

VILLAGE OF FIFE LAKE, MICHIGAN

FEBRUARY 28, 2023



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

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VILLAGE OF FIFE LAKE, MICHIGAN

FEBRUARY 28, 2023

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June 30, 2023

INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Fife Lake
Grand Traverse County
Fife Lake, Michigan

Report on the Audit of the Financial Statements

Opinions

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, Grand Traverse County, Fife Lake, Michigan as of and for the year ended February 28, 2023, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Fife Lake, as of February 28, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Village of Fife Lake and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Village of Fife Lake's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Village of Fife Lake's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Village of Fife Lake's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 iv through x and 22 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023, on our consideration of Village of Fife Lake, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Village of Fife Lake, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village of Fife Lake, Michigan's internal control over financial reporting and compliance.

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 28, 2023

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 28, 2023, for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Village's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

- ❖ The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$1,261,024 (*net position*). Of this amount, \$455,383 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 \$336,429, an increase of \$26,640 in comparison with the prior year. Approximately 66% of this amount (\$223,480) 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'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.

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.

VILLAGE OF FIFE LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2023

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.

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.

VILLAGE OF FIFE LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2023

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 10-21 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 \$1,261,024 at the close of the most recent fiscal year.

**Village of Fife Lake
Net Position
As of February 28,**

	Governmental Activities	
	2023	2022
Assets		
Current Assets	\$ 596,646	\$ 584,512
Capital Assets	695,903	657,210
Total Assets	1,292,549	1,241,722
Liabilities		
Current Liabilities	31,525	40,727
Net Position		
Net Investment in Capital Assets	695,903	657,210
Restricted for Street Improvements	109,738	93,535
Unrestricted	455,383	450,250
Total Net Position	\$ 1,261,024	\$ 1,200,995

A large portion of the Village's net position (55%) 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.

VILLAGE OF FIFE LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2023

An additional portion of the Village's net position (9%) reflects restricted resources that that are subject to external restrictions on how they may be used. The remaining balance of \$455,383 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 \$60,029 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 28,**

	Governmental Activities	
	2023	2022
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 9,393	\$ 8,315
Operating Grants and Contributions	111,550	110,152
General Revenues		
Property Taxes	123,432	123,571
State Shared Revenue	54,349	51,551
Investment Earnings	383	345
Other	38,705	21,152
Total Revenues	337,812	315,086
<u>Expenses</u>		
General Government	116,568	87,043
Public Works	127,735	142,340
Community and Economic Development	9,525	9,304
Recreation and Culture	23,955	22,717
Total Expenses	277,783	261,404
Change in Net Position	60,029	53,682
<u>NET POSITION</u> - Beginning of Year	1,200,995	1,147,313
<u>NET POSITION</u> - End of year	\$ 1,261,024	\$ 1,200,995

VILLAGE OF FIFE LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2023

Governmental Activities

The governmental activities accounted for an increase of \$60,029 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 2022 was 8.6826 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 Works expenses. The Village spent \$116,568 in fiscal year 2022-2023 on General Government and \$127,735 on Public Works 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.

At February 28, 2023, the Village of Fife Lake's governmental funds reported combined fund balances of \$336,429, an increase of \$26,640 in comparison with the prior year. Approximately 66% of this amount (\$223,480) 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 (\$3,211), 2) legally required to be maintained intact, 3) restricted for particular purposes (\$109,738), 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 increased its fund balance in this fiscal year by \$10,437, bringing the fund balance to \$226,691, of which \$223,480 was unassigned.

Major Street Fund – The fund balance of the Major Street Fund ended the year at \$48,898, all of which is restricted for street improvements. This was an increase of \$11,864 from the previous year.

Local Street Fund – The fund balance of the Local Street Fund ended the year at \$60,840, all of which is restricted for street improvements. This was an increase of \$4,339 from the previous year.

Proprietary Funds

Equipment Fund – Unrestricted net position of the Equipment Fund at the end of the year was \$320,882. The net position of this fund increased by \$39,279 in 2022-23. This fund remains in sound fiscal condition moving forward.

VILLAGE OF FIFE LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2023

General Fund Budgetary Highlights

During the year, there were no changes in appropriations 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>\$ 261,000</u>	<u>\$ 261,000</u>	<u>\$ 215,469</u>
Total Expenditures	<u>\$ 199,400</u>	<u>\$ 199,400</u>	<u>\$ 205,032</u>

The final budget compared to actual results for revenues were different due to budgeting for more other revenues than what actually occurred. The final budget compared to actual results for expenditures were different by minimal amounts.

Capital Asset and Debt Administration

Capital Assets. The Village's investment in capital assets for the governmental activities as of February 28, 2023, amounted to \$695,903 (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 28,**

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Land	\$ 120,198	\$ 120,198
Land Improvements	15,131	5,538
Buildings	134,250	134,250
Public Domain Infrastructure	545,231	545,231
Machinery and Equipment	348,850	293,439
Subtotal	<u>1,163,660</u>	<u>1,098,656</u>
Less: Accumulated Depreciation	467,757	441,446
Net Capital Assets	<u>\$ 695,903</u>	<u>\$ 657,210</u>

VILLAGE OF FIFE LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2023

Major capital asset events during the fiscal year are listed below:

- 2015 Ram truck and a new scraper for the plow truck for the DPW costing \$55,411.
- Street light pole totaling \$9,593.

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

The following economic factors currently affect the Village and were considered in developing the 2023-2024 budget:

- The Village continues to look for ways to improve the services it provides to its residents in a manner that is financially responsible.
- The Village received approximately \$50,400 for its ARPA funding. The Village Board is evaluating how to best utilize the remaining funds to provide the optimal benefits to the Village residents. These funds need to be allocated by December 2024.

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.

VILLAGE OF FIFE LAKE, MICHIGAN

STATEMENT OF NET POSITION
FEBRUARY 28, 2023

	<u>PRIMARY GOVERNMENTAL ACTIVITIES</u>	<u>COMPONENT UNIT</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 511,351	\$ 71,409
Accounts Receivable	53,172	0
Taxes Receivable	0	1,295
Prepaid Expense	4,916	0
Due from Other Governmental Units	27,207	12,884
	<hr/>	<hr/>
Total Current Assets	596,646	85,588
 <u>CAPITAL ASSETS</u>		
Land	120,198	0
Land Improvements	15,131	0
Buildings	134,250	0
Public Domain Infrastructure	545,231	0
Machinery and Equipment	348,850	0
	<hr/>	<hr/>
	1,163,660	0
Less Accumulated Depreciation	(467,757)	0
Net Capital Assets	<hr/>	<hr/>
	695,903	0
	<hr/>	<hr/>
TOTAL ASSETS	1,292,549	85,588
 <u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Due to Other Governments	12,884	0
Accrued Payroll and Liabilities	6,462	0
Unearned Revenue	12,179	0
	<hr/>	<hr/>
Total Current Liabilities	31,525	0
 <u>NET POSITION</u>		
Net Investment in Capital Assets	695,903	0
Restricted for Street Improvements	109,738	0
Unrestricted	455,383	85,588
	<hr/>	<hr/>
TOTAL NET POSITION	<u>\$ 1,261,024</u>	<u>\$ 85,588</u>

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

VILLAGE OF FIFE LAKE, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2023

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	<u>PROGRAM REVENUES</u>			GOVERNMENT TOTAL	PRIMARY GOVERNMENT COMPONENT UNIT
General Government	\$ 116,568	\$ 9,393	\$ 0	\$ 0	\$ (107,175)
Public Works	127,735	0	111,550	0	(16,185)
Community and Economic Development	9,525	0	0	0	(9,525)
Recreation and Culture	23,955	0	0	0	(23,955)
TOTAL PRIMARY GOVERNMENT	\$ 277,783	\$ 9,393	\$ 111,550	\$ 0	(156,840)
<u>COMPONENT UNIT</u>					
Downtown Development Authority	\$ 16,964	\$ 0	\$ 0	\$ 0	(16,964)
<u>GENERAL REVENUES</u>					
Property Taxes				123,432	44,155
State Shared Revenue				54,349	0
Investment Earnings				383	157
Other				38,705	0
Total General Revenues				<u>216,869</u>	<u>44,312</u>
Change in Net Position				60,029	27,348
<u>NET POSITION - Beginning of Year</u>				<u>1,200,995</u>	<u>58,240</u>
<u>NET POSITION - End of Year</u>				<u>\$ 1,261,024</u>	<u>\$ 85,588</u>

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

VILLAGE OF FIFE LAKE, MICHIGAN
GOVERNMENTAL FUNDS

BALANCE SHEET
FEBRUARY 28, 2023

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 253,354	\$ 52,449	\$ 97,381	\$ 403,184
Accounts Receivable	53,172	0	0	53,172
Prepaid Expenditures	3,211	0	0	3,211
Due from Other Funds	0	23,848	15,519	39,367
Due from Other Governmental Units	7,296	13,744	6,167	27,207
	<u>\$ 317,033</u>	<u>\$ 90,041</u>	<u>\$ 119,067</u>	<u>\$ 526,141</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Due to Other Governments	\$ 12,884	\$ 0	\$ 0	\$ 12,884
Accrued Payroll and Liabilities	6,462	0	0	6,462
Unearned Revenue	12,179	0	0	12,179
Due to Other Funds	58,817	41,143	58,227	158,187
	<u>90,342</u>	<u>41,143</u>	<u>58,227</u>	<u>189,712</u>
 <u>FUND BALANCE</u>				
Nonspendable				
Prepaid Expenditures	3,211	0	0	3,211
Restricted				
Street Improvements	0	48,898	60,840	109,738
Unassigned	223,480	0	0	223,480
	<u>226,691</u>	<u>48,898</u>	<u>60,840</u>	<u>336,429</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 317,033</u>	<u>\$ 90,041</u>	<u>\$ 119,067</u>	<u>\$ 526,141</u>

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 28, 2023

Total Fund Balances for Governmental Funds \$ 336,429

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	15,131	
Buildings	134,250	
Public Domain Infrastructure	545,231	
Machinery and Equipment	17,507	
Accumulated Depreciation	<u>(228,604)</u>	603,713

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.

320,882

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 1,261,024

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 28, 2023

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	TOTAL
<u>REVENUES</u>				
Taxes	\$ 123,432	\$ 0	\$ 0	\$ 123,432
Licenses and Permits	8,963	0	0	8,963
State Grants	57,248	62,158	32,625	152,031
Contributions from Local Units	0	0	13,868	13,868
Interest and Rents	746	0	67	813
Other Revenue	25,080	13,625	0	38,705
Total Revenues	215,469	75,783	46,560	337,812
<u>EXPENDITURES</u>				
General Government	122,564	0	0	122,564
Public Works	49,823	63,919	42,221	155,963
Community and Economic Development	9,525	0	0	9,525
Recreation and Culture	23,120	0	0	23,120
Total Expenditures	205,032	63,919	42,221	311,172
Excess (Deficiency) of Revenues Over Expenditures	10,437	11,864	4,339	26,640
<u>FUND BALANCES</u> - Beginning of Year	216,254	37,034	56,501	309,789
<u>FUND BALANCES</u> - End of Year	\$ 226,691	\$ 48,898	\$ 60,840	\$ 336,429

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 28, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 26,640
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	9,593
Depreciation Expense	(15,483)
Internal service funds are used by management to charge costs of equipment use to individual funds. The net revenue (expense) of the internal service fund is reported within the governmental activities.	<u>39,279</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 60,029</u></u>

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

VILLAGE OF FIFE LAKE, MICHIGAN
PROPRIETARY FUND

STATEMENT OF NET POSITION
FEBRUARY 28, 2023

	<u>INTERNAL SERVICE FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$ 108,167
Prepaid Expense	1,705
Due from Other Funds	<u>118,820</u>
Total Current Assets	<u>228,692</u>
<u>CAPITAL ASSETS</u>	
Machinery and Equipment	331,343
Less Accumulated Depreciation	<u>(239,153)</u>
Net Capital Assets	<u>92,190</u>
TOTAL ASSETS	<u>320,882</u>
<u>LIABILITIES</u>	
Due to Other Funds	<u>0</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	92,190
Unrestricted	<u>228,692</u>
TOTAL NET POSITION	<u><u>\$ 320,882</u></u>

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

VILLAGE OF FIFE LAKE, MICHIGAN
PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED FEBRUARY 28, 2023

	<u>INTERNAL SERVICE FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	<u>\$ 59,215</u>
<u>OPERATING EXPENSES</u>	
Administrative and General	1,784
Plant	<u>56,676</u>
Total Operating Expenses	<u>58,460</u>
Operating Income (Loss)	<u>755</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Federal Grant	38,264
Interest Income	<u>260</u>
Total Nonoperating Revenues(Expenses)	<u>38,524</u>
Change in Net Position	39,279
<u>TOTAL NET POSITION - Beginning of Year</u>	<u>281,603</u>
<u>TOTAL NET POSITION -End of Year</u>	<u>\$ 320,882</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 28, 2023

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>EQUIPMENT FUND</u>
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	\$ 59,215
Cash Payments to Suppliers for Goods and Services	(90,924)
Cash Payments to Employees for Services	(4,120)
Net Cash Provided (Used) by Operating Activities	<u>(35,829)</u>
Cash Flows from Capital and Related Financing Activities:	
Federal Grant	38,264
Purchase of Capital Outlay	(55,411)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(17,147)</u>
Cash Flows from Investing Activities:	
Interest on Investments	260
Net Increase in Cash and Cash Equivalents	(52,716)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>160,883</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u>\$ 108,167</u>
<u>RECONCILIATION OF OPERATING INCOME</u>	
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	<u>\$ 755</u>
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation	10,828
(Increase) Decrease in Current Assets	(44,458)
Increase (Decrease) in Current Liabilities	(2,954)
Total Adjustments	<u>(36,584)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (35,829)</u>

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

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2023

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 28 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.

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

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2023

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.

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*

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2023

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 28, 2023

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	\$ 42,000	\$ 47,662
Office	38,000	43,549
Building and Grounds	31,000	31,353
Public Works		
Department of Public Works	45,000	49,823

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 28, 2023

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, 129.11 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 28, 2023

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. The Village has unearned revenue related to unspent ARPA funds.

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 28, 2023

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 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.

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2023

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 2022 taxable valuation of the Village of Fife Lake totaled \$15,872,708, on which ad valorem taxes levied consisted of 8.6826 mills for the Village of Fife Lake. This levy raised approximately \$138,900 in tax of which \$15,529 was captured by the Downtown Development Authority leaving approximately \$123,400 for Village operating purposes.

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2023

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 28, 2023.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of February 28, 2023, the Village had deposits subject to the following risk:

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village’s deposits may not be returned to it. As of February 28, 2023, \$82,469 of the Village’s bank balance of \$556,619 was exposed to custodial credit risk because it uninsured and uncollateralized. As of February 28, 2023, deposits of \$582,561 and petty cash of \$199 are reported on the financials statements as cash and cash equivalents.

The deposits referred to above have been reported in either the cash and cash equivalents captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of February 28, 2023:

	Primary Government	Component Units	Reporting Entity
Cash & Cash Equivalents	\$ 511,351	\$ 71,409	\$ 582,760

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). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

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.

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2023

B. Receivables

Receivables as of February 28, 2023, 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	\$ 53,172	\$ 0	\$ 0	\$ 53,172	\$ 0
Taxes	0	0	0	0	1,295
Due from Other Governments	7,296	13,744	6,167	27,207	12,884
Total Receivables	\$ 60,468	\$ 13,744	\$ 6,167	\$ 80,379	\$ 14,179

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.

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	9,593	0	15,131
Buildings	134,250	0	0	134,250
Public Domain Infrastructure	545,231	0	0	545,231
Machinery and Equipment	293,439	55,411	0	348,850
Total Capital Assets, Being Depreciated	978,458	65,004	0	1,043,462
Less Accumulated Depreciation For:				
Land Improvements	2,423	637	0	3,060
Buildings	108,717	2,685	0	111,402
Public Domain Infrastructure	91,640	10,904	0	102,544
Machinery and Equipment	238,666	12,085	0	250,751
Total Accumulated Depreciation	441,446	26,311	0	467,757
Total Capital Assets, Being Depreciated, Net	537,012	38,693	0	575,705
Governmental Activities Capital Assets, Net	\$ 657,210	\$ 38,693	\$ 0	\$ 695,903

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2023

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

Governmental Activities:

General Government	
General Government	\$ 2,154
Public Works	23,322
Recreation and Cultural	<u>835</u>
	<u>\$ 26,311</u>

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at February 28, 2023, were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Street Fund	General Fund	\$ 18,494
Major Street Fund	Local Street Fund	5,354
Local Street Fund	General Fund	15,519
Equipment Fund	General Fund	24,804
Equipment Fund	Major Street Fund	41,143
Equipment Fund	Local Street Fund	<u>52,873</u>
		<u>\$ 158,187</u>

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

There were no individual fund transfers at February 28, 2023.

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.

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 28, 2023

	GENERAL FUND			MAJOR STREET FUND			LOCAL STREET FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>									
Taxes	\$ 125,000	\$ 125,000	\$ 123,432	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits	1,000	1,000	8,963	0	0	0	0	0	0
Federal Grants	20,000	20,000	0	0	0	0	0	0	0
State Grants	0	0	57,248	70,000	70,000	62,158	105,000	105,000	32,625
Contributions from Local Units	0	0	0	0	0	0	0	0	13,868
Interest and Rents	0	0	746	0	0	0	0	0	67
Other Revenues	115,000	115,000	25,080	0	0	13,625	0	0	0
Total Revenues	261,000	261,000	215,469	70,000	70,000	75,783	105,000	105,000	46,560
<u>EXPENDITURES</u>									
General Government									
Village Council	42,000	42,000	47,662	0	0	0	0	0	0
Office	38,000	38,000	43,549	0	0	0	0	0	0
Building and Grounds	31,000	31,000	31,353	0	0	0	0	0	0
Public Works									
Department of Public Works	45,000	45,000	49,823	0	0	0	0	0	0
Highways, Streets, and Bridges	0	0	0	72,000	72,000	63,919	67,000	67,000	42,221
Community and Economic Development									
Planning and Zoning	15,400	15,400	9,525	0	0	0	0	0	0
Recreation and Culture									
Parks and Recreation	28,000	28,000	23,120	0	0	0	0	0	0
Total Expenditures	199,400	199,400	205,032	72,000	72,000	63,919	67,000	67,000	42,221
Excess (Deficiency) of Revenues Over Expenditures	61,600	61,600	10,437	(2,000)	(2,000)	11,864	38,000	38,000	4,339
<u>FUND BALANCE - Beginning of Year</u>	216,254	216,254	216,254	52,749	52,749	37,034	83,446	83,446	56,501
<u>FUND BALANCE - End of Year</u>	\$ 277,854	\$ 277,854	\$ 226,691	\$ 50,749	\$ 50,749	\$ 48,898	\$ 121,446	\$ 121,446	\$ 60,840

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

BALANCE SHEET
FEBRUARY 28, 2023

ASSETS

Cash	\$ 71,409
Taxes Receivable	1,295
Due from Other Governments	<u>12,884</u>
 TOTAL ASSETS	 <u>\$ 85,588</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 0
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FUND BALANCE

Unassigned	<u>85,588</u>
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 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 85,588</u>
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There are no reconciling items from the Balance Sheet to the Statement of Net Position.

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 28, 2023

REVENUES

Taxes	
Current Property Tax Levy	\$ 44,155
Interest and Rents	
Interest Earnings	157
Total Receipts	44,312

EXPENDITURES

Economic Development	
Supplies	3,923
Contract Services	2,241
Community Promotion	10,300
Recreation and Culture	
Historical Society	500
Total Expenditures	16,964
Excess (Deficiency) of Revenues Over Expenditures	27,348

<u>FUND BALANCE</u> - Beginning of the Year	58,240
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<u>FUND BALANCE</u> - End of the Year	\$ 85,588
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There are no reconciling items from the Schedule of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities.



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June 30, 2023

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT THE CONCLUSION OF THE AUDIT

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

We have audited the 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 for the year ended February 28, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, 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 May 11, 2023. 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 of Fife Lake are described in Note 1 to the financial statements. The application of existing policies was not changed during 2023. We noted no transactions entered into by the Village of Fife Lake 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 governmental activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Village of Fife Lake's financial statements was:

Management's estimate of the useful lives of depreciable capital 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 methods, assumptions, and data used to develop the estimate 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. We detected various material misstatements as a result of our audit procedures that were corrected by management. The material adjustments made were a result of converting the entity's financial records from cash basis to modified accrual basis of accounting and providing client assistance as well as other material adjustments related to the following:

- “Due To” Other Funds and “Due From” Other Funds

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 June 30, 2023.

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 Village of Fife Lake'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 of Fife Lake's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of the Village of Fife Lake for the year ended February 28, 2023, we noted the following items which we feel deserve comment:

Accounting Software

Currently, all funds are included in one company in the QuickBooks accounting software. This allows the recording of transactions to be posted across funds which makes the funds out of balance. To reduce the potential for this to happen, we recommend that the Village separate each fund into a separate company in the QuickBooks accounting software or search for a software that is appropriate for governmental accounting.

ACT 51, Equipment Rental Charges, and Wages

During the audit it was noted that the Village did not record revenue or expenditures for equipment rental and wages in the General, Major Street, Local Street, and Equipment funds. In addition, monthly transfers for Act 51 revenues are not being transferred timely. We recommend the Village begin depositing all items as soon as possible and making interfund transfers at least monthly.

Bank Reconciliations

During the audit it was noted that not all bank reconciliations were being completed and/or completed timely. It is important to reconcile all bank accounts regardless of the amount of activity. We recommend reaching out to the external auditor for more help if necessary.

Budgeting

Expenditures exceeded appropriated amounts in the General Fund in multiple activities. The Village should continue to monitor its budgets on an ongoing basis and make budget amendments prior to incurring expenditures in excess of budgeted amounts.

Credit Card Transactions & Documentation

During the course of our testing of credit card transactions, we noted that receipts for individual transactions were not attached to the monthly statement. We recommend that as a method of strengthening internal control that all transaction receipts be attached to the monthly credit card statements.

Dual Signatures

During our audit it came to our attention that all checks written only have one signature. The State of Michigan requires that all checks have dual signatures.

Due To/From Reconciliation

During the audit it was discovered that several of the Due To/Due From account balances were from prior years. We recommend the Village pay all Due To/Due From balances on a timely basis, including amounts owed to the DDA. Additionally, while performing the audit, it came to our attention that the "Due To" and "Due From" accounts were not in balance and there were various missing transactions related to the due to/from's. These accounts should be cleared out on a monthly basis.

Fraudulent Transactions

During the fiscal year under audit, fraudulent transactions were identified that were the result of a former employee's activity. Management promptly reported this activity to their auditors and law enforcement personnel. Procedures were performed both during the fiscal year and during the audit to reduce the risk of material misstatement in the financial statements to a level that supports the auditor's opinion.

Internal Controls over Information Technology (IT)

As a part of your on-going evaluation of internal controls, we recommend you carefully study your controls over Information Technology. The Village should evaluate its response to potential risks related to manipulation of software programs themselves, manipulation of numbers within unmodified software programs, security of entity data to the external world, security over physical hardware, and the potential risk associated with personal use of hardware and software. In today's world, IT risks are always changing, and the above potential risks are not all inclusive.

Internal Control Procedures

We recommend the Village develop additional internal control procedures such as Council Members reviewing and approving invoices and reconciliations of all Village bank accounts.

Lack of Invoices

During the audit it came to our attention that there were disbursements that did not have proper supporting documentation, including missing invoices. We suggest that all check copies have documentation attached before approved for payment and that Village records are retained in an organized manner.

Outstanding Items

There were multiple outstanding items (checks and deposits) on the Village's bank reconciliations that need to be voided or otherwise recorded differently. We recommend that the Village review outstanding items on a monthly basis to ensure that items are being properly recorded. Old outstanding checks should be escheated to the State of Michigan.

Policies

It is our recommendation that the Village evaluate its policies each and every year. The Village should determine that it has the required policies in place and also determine if the policies are still relevant or need to be updated to meet requirements. One policy that we specifically recommend the Village adopt is an ACH payment policy.

Reimbursement to Officials

While testing reimbursement to Village officials, it was noted there was a lack of documentation available to inspect. We recommend always having proper backup (receipts or documentation) before writing a check, and attach it to the check stub.

State Chart of Account Changes

The State of Michigan Treasury Department has issued an updated Uniform Chart of Accounts, requiring all local units to comply once the State has finalized the changes. More information can be obtained from the state website or by contacting us.

State Remittances

It was noted during the audit that there were no remittances printed out for State money that the Village receives. This includes State Shared revenues, Act 51 payments, ARPA funding, and all other state funds that are received through ACH directly to the Village's bank account. These reports are vital for reporting purposes for proper recording of that revenue in the general ledger. We recommend printing these remittances from the SIGMA system on a monthly basis.

Transfers Between Bank Accounts and Proper Coding of Transactions

During the audit it was noticed that several transactions between the General Fund and other funds were not being coded properly and cross fund transactions were being recorded. This caused the individual funds to be out of balance. We recommend that this transfer process be closely monitored to prevent this from happening in the future, with careful attention paid to entries .

Wages

The Village records did not allocate wage expense by function. It is recommended that the Village record wage expense to the proper function as wages are paid during the year.

DDA General Ledger

The DDA does not have a general ledger system to keep track of deposits or expenditures. We recommend that the DDA create a system to assist in recording transactions throughout the year, even if it's a manual system. We are available for assistance if needed.

DDA Bank Reconciliations

During the audit it was noted that not all bank reconciliations were being completed for the DDA checking account. It is important to reconcile all bank accounts regardless of the amount of activity. We recommend reaching out to the external auditor for more help if necessary.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis and the Budgetary Comparison Schedule, 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 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 individual 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 records used to prepare the financial statements or to the individual fund financial statements themselves.

Restriction on Use

This information is intended solely for the 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.

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June 30, 2023

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Fife Lake, Michigan as of and for the year ended February 28, 2023, and the related notes to the financial statements, which collectively comprise the Village of Fife Lake's basic financial statements and have issued our report thereon dated June 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Fife Lake, Michigan's internal control over financial reporting (internal control) as a basis for designing 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 of Fife Lake, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Fife Lake, Michigan'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. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below as items 2023-01, 2023-02, 2023-03, and 2023-04 to be material weaknesses.

2023-01 Segregation of Incompatible Duties and Documented Independent Review

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the government. A key element of internal control is the segregation of duties.

Condition: The government has several accounting functions that are performed by the same individual and are not subject to a documented independent review and approval.

Cause: This condition is primarily the result of staffing constraints typical of smaller governmental units. Some of the control activities may be occurring on a routine basis but are not being documented.

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

Recommendation: There are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties. Recognizing this fact, we encourage the government to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

View of Responsible Officials: Management recognizes that this limitation is a natural outgrowth of the small number of full-time staff and applies its judgment in determining how best to allocate the government's resources to provide an appropriate balance between sound internal controls and fiscal prudence.

Corrective Action Plan: With the status of state funding, the Village is unable to hire additional employees at this time to improve the segregation of duties within the accounting function. We realize that segregation of duties is important in order to increase internal control. Management oversight has been an alternative means of monitoring internal control along with continuing to try and reassign some duties within the accounting department to other staff members. We still are exploring ways to spread some of the day-to-day accounting responsibilities. The Village and Council will continue to monitor the situation and explore cost effective ways to improve this internal control limitation.

2023-02 Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's 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 books and records), and (2) reporting government-wide and fund financial statements, including related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government's internal controls over the preparation of financial statements in accordance with GAAP are incomplete. Instead, the government relies, in part, on its external auditors for assistance with this task.

Recommendation: Due to the size and minimal activity, we recommend that the government continue to outsource financial statement preparation.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and noted prior to approving them and accepting responsibility for their content and presentation.

Corrective Action Plan: The government will continue to rely on its outside auditors to assist in preparing the GAAP basis financial statements and will evaluate annually for the need to change.

2023-03 Bank Reconciliations/Due To's and From's

Criteria: Monthly bank and cash reconciliations are to be performed to compare bank balances to balances in the general ledger cash accounts. This is done to ensure accuracy and accountability for all cash transactions.

Condition: During our audit we noted that the bank reconciliations had various old outstanding deposits and checks. The majority of these are due to the General Fund paying for expenditures of other funds and other funds reimbursing the General Fund through due to's or due from's.

Cause: This condition was caused by a lack of understanding of how to clear items from the bank reconciliations and not being able to void certain old outstanding items.

Effect: As a result, the true financial position of the Village is not known so Council members cannot make informed decisions.

Recommendation: Bank reconciliations of all accounts should be performed monthly and reviewed by a responsible official.

View of Responsible Officials: Management is aware of this deficiency.

Corrective Action Plan: Management has outsourced monthly bank reconciliations to an external accountant going forward. Bank reconciliations will be approved by a council member going forward. The Village will continue to keep a close look on items that are transferred between funds.

2023-04 Lack of Adequate Controls to Timely Record, Process and Reconcile Accounting Data

Criteria: Management is responsible for ensuring that a reliable system exists for recording, processing, and reconciling accounting data on a timely basis.

Condition: The Village has requirements imposed by the State of Michigan to ensure transactions are recorded, processed, and reconciled timely in a manner prescribed by the Michigan Department of Treasury. During the year, these processes were not functioning properly.

Cause: This condition was caused by lack of oversight by the government's management to oversee the recording of transactions as well as monthly procedures to review balances in the general ledger accounting software for accuracy.

Effect: As a result of this condition, significant additional time and resources were necessary at year end in an effort to mitigate the effect of unreliable and untimely reporting of data.

Recommendation: We recommend that the Village implement monthly close-out procedures to ensure that accounting data is recorded, processed and reconciled on a timely basis and that the President and Village Council review monthly close-out procedures.

View of Responsible Officials: The Village is aware of its requirement to timely record, process and reconcile accounting data in its accounting system and has begun measures to ensure this gets done.

Corrective Action: New procedures, such as implementing monthly close-out procedures and practicing entering data into the accounting system, to correct many of the deficiencies have already been put into place. Village management has replaced many of the previous personnel. Management continues to look for ways to further improve. The Village expects this condition to be corrected before its next audit.

Report on Compliance and Other Matters

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

Village of Fife Lake, Michigan's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Village of Fife Lake's response to the findings identified in our audit and described above. Village of Fife Lake's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.