

Village of Clifford

Lapeer County, Michigan

Audited Financial Report
February 28, 2023

KING & KING CPAs LLC

Marlette - Imlay City
Michigan

Village of Clifford
 Annual Financial Report
 For The Fiscal Year Ended February 28, 2023

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Independent Auditor's Report

Honorable Village Council
Village of Clifford
Lapeer County, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities and each major fund for the **Village of Clifford**, as of and for the year ended **February 28, 2023**, and the related notes to the financial statements, which collectively comprise the **Village of Clifford's** basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the **Village of Clifford**, 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 (GAAS). 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 the **Village of Clifford**, 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 the **Village of Clifford's** ability to continue as a going concern for the 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 GAAS 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 aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, 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 the **Village of Clifford's** internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting principles 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 the **Village of Clifford'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 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 is the responsibility of management and, although not 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 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.

King & King CPAs LLC

KING & KING CPAs LLC
Imlay City, Michigan

May 15, 2023

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, 2023. 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>2/28/2023</u>	<u>2/28/2021</u>	<u>2/28/2023</u>	<u>2/28/2021</u>	<u>2/28/2023</u>	<u>2/28/2021</u>
Current Assets	\$ 905,969	\$ 837,582	\$ 185,434	\$ 175,022	\$ 1,091,403	\$ 1,012,604
Noncurrent Assets	789,306	799,804	473,347	497,714	1,262,653	1,297,518
Total Assets	<u>1,695,275</u>	<u>1,637,386</u>	<u>658,781</u>	<u>672,736</u>	<u>2,354,056</u>	<u>2,310,122</u>
Current Liabilities	15,394	30,578	6,802	7,979	22,196	38,557
Noncurrent Liabilities	44,648	54,569	-	-	44,648	54,569
Total Liabilities	<u>60,042</u>	<u>85,147</u>	<u>6,802</u>	<u>7,979</u>	<u>66,844</u>	<u>93,126</u>
Net Position:						
Net Inv. In Cap Assets	739,698	740,274	473,347	497,714	1,213,045	1,237,988
Restricted	707,677	642,395	2,333	1,789	710,010	644,184
Unrestricted	187,859	169,570	176,299	165,254	364,158	334,824
Total Net Position	<u>\$ 1,635,234</u>	<u>\$ 1,552,239</u>	<u>\$ 651,979</u>	<u>\$ 664,757</u>	<u>\$ 2,287,213</u>	<u>\$ 2,216,996</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:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2/28/2023</u>	<u>2/28/2021</u>	<u>2/28/2023</u>	<u>2/28/2021</u>	<u>2/28/2023</u>	<u>2/28/2021</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 34,933	\$ 25,688	\$ 73,951	\$ 74,678	\$ 108,884	\$ 100,366
Grants & Contributions	87,848	77,537	28,099	-	115,947	77,537
General Revenues:						
Property Taxes	202,830	205,276	-	-	202,830	205,276
State-Shared Revenues	42,382	36,020	-	-	42,382	36,020
Interest Earnings	3,810	1,035	684	741	4,494	1,776
Other Revenues	27,569	18,347	-	-	27,569	18,347
Transfers	(40,000)	-	40,000	-	-	-
Total Revenues	<u>359,372</u>	<u>363,903</u>	<u>142,734</u>	<u>75,419</u>	<u>502,106</u>	<u>439,322</u>
Program Expenses						
General Government	\$ 100,321	\$ 92,421	\$ -	\$ -	\$ 100,321	\$ 92,421
Public Safety	42,975	40,480	-	-	42,975	40,480
Public Works	159,920	147,736	-	-	159,920	147,736
Recreation & Culture	26,170	19,447	-	-	26,170	19,447
Interest on L/T Debt	2,017	2,383	-	-	2,017	2,383
Water & Sewer	-	-	101,518	101,514	101,518	101,514
Total Program Expenses	<u>331,403</u>	<u>302,467</u>	<u>101,518</u>	<u>101,514</u>	<u>432,921</u>	<u>403,981</u>
Change in Net Position	<u>\$ 27,969</u>	<u>\$ 61,436</u>	<u>\$ 41,216</u>	<u>\$ (26,095)</u>	<u>\$ 69,185</u>	<u>\$ 35,341</u>

The Village as a Whole

- The Village's Governmental Activities net position increased by \$27,969 this year. This compares to a net increase of \$61,436 in the most recently audited year. This is due to a \$40,000 transfer from the DDA Fund to the Water Fund.
- The Village's Business-type Activities net position increased by \$41,216 this year. This compares to a net decrease of \$26,095 in the most recently audited year. The increase is due to a transfer from the DDA fund to the Water Fund for a water project and \$28,099 of ARPA Revenue.
- The Village's primary source of revenue is from Property Taxes, which represents 40% 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 2023 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. However, there remained items in the General Fund where the amount of expenses exceeded the amounts budgeted. The Village will be sure to monitor their budget more closely in the future.

Capital Asset and Debt Administration

During the fiscal year ended February 28, 2023, the Village paid for resurfacing of the roads for \$17,800 out of the Local Fund and \$69,600 out of the Major Fund. The Water Fund purchased pump controls for \$18,358, a pump station for \$7,569 and had a well-house heater installed for \$3,200. The Equipment Fund had a concrete pad installed for \$3,500 and purchased a 300-gallon skid tank for \$3,347. 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, 2023 the Village made a principal payment of \$4,961 on this debt, leaving a balance due of \$49,608. 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. Due to the current economic climate experiencing high inflation, the Village will especially need to consider that and diligently monitor the budget to cover expenditures.

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, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash & Cash Equivalents	\$ 882,007	\$ 171,182	\$ 1,053,188
Accounts Receivable	-	11,919	11,919
Prepaid Expenses	9,650	2,333	11,982
Due From Other Governmental Units	15,093	-	15,093
Capital Assets			
Nondepreciable Capital Assets	12,500	63,891	76,391
Depreciable Capital Assets (Net)	776,806	409,456	1,186,262
<u>Total Assets</u>	<u>1,696,056</u>	<u>658,780</u>	<u>2,354,836</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Liabilities</u>			
Accounts Payable	11,213	1,445	12,658
Current Portion of Long-term Debt	4,961	-	4,961
Noncurrent Liabilities:			
Long-term Debt	44,648	-	44,648
<u>Total Liabilities</u>	<u>60,822</u>	<u>1,445</u>	<u>62,266</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>	<u>5,357</u>	<u>5,357</u>
<u>Net Position</u>			
Net Investment in Capital Assets	739,698	473,347	1,213,045
Restricted	707,677	2,333	710,009
Unrestricted	187,859	176,299	364,158
<u>Total Net Position</u>	<u>\$ 1,635,234</u>	<u>\$ 651,979</u>	<u>\$ 2,287,213</u>

The notes are an integral part of the statements.

Village of Clifford
Statement of Activities
For the Year Ended February, 28, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Totals
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General Government	\$ 100,321	\$ 3,711	\$ -	\$ -	\$ (96,610)	\$ -	\$ (96,610)
Public Safety	42,975	-	-	-	(42,975)	-	(42,975)
Public Works	159,920	31,222	87,848	-	(40,851)	-	(40,851)
Recreation & Culture	26,170	-	-	-	(26,170)	-	(26,170)
Interest on Long-Term Debt	2,017	-	-	-	(2,017)	-	(2,017)
<u>Total Governmental Activities</u>	331,402	34,933	87,848	-	(208,622)	-	(208,622)
Business-type Activities	101,518	73,951	28,099	-	-	532	532
Interest on Long-Term Debt	-	-	-	-	-	-	-
<u>Total Primary Government</u>	<u>\$ 432,920</u>	<u>\$ 108,883</u>	<u>\$ 115,947</u>	<u>\$ -</u>	<u>\$ (208,622)</u>	<u>\$ 532</u>	<u>\$ (208,090)</u>
General Revenues:							
Property Taxes					\$ 202,830	\$ -	\$ 202,830
State-Shared Revenues					42,382	-	42,382
Interest Earnings					3,810	684	4,494
Other Revenues					27,569	-	27,569
Transfers					(40,000)	40,000	-
Total General Revenues, Special Items & Transfers					<u>236,591</u>	<u>40,684</u>	<u>277,275</u>
Change in Net Position					27,969	41,216	69,185
Net Position - Beginning of Year					<u>1,607,265</u>	<u>610,763</u>	<u>2,218,028</u>
Net Position - End of Year					<u>\$ 1,635,234</u>	<u>\$ 651,979</u>	<u>\$ 2,287,213</u>

The notes are an integral part of the statements.

Village of Clifford

Balance Sheet
Governmental Funds
February 28, 2023

	General Fund	Major Streets Fund	Local Streets Fund	Downtown Development Authority	Total Governmental Funds
<u>Assets</u>					
Cash & Cash Equivalents	\$ 154,534	\$ 85,417	\$ 119,128	\$ 472,501	\$ 831,580
Prepaid Expenses	7,900	875	875	-	9,650
Accounts Receivable	-	-	-	-	-
Due From Other Funds	-	7,561	-	-	7,561
Due From Other Gov't Units	-	12,127	2,966	-	15,093
	<u>\$ 162,434</u>	<u>\$ 105,980</u>	<u>\$ 122,969</u>	<u>\$ 472,501</u>	<u>\$ 863,883</u>
<u>Liabilities & Fund Equity</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 8,576	\$ 864	\$ 809	\$ -	\$ 10,248
Due To Other Funds	7,561	-	-	-	7,561
	<u>16,137</u>	<u>864</u>	<u>809</u>	<u>-</u>	<u>17,809</u>
<u>Fund Equity</u>					
Fund Balances:					
Nonspendable	7,900	-	-	-	7,900
Restricted For:					
Public Works - DDA	-	-	-	472,501	472,501
Public Works - Streets	-	105,116	122,160	-	227,277
Unrestricted	138,398	-	-	-	138,398
	<u>146,297</u>	<u>105,116</u>	<u>122,160</u>	<u>472,501</u>	<u>846,074</u>
	<u>\$ 162,434</u>	<u>\$ 105,980</u>	<u>\$ 122,969</u>	<u>\$ 472,501</u>	<u>\$ 863,883</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, 2023

Total Fund Balances for Governmental Funds & Equipment Fund	\$ 924,046
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.	(49,608)
Capital Assets used in Governmental Activities are not financial resources and are not reported in the Funds.	<u>760,796</u>
Net Position of Governmental Activities	<u><u>\$ 1,635,234</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, 2023

	General Fund	Major Streets Fund	Local Streets Fund	Downtown Development Authority	Total Governmental Funds
<u>Revenues</u>					
Property Taxes	\$ 122,354	\$ -	\$ -	\$ 80,477	\$ 202,830
Intergovernmental Revenues	42,382	70,582	17,265	-	130,230
Charges for Services	3,711	-	-	-	3,711
Interest Earnings	733	532	534	1,924	3,722
Other Revenues	24,751	-	2,818	-	27,569
<u>Total Revenues</u>	193,931	71,114	20,617	82,400	368,061
<u>Expenditures</u>					
General Government	89,250	-	-	-	89,250
Public Safety	42,975	-	-	-	42,975
Public Works	50,185	38,182	14,185	6,604	109,156
Recreation & Culture	-	-	-	6,843	6,843
Debt Service - Principal	4,961	-	-	-	4,961
Debt Service - Interest	2,017	-	-	-	2,017
Capital Outlay	-	69,600	17,800	-	87,400
<u>Total Expenditures</u>	189,388	107,782	31,985	13,447	342,602
Excess of Revenues Over (Under) Expenditures	4,543	(36,668)	(11,368)	68,953	25,460
<u>Other Financing Sources (Uses)</u>					
Transfers In (Out)	-	(12,109)	12,109	(40,000)	(40,000)
Net Change in Fund Balances	4,543	(48,778)	741	28,953	(14,540)
<u>Fund Balances - Beginning of Year</u>	141,754	153,894	121,419	443,547	860,615
<u>Fund Balances - End of Year</u>	\$ 146,297	\$ 105,116	\$ 122,160	\$ 472,501	\$ 846,074

The notes are an integral part of the statements.

Village of Clifford

Reconciliation of Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities

Governmental Funds

For The Year Ended February 28, 2023

Net Change in Fund Balances - Total Governmental Funds & Equipment Fund \$ (4,401)

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

Governmental Funds report capital outlays as expenditures.

In the Statement of Activities, these costs are capitalized and
allocated over their estimated useful lives as depreciation.

87,400

Repayment of bond principal is an expenditure in the Governmental
Funds, but not in the Statement of Activities (where it
reduces Long-term Debt).

4,961

Depreciation is an expenditure for the Statement of
Activities, but is not reported in the Governmental Funds.

(59,991)

Change in Net Position of Governmental Activities

\$ 27,969

Village of Clifford

Statement of Net Position

Proprietary Funds

February 28, 2023

	<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	\$ 100,991	\$ 70,191	\$ 171,182	\$ 50,426
Accounts Receivable	3,194	8,725	11,919	-
Prepaid Expenses	-	2,333	2,333	-
<u>Total Current Assets</u>	<u>104,185</u>	<u>81,248</u>	<u>185,433</u>	<u>50,426</u>
<u>Noncurrent Assets</u>				
Capital Assets Not Being Depreciated	59,891	4,000	63,891	-
Capital Assets Being Depreciated	927,042	420,008	1,347,050	213,981
Less: Accumulated Depreciation	(666,264)	(271,330)	(937,594)	(185,471)
<u>Total Noncurrent Assets</u>	<u>320,669</u>	<u>152,678</u>	<u>473,347</u>	<u>28,510</u>
<u>Total Assets</u>	<u>424,854</u>	<u>233,926</u>	<u>658,780</u>	<u>78,936</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Liabilities</u>				
Accounts Payable	1,161	284	1,445	965
<u>Total Liabilities</u>	<u>1,161</u>	<u>284</u>	<u>1,445</u>	<u>965</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>	<u>5,357</u>	<u>5,357</u>	<u>-</u>
<u>Net Position</u>				
Invested in Capital Assets Net of Related Debt	320,669	152,678	473,347	28,510
Restricted	-	2,333	2,333	-
Unrestricted	103,024	73,275	176,299	49,462
<u>Total Net Position</u>	<u>\$ 423,693</u>	<u>\$ 228,286</u>	<u>\$ 651,979</u>	<u>\$ 77,971</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, 2023

	<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	\$ 19,968	\$ 53,983	\$ 73,951	\$ -
Equipment Rental	-	-	-	31,222
<u>Total Operating Revenues</u>	<u>19,968</u>	<u>53,983</u>	<u>73,951</u>	<u>31,222</u>
<u>Operating Expenses</u>				
Operation & Maintenance	13,454	40,934	54,388	12,668
General & Administration	4,284	15,731	20,014	4,162
Depreciation	19,224	7,892	27,116	4,341
<u>Total Operating Expenses</u>	<u>36,961</u>	<u>64,557</u>	<u>101,518</u>	<u>21,171</u>
Operating Income (Loss)	(16,993)	(10,574)	(27,567)	10,051
<u>Non-Operating Revenues (Expenses)</u>				
Interest Earned	516	168	684	88
Grant Revenue	-	28,099	28,099	-
Transfers From Other Funds	-	40,000	40,000	-
Change in Net Position	(16,477)	57,693	41,216	10,139
<u>Net Position - Beginning of Year</u>	<u>440,170</u>	<u>170,593</u>	<u>610,763</u>	<u>67,833</u>
<u>Net Position - End of Year</u>	<u>\$ 423,693</u>	<u>\$ 228,286</u>	<u>\$ 651,979</u>	<u>\$ 77,971</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, 2023

	<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	\$ 20,019	\$ 43,446	\$ 63,464	\$ 31,222
Payments For Operation, Maintenance & Water	(12,293)	(45,507)	(57,800)	(11,703)
Payments For General & Administration	(4,284)	(16,274)	(20,558)	(4,162)
<u>Net Cash Provided by Operating Activities</u>	<u>3,442</u>	<u>(18,336)</u>	<u>(14,893)</u>	<u>15,357</u>
<u>Cash Flows From Investing Activities</u>				
Interest Received on Investments	<u>516</u>	<u>168</u>	<u>684</u>	<u>88</u>
<u>Cash Flows From Capital & Related Financing Activities</u>				
Sale (Purchase) of Capital Assets	0	(29,127)	(29,127)	(6,947)
Grant Revenues	-	28,099	28,099	-
Transfers from Other Funds	-	40,000	40,000	-
Net Increase (Decrease) in Cash & Cash Equivalents	3,959	20,804	24,763	8,498
<u>Cash & Cash Equivalents - Beginning of Year</u>	<u>97,032</u>	<u>49,386</u>	<u>146,418</u>	<u>41,928</u>
<u>Cash & Cash Equivalents - End of Year</u>	<u>\$ 100,991</u>	<u>\$ 70,191</u>	<u>\$ 171,182</u>	<u>\$ 50,426</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities</u>				
Operating Income (Loss)	(16,993)	(10,574)	(27,567)	10,051
Adjustments to Reconcile Operating Income (Loss) From Operating Activities:				
Depreciation	19,224	7,892	27,116	4,341
Changes in Assets & Liabilities:				
Receivables	51	801	851	-
Prepaid Expenses	-	(544)	(544)	-
Accounts Payable	1,161	(4,573)	(3,412)	965
Deferred Revenues	-	(11,338)	(11,338)	-
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 3,442</u>	<u>\$ (18,336)</u>	<u>\$ (14,893)</u>	<u>\$ 15,357</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, 2023

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, 2023

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.

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, 2023

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 2022 tax is levied and collectible on July 1, 2022, and is recognized as revenue in the fiscal year ended February 28, 2023, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2022 taxable valuation of the Village totaled about \$6 million (a portion of which is captured by the DDA), on which taxes levied consisted of 10.2993 mills for operating, 4.1196 mills for streets and 4.6659 mills for police protection. This resulted in approximately \$56,000 for operating, \$21,000 for streets and \$24,000 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 \$16,538. These amounts are recognized in the General Fund and DDA Fund Financial Statements as tax revenue.

Receivables and Payables – All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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

Prepaid Items – Certain payments made to vendors are for services applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets – Restricted assets consist of investments that have set aside for future bond payments.

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.

Deferred Outflows 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 represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense / expenditure) until then. The Village reports deferred outflows of resources related to its defined pension plan for contributions to the plan subsequent to the valuation date through the Village’s fiscal year-end, differences between expected and actual experience, differences between expected and actual investment returns and changes in assumptions.

Village of Clifford
Notes to the Financial Statements
For The Fiscal Year Ended February 28, 2023

1. Summary of Significant Accounting Policies – Continued

Deferred Inflows of Resources – In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This 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 City reports deferred inflows of resources related to its pension plan for differences between expected and actual experience.

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.

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.

Net Position Flow Assumption – The Village will sometimes 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 Village’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Village of Clifford
Notes to the Financial Statements
For The Fiscal Year Ended February 28, 2023

1. Summary of Significant Accounting Policies – Continued

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.

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.

Village of Clifford
Notes to the Financial Statements
For The Fiscal Year Ended February 28, 2023

2. Stewardship, Compliance and Accountability– Continued

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, 2023, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General Administration			
General Government	\$ 40,139.00	\$ 44,304.00	\$ 4,165
Public Safety	36,749.00	42,975.00	6,226
Major Streets			
Capital Outlay	48,103.00	69,600.00	21,497

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>Total Primary Government</u>
Cash & Cash Equivalents	\$ 882,007	\$ 171,182	\$ 1,053,188

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking & Savings Accounts, CDs)	\$ 1,053,188

The bank balance of the primary government’s deposits is \$1,053,188, of which \$681,748 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.

Village of Clifford
Notes to the Financial Statements
For The Fiscal Year Ended February 28, 2023

3. Cash and Investments– *Continued*

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 \$371,440 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.

4. Deficit Fund Balance of Individual Funds

NONE

Village of Clifford
Notes to the Financial Statements
For The Fiscal Year Ended February 28, 2023

5. Capital Assets

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

Capital Assets Being Depreciated:				
General Government	\$ 272,210	\$ -	\$ -	\$ 272,210
Public Works	905,104	94,347	-	999,450
Recreation & Culture	573,664	-	-	573,664
Total Capital Assets Being Depreciated	<u>1,750,977</u>	<u>94,347</u>	<u>-</u>	<u>1,845,324</u>
Accumulated Depreciation:				
General Government	193,378	11,071	-	204,449
Public Works	533,589	33,934	-	567,523
Recreation & Culture	264,721	19,327	-	284,048
Total Accumulated Depreciation	<u>991,687</u>	<u>64,332</u>	<u>-</u>	<u>1,056,019</u>
Net Capital Assets	<u>\$ 759,290</u>	<u>\$ 30,015</u>	<u>\$ -</u>	<u>\$ 789,305</u>
Business-type Activities:				
Capital Assets Not Being Depreciated - Land	\$ 63,891	\$ -	\$ -	\$ 63,891
Capital Assets Being Depreciated:				
Sewage Treatment Plant	927,042	-	-	927,042
Water Distribution System	390,881	29,127	-	420,008
Total Capital Assets Being Depreciated	<u>1,317,923</u>	<u>29,127</u>	<u>-</u>	<u>1,347,050</u>
Accumulated Depreciation:				
Sewage Treatment Plant	647,040	19,224	-	666,264
Water Distribution System	263,438	7,892	-	271,330
Total Accumulated Depreciation	<u>910,478</u>	<u>27,116</u>	<u>-</u>	<u>937,594</u>
Net Capital Assets	<u>\$ 471,336</u>	<u>\$ 2,011</u>	<u>\$ -</u>	<u>\$ 473,347</u>

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

Governmental Activities:		
General Government	\$ 11,071	
Public Works	33,934	
Recreation & Culture	19,327	
Total Governmental Activities	<u>\$ 64,332</u>	
Business-type Activities:		
Sewer Fund	\$ 19,224	
Water Fund	7,892	
Total Business-type Activities	<u>\$ 27,116</u>	

Village of Clifford
Notes to the Financial Statements
For The Fiscal Year Ended February 28, 2023

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:

	<u>Due From Other Funds</u>		<u>Due To Other Funds</u>
Major Fund	\$ 7,561	General Fund	\$ 7,561 (1)
	<u>\$ 7,561</u>		<u>\$ 7,561</u>

(1) This is for money that was deposited in the General Fund that should have went to Major Streets. This has yet to be corrected.

Interfund Transfers reported in the Fund Statements are as follows:

	<u>Transfer From</u>		<u>Transfer To</u>
Major Street Fund	\$ 12,109	Local Street Fund	\$ 12,109 (2)
DDA	40,000	Water Fund	40,000 (1)
	<u>\$ 52,109</u>		<u>\$ 52,109</u>

(2) Annual transfer to assist with Local Street Road repairs/maintenance.

(1) Transferred funds to assist with pump house project.

7. Long-Term Debt

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds & Contracts					
County Drain - Indian Creek					
Maturing Through 2033	\$ 54,569	\$ -	\$ 4,961	\$ 49,608	\$ 4,961
Total Governmental Activities	<u>\$ 54,569</u>	<u>\$ -</u>	<u>\$ 4,961</u>	<u>\$ 49,608</u>	<u>\$ 4,961</u>

The only debt of the Village is with the Lapeer County Drain Commission for drain districts. This debt is secured by the future tax revenues of the Village.

Village of Clifford
Notes to the Financial Statements
For The Fiscal Year Ended February 28, 2023

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, 2023, the Village abated property tax revenues totaling \$1,393 under this program.

12. Subsequent Events

As of May 15, 2023, 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, 2023

<u>Revenues</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Taxes				
Current Property Tax	\$ 140,500	\$ 132,007	\$ 122,354	\$ (9,653)
State-Shared Revenues	36,000	38,167	42,382	4,215
Licenses, Permits & Fees				
Building Utilities	1,000	1,604	1,604	(0)
Fines & Forfeitures	-	66	66	-
Cable TV Franchise	2,100	2,041	2,041	(0)
Total Licenses, Permits & Fees	3,100	3,711	3,711	(0)
Miscellaneous Revenue				
Building Rent	8,500	9,225	8,475	(750)
Administration Fees	9,300	9,395	9,700	305
Miscellaneous	16,533	20,447	6,576	(13,871)
Total Miscellaneous Revenues	34,333	39,067	24,751	(14,316)
Interest Earnings	600	1,202	733	(469)
Total Revenues	\$ 214,533	\$ 214,154	\$ 193,931	\$ (20,223)

Village of Clifford
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended February 28, 2023

<u>Expenditures</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
General Government				
Legislative	\$ 4,105	\$ 4,360	\$ 4,359	\$ 1
Executive	2,960	3,230	3,230	0
General Administration	39,107	40,139	44,304	(4,165)
Insurance, Payroll Taxes & Miscellaneous	22,349	19,099	16,459	2,640
Central Municipal Activities	13,805	20,943	20,897	46
Total General Government	82,326	87,771	89,250	(1,479)
Public Safety				
Police Enforcement	36,200	36,749	42,975	(6,226)
Total Public Safety	36,200	36,749	42,975	(6,226)
Public Works				
Department of Public Works	45,690	34,170	33,970	200
Street Lighting	14,000	16,247	16,215	32
Total Public Works	59,690	50,417	50,185	231
Debt Service - Principal	4,961	4,961	4,961	0
Debt Service - Interest	2,400	2,017	2,017	0
Capital Outlay	1,197	578	-	578
Total Expenditures	186,774	182,493	189,388	(6,895)
Excess of Revenues Over (Under) Expenditures	27,759	31,661	4,543	(27,118)
Other Financing Sources (Uses)				
Transfers In (Out)	(20,000)	(17,192)	-	17,192
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	7,759	14,469	4,543	(9,926)
Fund Balance - Beginning of Year	-	(1,480)	141,754	143,234
Fund Balance - End of Year	\$ 7,759	\$ 12,989	\$ 146,297	\$ 133,308

Village of Clifford
Required Supplemental Information
Budgetary Comparison Schedule
Major Streets Fund
For The Year Ended February 28, 2023

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Intergovernmental Revenues	\$ 60,000	\$ 65,233	\$ 70,582	\$ 5,349
Interest Earnings	200	473	532	59
<u>Total Revenues</u>	<u>60,200</u>	<u>65,706</u>	<u>71,114</u>	<u>5,408</u>
<u>Expenditures</u>				
Public Works	75,885	38,984	38,182	802
Capital Outlay	-	48,103	69,600	(21,497)
<u>Total Expenditures</u>	<u>75,885</u>	<u>87,087</u>	<u>107,782</u>	<u>(20,695)</u>
Excess of Revenues Over (Under) Expenditures	(15,685)	(21,381)	(36,668)	(15,287)
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	(10,000)	(12,000)	(12,109)	(109)
Net Change in Fund Balance	(25,685)	(33,381)	(48,778)	(15,397)
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>(7,696)</u>	<u>153,894</u>	<u>161,590</u>
<u>Fund Balance - End of Year</u>	<u>\$ (25,685)</u>	<u>\$ (41,077)</u>	<u>\$ 105,116</u>	<u>\$ 146,193</u>

Village of Clifford
Required Supplemental Information
Budgetary Comparison Schedule
Local Streets Fund
For The Year Ended February 28, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Intergovernmental Revenues	\$ 15,000	\$ 17,351	\$ 17,265	\$ (86)
Interest Earnings	150	271	534	263
Other Revenues	2,600	2,818	2,818	(0)
<u>Total Revenues</u>	17,750	20,440	20,617	177
<u>Expenditures</u>				
Public Works	34,472	14,624	14,185	439
Capital Outlay	-	24,538	17,800	6,738
<u>Total Expenditures</u>	34,472	39,162	31,985	7,177
Excess of Revenues Over (Under) Expenditures	(16,722)	(18,722)	(11,368)	7,354
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	10,000	12,000	12,109	109
Net Change in Fund Balance	(6,722)	(6,722)	741	7,463
<u>Fund Balance - Beginning of Year</u>	-	-	121,419	121,419
<u>Fund Balance - End of Year</u>	\$ (6,722)	\$ (6,722)	\$ 122,160	\$ 128,882

Village of Clifford
 Required Supplemental Information
 Budgetary Comparison Schedule
 Downtown Development Authority
 For The Year Ended February 28, 2023

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Property Taxes	\$ 14,730	\$ 14,730	\$ 80,477	\$ 65,747
Interest Earnings	300	300	1,924	1,624
Other Revenue	-	-	-	-
<u>Total Revenues</u>	<u>15,030</u>	<u>15,030</u>	<u>82,400</u>	<u>67,370</u>
<u>Expenditures</u>				
Public Works	48,600	48,600	6,604	41,996
Recreation & Culture	71,000	71,000	6,843	64,157
Capital Outlay	25,000	25,000	-	25,000
<u>Total Expenditures</u>	<u>144,600</u>	<u>144,600</u>	<u>13,447</u>	<u>131,153</u>
Excess of Revenues Over (Under) Expenditures	(129,570)	(129,570)	68,953	198,523
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	-	-	(40,000)	(40,000)
Net Change in Fund Balance	(129,570)	(129,570)	28,953	158,523
<u>Fund Balance - Beginning of Year</u>	<u>428,806</u>	<u>428,806</u>	<u>443,547</u>	<u>14,741</u>
<u>Fund Balance - End of Year</u>	<u>\$ 299,236</u>	<u>\$ 299,236</u>	<u>\$ 472,501</u>	<u>\$ 173,265</u>

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May 15, 2023

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 of the governmental activities, business-type activities, and each major fund of the **Village of Clifford** as of and for the year ended **February 28, 2023**, in accordance with U.S. generally accepted auditing standards, we considered the Township's internal control over financial reporting (internal control) as a basis for designing 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 Clifford's** internal control. Accordingly, we do not express an opinion of the effectiveness of the **Village of Clifford'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. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be 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 **Village of Clifford's** financial statements will not be prevented or detected and corrected, on a timely basis. We consider the following deficiencies in the Township's internal control to be significant deficiencies:

Segregation of Duties - One of the strongest controls in an internal control system is known as "segregation of duties". This means there are different individuals performing different duties within a specific accounting function. Having multiple individuals performing duties in the same accounting function acts as a check and balance. As is common in many small organizations, there is often only a few people, sometimes only one person, performing the accounting and financial functions. It is also common to have these individuals concentrate their efforts in one area. For example, one person does the entire payroll, one person does all the disbursing, and one person does all the billing and receipting. While this is usually more efficient, it is a weakened internal control system. There are generally insufficient checks and balances in place.

This is the situation with the **Village of Clifford**. Due to a limited staff size, the municipality has a lack of segregation of duties because various conflicting duties are performed by an insufficient number of individuals. We recommend the **Village of Clifford** segregate duties whenever possible.

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Financial Reporting - Our professional standards now define an element of internal control as an organization's ability to prepare a complete set of financial statements with footnotes in accordance with U.S. generally accepted accounting principles. We are required to communicate to management if the municipality is unable to complete this task without assistance from its auditor. It is not uncommon that many small and medium size organizations cannot provide the resources to accomplish this task. This is the situation with the **Village of Clifford**.

This communication is intended solely for the information and use of management, Council and others within the organization and is not intended to be and should not be, used by anyone other than these specified parties.

Sincerely,

King & King CPAs LLC

KING & KING CPAs LLC

Imlay City, Michigan

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May 15, 2023

Village of Clifford
4548 Madison Street
P.O. Box 9
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 year ended **February 28, 2023**. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted 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 **June 10, 2021**. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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 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 year. We noted no transactions entered into by the **Village of Clifford** 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 financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

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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 **May 15, 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 the **Village of Clifford'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 Clifford's** auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and major fund budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Sincerely,

King & King CPAs LLC

KING & KING CPAs LLC
Imlay City, Michigan