

Village of Clifford

Lapeer County, Michigan

Audited Financial Report
February 28, 2019

KING & KING CPAs LLC

Marlette - Imlay City
Michigan

Village of Clifford
 Annual Financial Report
 For The Fiscal Year Ended February 28, 2019

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Independent Auditor's Report

Honorable Village Council
Village of Clifford
Lapeer County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the **Village of Clifford**, Michigan as of and for the fiscal year ended February 28, 2019 and the related notes to the financial statement, which collectively comprise the Village's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the **Village of Clifford**, Michigan as of February 28, 2019 and the respective changes in financial position for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and major fund budgetary comparison schedule, as identified in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Village of Clifford**, Michigan's basic financial statements. The other supplemental information, as identified in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material aspects in relation to the basic financial statements as a whole.

King & King CPAs LLC

KING & KING CPAs LLC

May 2, 2019

Village of Clifford

Clifford, Michigan

MANAGEMENT’S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the **Village of Clifford**, Michigan’s (the “Village”) financial performance provides an overview of the Village’s financial activities for the fiscal year ended February 28, 2019. Please read it in conjunction with the Village’s financial statements.

Using this Report

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities provide information about the activities of the Village as a whole and present a long-term view of the Village’s finances. This long-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current fiscal year and whether the taxpayers have fully funded the cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers’ resources were spent during the fiscal year, as well as how much is available for future spending. Fund financial statements also report the Village’s operations in more detail than the government-wide financial statements by providing information about the Village’s most significant funds. The fiduciary fund statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside the government.

Condensed Financial Information

The following table shows in a condensed format, the net position as of the current fiscal year. Comparative data of the prior audit’s net position is included.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2/28/2019</u>	<u>2/28/2017</u>	<u>2/28/2019</u>	<u>2/28/2017</u>	<u>2/28/2019</u>	<u>2/28/2017</u>
Current Assets	\$ 757,459	\$ 646,400	\$ 161,751	\$ 156,416	\$ 919,210	\$ 802,816
Noncurrent Assets	773,622	776,494	550,883	598,672	1,324,505	1,375,166
Total Assets	<u>1,531,081</u>	<u>1,422,894</u>	<u>712,634</u>	<u>755,088</u>	<u>2,243,715</u>	<u>2,177,982</u>
Current Liabilities	20,632	6,429	1,960	979	22,592	7,408
Noncurrent Liabilities	64,491	-	-	-	64,491	-
Total Liabilities	<u>85,123</u>	<u>6,429</u>	<u>1,960</u>	<u>979</u>	<u>87,083</u>	<u>7,408</u>
Net Position:						
Invested in Capital Assets -						
Net of Related Debt	704,170	776,494	550,883	598,672	1,255,053	1,375,166
Restricted	548,389	423,192	1,720	-	550,109	423,192
Unrestricted	193,400	216,779	158,071	155,437	351,471	372,216
Total Net Position	<u>\$ 1,445,959</u>	<u>\$ 1,416,465</u>	<u>\$ 710,674</u>	<u>\$ 754,109</u>	<u>\$ 2,156,633</u>	<u>\$ 2,170,574</u>

Village of Clifford

Clifford, Michigan

Condensed Financial Information – *Continued*

The following table shows the changes of the net position during the current fiscal year:

	Governmental Activities		Business-type Activities		Total	
	<u>2/28/2019</u>	<u>2/28/2017</u>	<u>2/28/2019</u>	<u>2/28/2017</u>	<u>2/28/2019</u>	<u>2/28/2017</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 21,731	\$ 19,783	\$ 68,218	\$ 68,400	\$ 89,949	\$ 88,183
Grants & Contributions	84,258	55,418	-	-	84,258	55,418
General Revenues:					-	-
Property Taxes	188,521	224,888	-	-	188,521	224,888
State-Shared Revenues	36,116	33,327	-	-	36,116	33,327
Interest Earnings	3,581	1,078	923	549	4,504	1,627
Other Revenues	21,508	19,091	-	-	21,508	19,091
Total Revenues	<u>355,715</u>	<u>353,585</u>	<u>69,141</u>	<u>68,949</u>	<u>424,856</u>	<u>422,534</u>
Program Expenses						
General Government	\$ 96,815	\$ 89,545	\$ -	\$ -	\$ 96,815	\$ 89,545
Public Safety	38,543	36,607	-	-	38,543	36,607
Public Works	143,348	117,164	-	-	143,348	117,164
Recreation & Culture	22,606	19,187	-	-	22,606	19,187
Interest on L/T Debt	2,750	-	-	-	2,750	-
Water & Sewer	-	-	89,213	88,747	89,213	88,747
Total Program Expenses	<u>304,062</u>	<u>262,503</u>	<u>89,213</u>	<u>88,747</u>	<u>393,275</u>	<u>351,250</u>
Change in Net Position	<u>\$ 51,653</u>	<u>\$ 91,082</u>	<u>\$ (20,072)</u>	<u>\$ (19,798)</u>	<u>\$ 31,581</u>	<u>\$ 71,284</u>

The Village as a Whole

- The Village's Governmental Activities net position increased by \$51,653 this year. This compares to a net increase of \$91,082 in the most recently audited year. The reduction in Change in Net Position was caused by a decrease in Property Tax Revenues and an increase in expenses across all programs.
- The Village's Business-type Activities net position decreased by \$20,072 this year. This compares to a net decrease of \$19,798 in the most recently audited year. The decrease is consistent with previous years.
- The Village's primary source of revenue is from Property Taxes, which represents 44% of total revenue.

Village of Clifford

Clifford, Michigan

The Village's Fund

Our analysis of the Village's major funds begins on Page 5, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village's major funds for 2019 include the General Fund, Major Streets, Local Streets and DDA Fund.

Other major funds are the Water and Sewer Funds, which are categorized as enterprise or proprietary funds. These funds operate on revenue they receive from the customers (users) of the water and sewer systems.

General Fund Budgetary Highlights

The Village made amendments to the budget throughout the year to cover the expenditures incurred. However, there are still some expenses in excess of budgeted amounts.

Capital Asset and Debt Administration

During the fiscal year ended February 28, 2018, the Village purchased for the materials to resurface the roof on the school house. This was paid for out of the General Fund, using monies from a DDA contribution. The Sewer Fund paid for a new pump for \$5,188. The Equipment Fund paid for the electrical work on the new generators for \$12,458. The Generators were purchased in the previous fiscal year. Additional information regarding the Village's Capital Assets can be found in Note 5 to the financial statements.

The only long-term debt in the Village is for a County Drain (Indian Creek). During the fiscal year ended February 28, 2019 the Village made a principal payment of \$4,961 on this debt, leaving a balance due of \$69,452. Additional information regarding the Village's Long-Term Debt can be found in Note 7 to the financial statements.

Economic Factors and Next Year's Budget and Rates

The Village's tax base remained relatively constant. The Village will need to continue to watch the budget very closely in all categories.

Contacting the Village

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Village Hall in Clifford, Michigan by telephone at (989) 761-7003.

Village of Clifford

Statement of Net Position

February 28, 2019

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<u>Assets</u>			
Cash & Cash Equivalents	\$ 725,255	\$ 147,284	\$ 872,539
Accounts Receivable	5,500	12,731	18,231
Prepaid Expenses	6,160	1,720	7,880
Due From Other Funds	7,538	16	7,554
Due From Other Governmental Units	13,006	-	13,006
Capital Assets			
Nondepreciable Capital Assets	12,500	63,891	76,391
Depreciable Capital Assets (Net)	761,122	486,992	1,248,114
<u>Total Assets</u>	<u>1,531,082</u>	<u>712,635</u>	<u>2,243,716</u>
<u>Deferred Outflows of Resources</u>			
	-	-	-
<u>Liabilities</u>			
Accounts Payable	15,671	1,436	17,106
Due To Other Funds	-	524	524
Current Portion of Long-term Debt	4,961	-	4,961
Noncurrent Liabilities:			
Long-term Debt	64,491	-	64,491
<u>Total Liabilities</u>	<u>85,123</u>	<u>1,960</u>	<u>87,082</u>
<u>Deferred Inflows of Resources</u>			
	-	-	-
<u>Net Position</u>			
Invested in Capital Assets - Net of			
Related Debt	704,170	550,883	1,255,054
Restricted	548,389	1,720	550,109
Unrestricted	193,400	158,071	351,471
<u>Total Net Position</u>	<u>\$ 1,445,959</u>	<u>\$ 710,675</u>	<u>\$ 2,156,634</u>

The notes are an integral part of the statements.

Village of Clifford
Statement of Activities
For the Year Ended February, 28, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue & Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Primary Government</u>		<u>Totals</u>
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Primary Government:							
Governmental Activities:							
General Government	\$ 96,815	\$ 2,533	\$ -	\$ -	\$ (94,282)	\$ -	\$ (94,282)
Public Safety	38,543	-	-	-	(38,543)	-	(38,543)
Public Works	143,348	19,198	84,258	-	(39,892)	-	(39,892)
Recreation & Culture	22,606	-	-	-	(22,606)	-	(22,606)
Interest on Long-Term Debt	2,750	-	-	-	(2,750)	-	(2,750)
<u>Total Governmental Activities</u>	304,062	21,731	84,258	-	(198,073)	-	(198,073)
Business-type Activities	89,213	68,218	-	-	-	(20,995)	(20,995)
Interest on Long-Term Debt	-	-	-	-	-	-	-
<u>Total Primary Government</u>	<u>\$ 393,275</u>	<u>\$ 89,949</u>	<u>\$ 84,258</u>	<u>\$ -</u>	<u>\$ (198,073)</u>	<u>\$ (20,995)</u>	<u>\$ (219,068)</u>
General Revenues:							
Property Taxes					\$ 188,521	\$ -	\$ 188,521
State-Shared Revenues					36,116	-	36,116
Interest Earnings					3,581	923	4,504
Other Revenues					21,508	-	21,508
Transfers					-	-	-
Total General Revenues, Special Items & Transfers					<u>249,726</u>	<u>923</u>	<u>250,650</u>
Change in Net Position					51,653	(20,071)	31,581
<u>Net Position - Beginning of Year</u>					<u>1,394,306</u>	<u>730,746</u>	<u>2,125,053</u>
<u>Net Position - End of Year</u>					<u>\$ 1,445,959</u>	<u>\$ 710,675</u>	<u>\$ 2,156,634</u>

The notes are an integral part of the statements.

Village of Clifford

Balance Sheet
Governmental Funds
February 28, 2019

	General Fund	Major Streets Fund	Local Streets Fund	Downtown Development Authority	Total Governmental Funds
<u>Assets</u>					
Cash & Cash Equivalents	\$ 174,005	\$ 120,952	\$ 91,030	\$ 318,883	\$ 704,870
Prepaid Expenses	6,160	-	-	-	6,160
Accounts Receivable	5,500	-	-	-	5,500
Due From Other Funds	7,472	-	-	-	7,472
Due From Other Gov't Units	-	10,431	2,576	-	13,006
	<u>193,137</u>	<u>131,383</u>	<u>93,606</u>	<u>318,883</u>	<u>737,009</u>
<u>Total Assets</u>					
<u>Deferred Outflows of Resources</u>					
	-	-	-	-	-
	<u>\$ 193,137</u>	<u>\$ 131,383</u>	<u>\$ 93,606</u>	<u>\$ 318,883</u>	<u>\$ 737,009</u>
<u>Liabilities, Deferred Inflows & Fund Equity</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 14,345	\$ -	\$ -	\$ 1,326	\$ 15,671
Due To Other Funds	-	317	-	-	317
	<u>14,345</u>	<u>317</u>	<u>-</u>	<u>1,326</u>	<u>15,987</u>
<u>Deferred Inflows of Resources</u>					
	-	-	-	-	-
<u>Fund Equity</u>					
Fund Balances:					
Nonspendable	6,160	-	-	-	6,160
Restricted For:					
Public Works - DDA	-	-	-	317,557	317,557
Public Works - Streets	-	131,066	93,606	-	224,672
Unrestricted	172,632	-	-	-	172,632
	<u>178,792</u>	<u>131,066</u>	<u>93,606</u>	<u>317,557</u>	<u>721,021</u>
<u>Total Fund Equity</u>					
	<u>\$ 193,137</u>	<u>\$ 131,383</u>	<u>\$ 93,606</u>	<u>\$ 318,883</u>	<u>\$ 737,009</u>
<u>Total Liabilities, Def. Inflows & Fund Equity</u>					

The notes are an integral part of the statements.

Village of Clifford
Reconciliation of Fund Balances to the
Statement of Net Position
Governmental Funds
For The Year Ended February 28, 2019

Total Fund Balances for Governmental Funds & Equipment Fund	\$ 779,963
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Long-term bonds payable are not due and payable in the current period and are not reported in the funds.	(69,452)
Capital Assets used in Governmental Activities are not financial resources and are not reported in the Funds.	<u>735,448</u>
Net Position of Governmental Activities	<u><u>\$ 1,445,959</u></u>

The notes are an integral part of the statements.

Village of Clifford

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For The Year Ended February 28, 2019

	General Fund	Major Streets Fund	Local Streets Fund	Downtown Development Authority	Total Governmental Funds
<u>Revenues</u>					
Property Taxes	\$ 119,732	\$ -	\$ -	\$ 68,789	\$ 188,521
Intergovernmental Revenues	36,116	70,238	14,019	-	120,374
Charges for Services	2,533	-	-	-	2,533
Interest Earnings	1,566	739	285	959	3,550
Other Revenues	19,081	-	2,427	-	21,508
<u>Total Revenues</u>	179,029	70,977	16,732	69,748	336,486
<u>Expenditures</u>					
General Government	86,504	-	-	-	86,504
Public Safety	38,543	-	-	-	38,543
Public Works	49,450	30,917	9,819	4,648	94,833
Recreation & Culture	-	-	-	6,123	6,123
Debt Service - Principal	4,961	-	-	-	4,961
Debt Service - Interest	2,750	-	-	-	2,750
Capital Outlay	14,552	-	-	-	14,552
<u>Total Expenditures</u>	196,759	30,917	9,819	10,771	248,266
Excess of Revenues Over (Under) Expenditures	(17,730)	40,061	6,912	58,977	88,220
<u>Other Financing Sources (Uses)</u>					
Transfers In (Out)	20,000	8,491	11,509	(40,000)	-
Net Change in Fund Balances	2,270	48,552	18,421	18,977	88,220
<u>Fund Balances - Beginning of Year</u>	176,523	82,515	75,184	298,579	632,801
<u>Fund Balances - End of Year</u>	\$ 178,792	\$ 131,066	\$ 93,606	\$ 317,557	\$ 721,021

The notes are an integral part of the statements.

Village of Clifford

Statement of Net Position

Proprietary Funds

February 28, 2019

	<u>Enterprise Funds</u>		<u>Total Enterprise Funds</u>	<u>Internal Service Fund Equipment</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>		
<u>Assets</u>				
<u>Current Assets</u>				
Cash & Cash Equivalents	\$ 87,108	\$ 60,175	\$ 147,284	\$ 20,385
Accounts Receivable	2,999	9,733	12,731	-
Prepaid Expenses	-	1,720	1,720	-
Due From Other Funds	16	-	16	382
<u>Total Current Assets</u>	<u>90,123</u>	<u>71,628</u>	<u>161,751</u>	<u>20,768</u>
<u>Noncurrent Assets</u>				
Capital Assets Not Being Depreciated	59,891	4,000	63,891	-
Capital Assets Being Depreciated	927,042	390,881	1,317,923	207,034
Less: Accumulated Depreciation	<u>(589,367)</u>	<u>(241,563)</u>	<u>(830,931)</u>	<u>(168,860)</u>
<u>Total Noncurrent Assets</u>	<u>397,566</u>	<u>153,318</u>	<u>550,883</u>	<u>38,175</u>
<u>Total Assets</u>	<u>487,689</u>	<u>224,946</u>	<u>712,635</u>	<u>58,942</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Liabilities</u>				
Accounts Payable	-	1,436	1,436	-
Due To Other Funds	<u>-</u>	<u>524</u>	<u>524</u>	<u>-</u>
<u>Total Liabilities</u>	<u>-</u>	<u>1,960</u>	<u>1,960</u>	<u>-</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net Position</u>				
Invested in Capital Assets Net of Related Debt	397,566	153,318	550,883	38,175
Restricted	-	1,720	1,720	-
Unrestricted	<u>90,123</u>	<u>67,948</u>	<u>158,071</u>	<u>20,768</u>
<u>Total Net Position</u>	<u>\$ 487,689</u>	<u>\$ 222,986</u>	<u>\$ 710,675</u>	<u>\$ 58,942</u>

The notes are an integral part of the statements.

Village of Clifford

Statement of Revenues, Expenditures and Changes in Net Position
Proprietary Funds
February 28, 2019

	<u>Enterprise Funds</u>		<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>		<u>Equipment</u>
<u>Operating Revenues</u>				
User Charges & Penalties	\$ 17,886	\$ 50,332	\$ 68,218	\$ -
Equipment Rental	-	-	-	19,198
<u>Total Operating Revenues</u>	<u>17,886</u>	<u>50,332</u>	<u>68,218</u>	<u>19,198</u>
<u>Operating Expenses</u>				
Operation & Maintenance	12,328	29,393	41,722	12,283
General & Administration	4,245	16,671	20,916	3,890
Depreciation	19,051	7,524	26,575	3,744
<u>Total Operating Expenses</u>	<u>35,624</u>	<u>53,588</u>	<u>89,213</u>	<u>19,917</u>
Operating Income (Loss)	(17,739)	(3,256)	(20,995)	(719)
<u>Non-Operating Revenues (Expenses)</u>				
Interest Earned	684	239	923	31
Change in Net Position	(17,055)	(3,017)	(20,071)	(688)
<u>Net Position - Beginning of Year</u>	<u>504,744</u>	<u>226,003</u>	<u>730,746</u>	<u>59,630</u>
<u>Net Position - End of Year</u>	<u>\$ 487,689</u>	<u>\$ 222,986</u>	<u>\$ 710,675</u>	<u>\$ 58,942</u>

The notes are an integral part of the statements.

Village of Clifford
Statement of Cash Flows
Proprietary Funds
For The Year Ended February 28, 2019

	<u>Enterprise Funds</u>		<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
	<u>Sewer Fund</u>	<u>Water Fund</u>		<u>Equipment</u>
<u>Cash Flow From Operating Activities</u>				
Receipts From Customers	\$ 18,374	\$ 52,205	\$ 70,579	\$ 19,198
Payments For Operation, Maintenance & Water	(12,328)	(31,819)	(44,147)	(24,808)
Payments For General & Administration	(4,245)	(18,391)	(22,636)	(3,890)
<u>Net Cash Provided by Operating Activities</u>	<u>1,801</u>	<u>1,995</u>	<u>3,796</u>	<u>(9,500)</u>
<u>Cash Flows From Investing Activities</u>				
Interest Received on Investments	684	239	923	31
<u>Cash Flows From Capital & Related Financing Activities</u>				
Sale (Purchase) of Capital Assets	(5,188)	-	(5,188)	(12,458)
Net Increase (Decrease) in Cash & Cash Equivalents	(2,703)	2,234	(468)	(21,927)
<u>Cash & Cash Equivalents - Beginning of Year</u>	<u>89,811</u>	<u>57,941</u>	<u>147,752</u>	<u>42,312</u>
<u>Cash & Cash Equivalents - End of Year</u>	<u>\$ 87,108</u>	<u>\$ 60,175</u>	<u>\$ 147,284</u>	<u>\$ 20,385</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities</u>				
Operating Income (Loss)	(17,739)	(3,256)	(20,995)	(719)
Adjustments to Reconcile Operating Income (Loss) From Operating Activities:				
Depreciation	19,051	7,524	26,575	3,744
Changes in Assets & Liabilities:				
Receivables	489	1,873	2,362	-
Prepaid Expenses	-	(1,720)	(1,720)	-
Accounts Payable	-	(2,426)	(2,426)	(12,525)
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 1,801</u>	<u>\$ 1,995</u>	<u>\$ 3,796</u>	<u>\$ (9,500)</u>

The notes are an integral part of the statements.

Village of Clifford

Statement of Fiduciary Assets and Liabilities - Agency Fund
Fiduciary Funds
February 28, 2019

	Fiduciary Fund Types	
	Agency Fund	
	Payroll Fund	
<u>Assets</u>		
Cash - Savings & Certificates	\$	7,781
Due From Other Funds		841
<u>Total Assets</u>	\$	<u>8,622</u>
<u>Liabilities</u>		
Due To Other Funds	\$	7,871
Due To Others		751
<u>Total Liabilities</u>	\$	<u>8,622</u>

The notes are an integral part of the statements.

Village of Clifford
Notes to the Financial Statements
For The Fiscal Year Ended February 28, 2019

1. Summary of Significant Accounting Policies

The accounting policies of the **Village of Clifford**, Lapeer County, Michigan (the “Village”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the **Village of Clifford**, Lapeer County, Michigan.

Financial Reporting Entity

The **Village of Clifford** operates under a Council-President form of government and provides the following services: public safety, highways and streets, sanitation, recreation, public improvements, planning and zoning and general administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the **Village of Clifford** (the primary government) and its component units. The component units discussed below are included in the Village reporting entity because of the significance of their operational or financial relationships with the Village.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or discretely presented component units.

Blended Component Units - The Downtown Development Authority (DDA) of the **Village of Clifford**, an entity legally separate from the Village, is governed by a six-member board appointed by Village Council. For financial reporting purposes, the DDA is reported as if it were part of the Village’s operations because its purpose is to finance and provide assistance to businesses and citizens within the DDA District of the Village.

Government-wide and Fund Financial Statements

The Government-wide Financial Statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the nonfiduciary activities of the Village (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separate from certain legally separated component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

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

The Village reports the following major governmental funds:

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

Major Streets Fund - The Major Streets Fund accounts for maintenance and improvement activities for streets designated as “major” within the Village. Funding is provided primarily through State-shared gas and weight taxes.

Village of Clifford
Notes to the Financial Statements
For The Fiscal Year Ended February 28, 2019

1. Summary of Significant Accounting Policies – Continued

Local Streets Fund - The Local Streets Fund accounts for maintenance and improvement activities for streets designated as “local” within the Village. Funding is provided primarily through State-shared gas and weight taxes.

Downtown Development Authority - The Downtown Development Authority (DDA) of the **Village of Clifford**, an entity legally separate from the Village, is governed by a six-member board appointed by Village Council. For financial reporting purposes, the DDA is reported as if it were part of the Village’s operations because its purpose is to finance and provide assistance to businesses and citizens within the DDA District of the Village.

The Village reports the following major enterprise funds and internal service fund:

Water Fund - The Water Fund accounts for the activities of the water distribution system. Funding is provided primarily through user charges.

Sewer Fund - The Sewer Fund accounts for the activities of the sewage disposal system. Funding is provided primarily through user charges.

Internal Service Fund (Equipment Fund) - The Equipment Fund accounts for the acquisition and maintenance of the equipment used in the various funds of the Village. Funding is provided primarily through rent charged from usage of the equipment.

Additionally, the Village reports the following fund types:

Trust & Agency Fund - The Trust & Agency Fund accounts for assets held by the Village in a trustee capacity or as an agent for individuals, organizations or other governments.

Measurement Focus and Basis of Accounting

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

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services and interest. All other revenue items are considered to be available only when cash is received by the Village. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

Cash - The Village does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the Village's investments.

Village of Clifford
Notes to the Financial Statements
For The Fiscal Year Ended February 28, 2019

1. Summary of Significant Accounting Policies – Continued

Investments - Debt securities are valued at cost since it is generally the policy of the Village to hold such investments until they mature.

Due To and Due From Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the Government-wide Financial Statements as “internal balances.”

Property Tax Revenues - Property taxes are levied each December 1st on the taxable valuation of property, as of the preceding December 31st. Taxes are considered delinquent on September 15th of the following year, at which time penalties and interest are assessed.

The Village’s 2018 tax is levied and collectible on July 1, 2018, and is recognized as revenue in the fiscal year ended February 28, 2019, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2018 taxable valuation of the Village totaled about \$5 million (a portion of which is captured by the DDA), on which taxes levied consisted of 10.8541 mills for operating, 4.3415 mills for streets and 4.9173 mills for police protection. This resulted in approximately \$64,000 for operating, \$25,000 for streets and \$29,000 for police protection. In addition, the Village received a reimbursement for lost Personal Property Tax Revenues from the State of Michigan in the amount of \$12,723. These amounts are recognized in the General Fund and DDA Fund Financial Statements as tax revenue.

Vacation, Sick Leave and Other Compensated Absences - The Village has an agreement with the Clerk, Treasurer and employees in the Department of Public Works that requires the payment of compensation during their absence from duty. Each employee has a different agreement as to the eligibility for vacation and holiday pay. If the employees have days that are unused at the end of the fiscal year, the days are forfeited.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Inventories and supplies held by the Water Fund and Sewer Fund, which are immaterial in amount, have not been recognized. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund Financial Statements.

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	40 years
Water & Sewer Distribution Systems	20 to 75 years
Buildings & Building Improvements	20 to 40 years
Machinery & Equipment	3 to 20 years

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Village of Clifford
Notes to the Financial Statements
For The Fiscal Year Ended February 28, 2019

1. Summary of Significant Accounting Policies – *Continued*

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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Balance Classification - In the fund financial statements, governmental funds report nonspendable fund balance for amounts of assets that will not be converted to cash soon enough to affect the current period; restrictions of fund balance for amounts that are legally restricted by outside parties or enabling legislation to use for a specific purpose; committed fund balance for constraints placed on resources by a formal action of the Council; and assigned fund balance for constraints placed on resources by the Village's intent to be used for specific purposes.

- For *committed* fund balances, the Village's highest level of decision-making authority is the Council and it takes a Council's resolution to establish a fund balance commitment.
- For *assigned* fund balances, the Council can authorize to assign amounts to a specific purpose through a motion.
- The Village's policy is that the restricted amounts are considered to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.
- The Village's policy is if it has *committed*, *assigned*, or *unassigned* fund balance available when it incurs an expenditure, it will use the fund balance in the order of committed, assigned and then unassigned.
- The Village does not have a policy with respect to a minimum fund balance.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Village of Clifford
Notes to the Financial Statements
For The Fiscal Year Ended February 28, 2019

2. Stewardship, Compliance and Accountability

Budgetary Information

The Village is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Village’s actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Village Council as a management tool during the year for all budgetary funds. The budgets are adopted on an accrual basis, which is consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds are presented in the required supplemental information.

During the fiscal year ended February 28, 2018, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
NONE	\$	\$	\$ -

Village of Clifford
Notes to the Financial Statements
For The Fiscal Year Ended February 28, 2019

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated one bank for the deposit of Village funds. The investment policy adopted by the Council is in accordance with Public Act 196 of 1997. The Council has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority, as listed above. The Village's deposits are in accordance with statutory authority. All cash deposits and investments of the Village are held by the Village in the Village's name.

At the fiscal year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary-type Activities</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	\$ 725,255	\$ 147,284	\$ 7,781	\$ 880,320

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking & Savings Accounts, CDs)	\$ 880,320

The bank balance of the primary government's deposits is \$880,320, of which \$500,000 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Village's name.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village does not have a deposit policy for custodial credit risk. At the fiscal year end, the Village had approximately \$380,320 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Village's investment policy does not further limit its investment choices.

At the fiscal year end, there were no deposits and investments reported in the basic financial statements with additional credit risk.

Village of Clifford
Notes to the Financial Statements
For The Fiscal Year Ended February 28, 2019

4. Deficit Fund Balance of Individual Funds

NONE

5. Capital Assets

Capital Assets activity of the Village's governmental and business-type activities was as follows:

	<u>Balance March 1, 2018</u>	<u>Additions</u>	<u>Disposals & Adjustments</u>	<u>Balance February 28, 2019</u>
Governmental Activities:				
Capital Assets Being Depreciated:				
General Government	\$ 244,230	\$ 14,552	\$ -	\$ 258,782
Public Works	822,648	-	-	822,648
Recreation & Culture	500,364	-	-	500,364
Total Capital Assets Being Depreciated	<u>1,567,241</u>	<u>14,552</u>	<u>-</u>	<u>1,581,793</u>
Accumulated Depreciation:				
General Government	149,726	10,311	-	160,038
Public Works	403,961	32,342	-	436,303
Recreation & Culture	195,349	16,483	-	211,832
Total Accumulated Depreciation	<u>749,036</u>	<u>59,136</u>	<u>-</u>	<u>808,172</u>
Net Capital Assets	<u>\$ 818,205</u>	<u>\$ (44,584)</u>	<u>\$ -</u>	<u>\$ 773,621</u>
Business-type Activities:				
Capital Assets Not Being Depreciated - Land	\$ 63,891	-	-	\$ 63,891
Capital Assets Being Depreciated:				
Sewage Treatment Plant	921,854	5,188	-	927,042
Water Distribution System	390,881	-	-	390,881
Total Capital Assets Being Depreciated	<u>1,312,735</u>	<u>5,188</u>	<u>-</u>	<u>1,317,923</u>
Accumulated Depreciation:				
Sewage Treatment Plant	570,316	19,051	-	589,367
Water Distribution System	234,039	7,524	-	241,563
Total Accumulated Depreciation	<u>804,356</u>	<u>26,575</u>	<u>-</u>	<u>830,931</u>
Net Capital Assets	<u>\$ 572,270</u>	<u>\$ (21,387)</u>	<u>\$ -</u>	<u>\$ 550,883</u>

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

Governmental Activities:	
General Government	\$ 10,311
Public Works	32,342
Recreation & Culture	16,483
Total Governmental Activities	<u>\$ 59,136</u>
Business-type Activities:	
Sewer Fund	\$ 19,051
Water Fund	7,524
Total Business-type Activities	<u>\$ 26,575</u>

Village of Clifford
Notes to the Financial Statements
For The Fiscal Year Ended February 28, 2019

6. Interfund Receivables, Payables and Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “Due From Other Funds” or “Due To Other Funds” on the balance sheet. The amounts of interfund receivables, payables and transfers are as follows:

	Due From Other Funds		Due To Other Funds
General Fund	7,472	T&A - Payroll Fund	7,472 (1)
T&A - Payroll Fund	317	Major Streets Fund	317 (1)
Equipment Fund	382	T&A - Payroll Fund	382 (1)
Sewer Fund	16	T&A - Payroll Fund	16 (1)
T&A - Payroll Fund	524	Water Fund	524 (1)
	<u>\$ 8,712</u>		<u>\$ 8,712</u>

(1) This interfund balance is the result of the ongoing activity within the Payroll Fund.

Interfund Transfers reported in the Fund Statements are as follows:

	Transfer From		Transfer To
DDA Fund	\$ 20,000	Major Street Fund	\$ 20,000 (2)
DDA Fund	20,000	General Fund	20,000 (3)
Major Street Fund	11,509	Local Street Fund	11,509 (4)
	<u>\$ 51,509</u>		<u>\$ 51,509</u>

- (2) Annual transfer to assist with Major Street Road repairs/maintenance.
- (3) Transfer to assist with repair/replacement of School House roof.
- (4) Annual transfer to assist with Local Street Road repairs/maintenance.

7. Long-Term Debt

	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds & Contracts					
County Drain - Indian Creek					
Maturing Through 2033	\$ 74,413	\$ -	\$ 4,961	\$ 69,452	\$ 4,961
Total Governmental Activities	<u>\$ 74,413</u>	<u>\$ -</u>	<u>\$ 4,961</u>	<u>\$ 69,452</u>	<u>\$ 4,961</u>

Village of Clifford
Notes to the Financial Statements
For The Fiscal Year Ended February 28, 2019

8. Post-Employment Benefits

NONE

9. Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Village has purchased commercial insurance for the various risks of loss stated above. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

10. Tax Abatements

Industrial Facilities Exemption

The Village entered into a property tax abatement agreement with Rochester Gear under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. The IFE on a new plant and non-industrial property, such as some high-tech personal property, is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%.

For the year ended February 28, 2019, the Village abated property tax revenues totaling \$16,092 under this program.

12. Subsequent Events

As of May 2, 2019, there are no subsequent events which have a material effect on the financial statements.

Required Supplemental Information

Village of Clifford
 Required Supplemental Information
 Budgetary Comparison Schedule
 General Fund
 For The Year Ended February 28, 2019

<u>Revenues</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Taxes				
Current Property Tax	\$ 125,000	\$ 131,390	\$ 119,732	\$ (11,658)
State-Shared Revenues	35,000	36,116	36,116	-
Licenses, Permits & Fees				
Building Utilities	1,000	522	651	129
Fines & Forfeitures	100	100	-	(100)
Cable TV Franchise	1,200	1,861	1,881	20
Total Licenses, Permits & Fees	2,300	2,483	2,533	50
Miscellaneous Revenue				
Building Rent	8,000	7,970	7,970	-
Administration Fees	7,500	9,900	9,900	-
Miscellaneous	200	426	1,211	785
Total Miscellaneous Revenues	15,700	18,296	19,081	785
Interest Earnings	600	1,289	1,566	277
<u>Total Revenues</u>	<u>\$ 178,600</u>	<u>\$ 189,574</u>	<u>\$ 179,029</u>	<u>\$ (10,545)</u>

Village of Clifford
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended February 28, 2019

<u>Expenditures</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
General Government				
Legislative	\$ 2,940	\$ 3,157	\$ 3,105	\$ 52
Executive	2,850	2,896	2,896	0
General Administration	34,761	35,681	35,557	124
Insurance, Payroll Taxes & Miscellaneous	29,026	31,070	31,062	8
Central Municipal Activities	13,535	13,891	13,884	7
Total General Government	<u>83,112</u>	<u>86,695</u>	<u>86,504</u>	<u>191</u>
Public Safety				
Police Enforcement	39,036	38,576	38,543	33
Total Public Safety	<u>39,036</u>	<u>38,576</u>	<u>38,543</u>	<u>33</u>
Public Works				
Department of Public Works	27,650	37,474	37,432	42
Street Lighting	12,500	12,183	12,018	165
Total Public Works	<u>40,150</u>	<u>49,657</u>	<u>49,450</u>	<u>207</u>
Debt Service - Principal	4,900	5,000	4,961	39
Debt Service - Interest	2,500	2,750	2,750	0
Capital Outlay	-	14,552	14,552	-
Total Expenditures	<u>169,698</u>	<u>197,230</u>	<u>196,759</u>	<u>471</u>
Excess of Revenues Over (Under) Expenditures	8,902	(7,656)	(17,730)	(10,074)
Other Financing Sources (Uses)				
Transfers In (Out)	(13,500)	8,343	20,000	11,657
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	(4,598)	687	2,270	1,583
Fund Balance - Beginning of Year	-	6,252	176,523	170,271
Fund Balance - End of Year	<u>\$ (4,598)</u>	<u>\$ 6,939</u>	<u>\$ 178,792</u>	<u>\$ 171,853</u>

Village of Clifford
Required Supplemental Information
Budgetary Comparison Schedule
Major Streets Fund
For The Year Ended February 28, 2019

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Intergovernmental Revenues	\$ 52,000	\$ 68,004	\$ 70,238	\$ 2,234
Interest Earnings	250	751	739	(12)
<u>Total Revenues</u>	<u>52,250</u>	<u>68,755</u>	<u>70,977</u>	<u>2,222</u>
<u>Expenditures</u>				
Public Works	64,595	31,852	30,917	935
Capital Outlay	-	-	-	-
<u>Total Expenditures</u>	<u>64,595</u>	<u>31,852</u>	<u>30,917</u>	<u>935</u>
Excess of Revenues Over (Under) Expenditures	(12,345)	36,903	40,061	3,157
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	(9,000)	19,000	8,491	(10,509)
Net Change in Fund Balance	(21,345)	55,903	48,552	(7,352)
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>70,248</u>	<u>82,515</u>	<u>12,267</u>
<u>Fund Balance - End of Year</u>	<u>\$ (21,345)</u>	<u>\$ 126,152</u>	<u>\$ 131,066</u>	<u>\$ 4,915</u>

Village of Clifford
 Required Supplemental Information
 Budgetary Comparison Schedule
 Local Streets Fund
 For The Year Ended February 28, 2019

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Intergovernmental Revenues	\$ 13,000	\$ 15,353	\$ 14,019	\$ (1,334)
Interest Earnings	160	256	285	29
Other Revenues	2,400	2,427	2,427	(0)
<u>Total Revenues</u>	<u>15,560</u>	<u>18,036</u>	<u>16,732</u>	<u>(1,304)</u>
<u>Expenditures</u>				
Public Works	32,440	10,728	9,819	908
Capital Outlay	-	-	-	-
<u>Total Expenditures</u>	<u>32,440</u>	<u>10,728</u>	<u>9,819</u>	<u>908</u>
Excess of Revenues Over (Under) Expenditures	(16,880)	7,308	6,912	(396)
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	9,000	10,000	11,509	1,509
Net Change in Fund Balance	(7,880)	17,308	18,421	1,113
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>25,088</u>	<u>75,184</u>	<u>50,096</u>
<u>Fund Balance - End of Year</u>	<u>\$ (7,880)</u>	<u>\$ 42,397</u>	<u>\$ 93,606</u>	<u>\$ 51,209</u>

Village of Clifford
 Required Supplemental Information
 Budgetary Comparison Schedule
 Downtown Development Authority
 For The Year Ended February 28, 2019

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Property Taxes	\$ 19,244	\$ 73,500	\$ 68,789	\$ (4,711)
Interest Earnings	200	2,000	959	(1,041)
Other Revenue	-	-	-	-
<u>Total Revenues</u>	<u>19,444</u>	<u>75,500</u>	<u>69,748</u>	<u>(5,752)</u>
<u>Expenditures</u>				
Public Works	5,400	6,600	4,648	1,952
Recreation & Culture	10,000	10,000	6,123	3,877
Capital Outlay	5,000	45,000	-	45,000
<u>Total Expenditures</u>	<u>20,400</u>	<u>61,600</u>	<u>10,771</u>	<u>50,829</u>
Excess of Revenues Over (Under) Expenditures	(956)	13,900	58,977	45,077
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	(40,000)	(40,000)	(40,000)	-
Net Change in Fund Balance	(40,956)	(26,100)	18,977	45,077
<u>Fund Balance - Beginning of Year</u>	<u>298,579</u>	<u>298,579</u>	<u>298,579</u>	<u>-</u>
<u>Fund Balance - End of Year</u>	<u>\$ 257,624</u>	<u>\$ 272,479</u>	<u>\$ 317,557</u>	<u>\$ 45,077</u>

KING & KING CPAs LLC

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May 2, 2019

Village of Clifford
4548 Madison Street
P.O. Box 9
Clifford, MI 48727

To the Members of the Council:

In planning and performing our audit of the financial statements, as of and for the fiscal year ended February 28, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the **Village of Clifford**'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit'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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses; however, material weaknesses may exist that we have not identified.

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 following deficiency in the **Village of Clifford**'s internal control to be a significant deficiency:

Segregation of Duties – Due to the limited number of people, many critical duties are combined and given to the available employees/board members. To the extent possible, duties should be segregated to serve as a check and balance to maintain the best control possible. We recommend the Village segregate duties whenever possible.

This information is intended solely for the information and use of management, **Village of Clifford**, and others within the organization, and is not intended to be nor should it be used by anyone other than these specified parties.

Sincerely,

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May 2, 2019

Village of Clifford
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Clifford, MI 48727

To the Members of the Council:

We have audited the financial statements of the governmental activities, business-type activities and each major fund of the **Village of Clifford** for the fiscal year ended February 28, 2019, and have issued our report thereon dated May 2, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 11, 2016, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the **Village of Clifford** are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending February 28, 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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.

Difficulties Encountered in Performing the Audit

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

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Audit Adjustments (Corrected and Uncorrected Misstatements)

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 May 2, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. 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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the information and use of management, the Council of the **Village of Clifford**, and Federal and State agencies and is not intended to be nor should it be used by anyone other than these specified parties.

Sincerely,

King & King CPAs LLC

KING & KING CPAs LLC