875	48,707	37,560	11,147
Total General Government	<u>53,725</u>	<u>70,682</u>	<u>60,868</u>	<u>9,814</u>
Public Works	50,592	51,707	44,421	7,286
Community & Economic Development				
Planning	1,670	1,441	282	1,159
Zoning	3,850	4,260	5,371	(1,111)
DDA	24,264	24,264	1,079	23,185
Total Community & Economic Development	<u>29,784</u>	<u>29,965</u>	<u>6,732</u>	<u>23,233</u>
Recreation & Culture - Parks	11,150	17,315	17,171	144
Capital Outlay	600	40,100	86,292	(46,192)
Total Expenditures	<u>162,381</u>	<u>235,419</u>	<u>249,110</u>	<u>(13,691)</u>
Other Financing Uses				
Transfers to other funds	7,500	--	--	--
Total Expenditures and Other Financing Uses	<u>169,881</u>	<u>235,419</u>	<u>249,110</u>	<u>(13,691)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(29,131)</u>	<u>(18,569)</u>	<u>39,256</u>	<u>57,825</u>
Net Change in Fund Balance	<u>(29,131)</u>	<u>(18,569)</u>	<u>39,256</u>	<u>57,825</u>
Fund Balance at Beginning of Period	195,681	195,681	195,681	--
Fund Balance at End of Period	<u>\$ 166,550</u>	<u>\$ 177,112</u>	<u>\$ 234,937</u>	<u>\$ 57,825</u>

Village of Fife Lake
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Local Streets
For the Year Ended February 29, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
State Revenue Sharing	\$ 31,000	\$ 19,500	\$ 25,862	\$ 6,362
Contributions from Local Units	--	9,400	9,417	17
Other Revenue	--	--	2,994	2,994
Interest Income	35	35	83	48
Total Revenues	<u>31,035</u>	<u>28,935</u>	<u>38,356</u>	<u>9,421</u>
Other Financing Sources				
Transfers from other funds	12,500	12,500	7,000	(5,500)
Total Revenues and Other Financing Sources	<u>43,535</u>	<u>41,435</u>	<u>45,356</u>	<u>3,921</u>
Expenditures				
Public Works	33,933	45,893	42,294	3,599
Total Expenditures	<u>33,933</u>	<u>45,893</u>	<u>42,294</u>	<u>3,599</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>33,933</u>	<u>45,893</u>	<u>42,294</u>	<u>3,599</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>9,602</u>	<u>(4,458)</u>	<u>3,062</u>	<u>7,520</u>
Net Change in Fund Balance	<u>9,602</u>	<u>(4,458)</u>	<u>3,062</u>	<u>7,520</u>
Fund Balance at Beginning of Period	37,774	37,774	37,774	--
Fund Balance at End of Period	<u>\$ 47,376</u>	<u>\$ 33,316</u>	<u>\$ 40,836</u>	<u>\$ 7,520</u>

Village of Fife Lake
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Major Streets
For the Year Ended February 29, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Neagtive) Final to Actual
Revenues				
State Revenue Sharing	\$ 31,000	\$ 31,000	\$ 32,235	\$ 1,235
Interest Income	200	200	290	90
Total Revenues	<u>31,200</u>	<u>31,200</u>	<u>32,525</u>	<u>1,325</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>31,200</u>	<u>31,200</u>	<u>32,525</u>	<u>1,325</u>
Expenditures				
Public Works	28,865	42,085	30,362	11,723
Total Expenditures	<u>28,865</u>	<u>42,085</u>	<u>30,362</u>	<u>11,723</u>
Other Financing Uses				
Transfers to other funds	--	--	7,000	(7,000)
Total Expenditures and Other Financing Uses	<u>28,865</u>	<u>42,085</u>	<u>37,362</u>	<u>4,723</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>2,335</u>	<u>(10,885)</u>	<u>(4,837)</u>	<u>6,048</u>
Net Change in Fund Balance	<u>2,335</u>	<u>(10,885)</u>	<u>(4,837)</u>	<u>6,048</u>
<i>Fund Balance at Beginning of Period</i>	114,590	114,590	114,590	--
Fund Balance at End of Period	<u>\$ 116,925</u>	<u>\$ 103,705</u>	<u>\$ 109,753</u>	<u>\$ 6,048</u>

OTHER SUPPLEMENTARY INFORMATION

Village of Fife Lake
Statement of Net Position and DDA Fund Balance
Component Unit - DDA
February 29, 2016

	Governmental Fund Type		Statement of Net Position
	DDA Fund	Adjustments	
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 57,398	\$ -	\$ 57,398
Taxes Receivable	8,182	-	8,182
Total Assets	65,580	-	65,580
LIABILITIES			
<i>Current Liabilities</i>			
Current Portion of Long-term Debt	- (1)	25,000	25,000
Total Liabilities	-	25,000	25,000
FUND BALANCE			
<i>Restricted</i>	65,580	(65,580)	-
<i>Unassigned</i>	-	-	-
Total Fund Balance	\$ 65,580	\$ (65,580)	\$ -
NET POSITION			
<i>Restricted for:</i>			
Economic Development		40,580	40,580
Total Net Position		\$ 40,580	\$ 40,580

(1) Certain Liabilities are not due and payable in the current period and are not reported in the funds. Those liabilities consist of bonds payable of \$25,000.

Village of Fife Lake
Statement of Activities and DDA Fund Revenue,
Expenditures and Changes in Fund Balance
Component Unit - DDA
For the Year Ended February 29, 2016

	<u>Governmental Fund Type</u>		<u>Statement of Activities</u>
	<u>DDA Fund</u>	<u>Adjustments</u>	
Expenses			
Community and Economic Development	\$ 30,483 (1)	\$ (25,000)	\$ 5,483
Interest Expense	2,944	-	2,944
Total Expenses	<u>33,427</u>	<u>(25,000)</u>	<u>8,427</u>
Net Program Revenues (Expenses)	<u>(33,427)</u>	<u>(25,000)</u>	<u>(8,427)</u>
General Revenue			
Taxes	38,057		38,057
Interest Income	89	-	89
Total General Revenues	<u>38,146</u>	<u>-</u>	<u>38,146</u>
Net Change in Fund Balance / Net Position	4,719		29,719
<i>Fund Balance / Net Position at Beginning of Period</i>	60,861	(50,000)	10,861
Fund Balance / Net Position at End of Period	<u>\$ 65,580</u>	<u>\$ (25,000)</u>	<u>\$ 40,580</u>

(1) Long-term debt payments are reported as financing uses in the governmental funds and thus contribute to the change in fund balance. However, long-term debt payments reduce long-term liabilities on the statement of net position. This represents the amount of long-term debt principal payments made during the year of \$25,000.

August 26, 2016

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Village of Fife Lake (the "Village") for the year ended February 29, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 26, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Village during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the useful lives of depreciable assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors and assumptions used to develop the management's estimate of the useful lives of depreciable assets in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 26, 2016.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the

basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the governmental activities, the aggregate discretely presented component unit and each major fund of the Village as of and for the year ended February 29, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we have identified deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies to be material weaknesses:

Material audit adjustments and financial statement preparation:

Criteria: All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the management. The preparation of financial statements in accordance with GAAP requires internal controls over both; (1) recording, processing, and summarizing accounting data (i.e. maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related notes to the financial statements (i.e. external financial reporting).

Condition: We identified and proposed several material audit adjustments that management reviewed and approved.

As is the case with many small and medium-sized governmental units, the Village has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Village's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot, by definition, be considered part of the Village's internal controls. Having the auditor draft the annual financial statements is allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the Village's financial statements. However, when an entity (on its own) lacks the ability to produce financial statements that conform to GAAP, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses.

Cause: This condition was caused by the Village's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the Village to perform this task internally because outsourcing the task is considered more cost effective.

Effect: The Village's accounting records were initially misstated by amounts material to the financial statements. In addition, the Village lacks complete internal controls over the preparation of its financial statements in accordance with GAAP, and, instead, relies, at least in part, on assistance from its external auditor for assistance with this task.

Auditor's Recommendation: We recommend that management continue to monitor the relative costs and benefits of securing the internal or other external resources necessary to develop material adjustments and prepare a draft of the Village's annual financial statements versus contracting with its auditor for these services.

Management Response: Management has made an ongoing evaluation of the respective costs and benefits of obtaining internal or external resources, specifically for the preparation of financial statements, and has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. Management will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Reconciliation of Key Balance Sheet Accounts

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the Village. A key element of internal control is the monitoring and reconciling of financial data within the accounting function.

Condition: The Village has balance sheet accounts that are only reconciled at year end as part of the audit. These areas include accounts / taxes receivable, accounts payable, and fixed assets. Accordingly, the Village's ability to prepare financial statements with reconciled balance sheet accounts is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Village's internal controls.

Cause: This condition is a result of the lack of documented control policies and procedures at the Village.

Effect: As a result of this condition, the Village is susceptible to misstatements (whether caused by error or fraud) that may occur and not be prevented or detected and corrected by management on a timely basis.

Auditor's Recommendation: We recommend developing policies and procedures for reconciling taxes and accounts receivable (at least quarterly) to the general ledger. All cash accounts (including the fiduciary funds) need to be reconciled to the general ledger monthly. These policies and procedures should require involvement of a second responsible person as part of the review/monitoring process.

Management Response: The Village concurs with this finding. The Village will evaluate new controls to reconcile and monitor key balance sheet account balances going forward.

The Village's Response to Findings

We did not audit the Village's response to the internal control findings described above and, accordingly, we express no opinion on it.

Restriction on Use

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

Very truly yours,



Gabridge & Company, PLC
Grand Rapids, Michigan