

**Village of Lake Isabella
Lake Isabella, Michigan**

**Financial Statements
June 30, 2023**

DRAFT



RPC
Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Village Council
Village of Lake Isabella
Lake Isabella, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Lake Isabella (the Village) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village 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's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

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

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

- Exercise professional judgment 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, 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 a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

DATE

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**MANAGEMENT'S DISCUSSION
AND ANALYSIS**



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Management's Discussion and Analysis

As Village Manager and Chief administrative officer of the Village of **Lake Isabella**, I would like to offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ending June 30, 2023.

FINANCIAL HIGHLIGHTS:

- The Village's assets exceeded its liabilities at the close of the most recent fiscal year by \$2,349,803. Of this amount, \$607,063, or 26%, represents the unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the fiscal year, the Village governmental funds reported combined assets of \$1,291,928, an decrease of \$129,101 compared to the prior year. At the government's discretion, approximately 16% of this amount is available for spending as an unassigned fund balance.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$606,793, which is approximately 77% of total regular general fund expenditures for the year ending June 30, 2023.
- The Village has a net investment in capital assets (e.g., buildings, equipment, vehicles, and infrastructure), which amounted to \$1,287,499 or 50% of the Total Net Position.

OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis are intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information besides the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, like a private-sector business.

The *Statement of Net Position* presents information covering the Village's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a helpful indicator of whether the Village's financial position is improving or deteriorating.

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

Both government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*government activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The government activities of the Village include legislative, general government, public safety, public works and recreation, and culture. The business-type activities of the Village include sewer services and the Village's airport and runway.

FUND FINANCIAL STATEMENTS:

A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

Governmental funds:

Governmental funds account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may help evaluate a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, comparing the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements is helpful. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintained three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major streets, and local streets, which are considered major funds.

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

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

Proprietary funds:

The Village maintains one type of proprietary fund, an enterprise fund. Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its sewer and airport operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and airport operations, both of which are considered major funds of the Village.

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

NOTES TO THE FINANCIAL STATEMENTS:

The notes provide additional information essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-20 of this report.

OTHER INFORMATION:

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

Required supplementary information can be found on pages 21-23 of this report.

INTERDEPENDENCE WITH OTHER ENTITIES:

The Village depends on financial resources from or associated with the State of Michigan. Because of this dependency, the Village is subject to changes in specific flows of intergovernmental revenues based on modifications to state laws and appropriations. This dependency is almost entirely tied to the State of Michigan Constitutional Revenue Sharing and Act 51 disbursements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As shown in the following chart, the Village's assets exceeded liabilities by \$2,349,803 at the end of the fiscal year.

VILLAGE OF LAKE ISABELLA'S NET POSITION

ASSETS	Government Activities		Business-Type Activities		Total	
	2022	2023	2022	2023	2022	2023
Current Assets						
Cash & Investments	\$ 1,323,916	\$ 1,195,961	\$ 9,938	\$ 9,299	\$ 1,333,854	\$ 1,205,260
Accounts Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from Other Gov. Units	\$ 91,377	\$ 95,119	\$ -	\$ -	\$ 91,377	\$ 95,119
Prepaid Expenses	\$ 5,736	\$ 848	\$ -	\$ -	\$ 5,736	\$ 848
Total Current Assets	\$ 1,421,029	\$ 1,291,928	\$ 9,938	\$ 9,299	\$ 1,430,967	\$ 1,301,227
Non-Current Assets						
Capital Assets NOT Depreciated	\$ 5,304	\$ 5,304	\$ 115,000	\$ 115,000	\$ 120,304	\$ 120,304
Capital Assets being Depreciated	\$ 1,314,033	\$ 1,282,195	\$ -	\$ -	\$ 1,314,033	\$ 1,282,195
Total Non-Current Assets	\$ 1,319,337	\$ 1,287,499	\$ 115,000	\$ 115,000	\$ 1,434,337	\$ 1,402,499
TOTAL ASSETS	\$ 2,740,366	\$ 2,579,427	\$ 124,938	\$ 124,299	\$ 2,865,304	\$ 2,703,726
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 4,854	\$ 9,758	\$ -	\$ -	\$ 4,854	\$ 9,758
Accrued Interest	\$ 1,471	\$ 1,418	\$ -	\$ -	\$ 1,471	\$ 1,418
Unearned Revenue	\$ 137,814	\$ 42,636	\$ -	\$ -	\$ 137,814	\$ 42,636
Compensated Absences	\$ 1,232	\$ 1,142	\$ -	\$ -	\$ 1,232	\$ 1,142
Bonds Payable, Due W/I 1 Year	\$ 22,500	\$ 22,500	\$ -	\$ -	\$ 22,500	\$ 22,500
Total Current Liabilities	\$ 167,871	\$ 77,454	\$ -	\$ -	\$ 167,871	\$ 77,454
Non-Current Liabilities						
Compensated Absences	\$ 6,980	\$ 6,469	\$ -	\$ -	\$ 6,980	\$ 6,469
Bonds Payable	\$ 292,500	\$ 270,000	\$ -	\$ -	\$ 292,500	\$ 270,000
Total Non-Current Liabilities	\$ 299,480	\$ 276,469	\$ -	\$ -	\$ 299,480	\$ 276,469
TOTAL LIABILITIES	\$ 467,351	\$ 353,923	\$ -	\$ -	\$ 467,351	\$ 353,923
NET POSITION						
Net Investment in Capital Assets	\$ 1,004,337	\$ 994,999	\$ 115,000	\$ 115,000	\$ 1,119,337	\$ 1,109,999
Prior Period Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	\$ 707,664	\$ 632,741	\$ -	\$ -	\$ 707,664	\$ 632,741
Unrestricted	\$ 561,014	\$ 597,764	\$ 9,938	\$ 9,299	\$ 570,952	\$ 607,063
TOTAL NET POSITION	\$ 2,273,015	\$ 2,225,504	\$ 124,938	\$ 124,299	\$ 2,397,953	\$ 2,349,803

The net positions are separated into two major components; net investment in capital assets (e.g., buildings, equipment and vehicles, and infrastructure), which amounted to \$1,109,999 or 47% of the Total Net Position, and unrestricted net position of \$607,063 or 26% of Total Net Position. Unrestricted net position may be used to meet the Village's ongoing obligations to its programs. The remaining net positions of the Village (\$632,741 or 27%) represent resources that have external restrictions on how they may be used.

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

VILLAGE OF LAKE ISABELLA'S CHANGES IN NET POSITION

REVENUE	Governmental Activities		Business-Type Activities		Total	
	2022	2023	2022	2023	2022	2023
Program Revenues						
Charges for Services	\$ 35,905	\$ 55,668	\$ -	\$ -	\$ 35,905	\$ 55,668
Operating Grants/Contributions	\$ 411,562	\$ 485,555	\$ -	\$ -	\$ 411,562	\$ 485,555
Capital Grants/Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Program Revenues	\$ 447,467	\$ 541,223	\$ -	\$ -	\$ 447,467	\$ 541,223
General Revenues						
Taxes	\$ 73,203	\$ 76,340	\$ -	\$ -	\$ 73,203	\$ 76,340
Special Assessments	\$ 36,420	\$ 39,099	\$ -	\$ -	\$ 36,420	\$ 39,099
SSR	\$ 206,032	\$ 198,570	\$ -	\$ -	\$ 206,032	\$ 198,570
Other	\$ 12,306	\$ 17,742	\$ -	\$ -	\$ 12,306	\$ 17,742
Interest	\$ 31,562	\$ 35,298	\$ 12	\$ 86	\$ 31,574	\$ 35,384
Transfers In (Out)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total General Revenues	\$ 359,523	\$ 367,049	\$ 12	\$ 86	\$ 359,535	\$ 367,135
TOTAL REVENUES	\$ 806,990	\$ 908,272	\$ 12	\$ 86	\$ 807,002	\$ 908,358
EXPENSES						
General Government	\$ 277,130	\$ 347,439	\$ -	\$ -	\$ 277,130	\$ 347,439
Public Safety	\$ 53,923	\$ 80,048	\$ -	\$ -	\$ 53,923	\$ 80,048
Public Works	\$ 444,609	\$ 490,264	\$ -	\$ -	\$ 444,609	\$ 490,264
Com/Econ. Development	\$ 30,570	\$ 32,104	\$ -	\$ -	\$ 30,570	\$ 32,104
Interest on Long-Term Debt	\$ 2,714	\$ 5,928	\$ -	\$ -	\$ 2,714	\$ 5,928
Airport	\$ -	\$ -	\$ 637	\$ 725	\$ 637	\$ 725
Sewer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL EXPENSES	\$ 808,946	\$ 955,783	\$ 637	\$ 725	\$ 809,583	\$ 956,508
Change in Net Position	\$ (1,956)	\$ (47,511)	\$ (625)	\$ (639)	\$ (2,581)	\$ (48,150)
Prior Period Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Position Beginning of Period	\$ 2,274,971	\$ 2,273,015	\$ 125,563	\$ 124,938	\$ 2,400,534	\$ 2,397,953
Net Position at End of Period	\$ 2,273,015	\$ 2,225,504	\$ 124,938	\$ 124,299	\$ 2,397,953	\$ 2,349,803

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS:

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

Governmental funds:

The focus of the Village's governmental funds is to provide information on near-term inflows and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

- At the close of the fiscal year, the Village governmental funds reported combined assets of \$1,291,928, an decrease of \$129,101 compared to the prior year. At the government's discretion, approximately 16% of this amount is available for spending as an unassigned fund

balance.

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$606,793, which is approximately 77% of total regular general fund expenditures for the year ending June 30, 2023.

Proprietary Funds:

The Village's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

At the end of the year, the unrestricted net position was \$9,299 for the sewer fund and \$0 for the airport fund. The runway, paved initially in 2000, has fully depreciated from the Village's financial statements.

GOVERNMENTAL ACTIVITIES:

The following chart summarizes the primary revenue sources for the governmental activities of the Village for the most recent fiscal year-end and the prior years as a percentage of total revenues for the fund.

Item	2016	2017	2018	2019	2020	2021	2022	2023
State Shared/Returned Revenue	54%	56%	69%	70%	71%	77%	77%	75%
Property Taxes	9%	11%	10%	10%	11%	10%	9%	8%
Charges for Services	5%	1%	1%	5%	5%	5%	4%	6%
Interest & Rents	7%	5%	5%	12%	5%	5%	4%	4%
Other Revenue Sources	22%	27%	15%	9%	8%	3%	2%	2%

The following table summarizes the expenses for the governmental activities of the Village for the most recent fiscal year-end and the prior years. Expenditures remained consistent with the previous year concerning the proportion of spending in each area.

Item	2016	2017	2018	2019	2020	2021	2022	2022
Public Works	58%	60%	44%	58%	63%	56%	55%	51%
General Government	29%	29%	38%	32%	27%	34%	34%	36%
Public Safety	7%	7%	6%	5%	4%	5%	7%	8%
Other Functions	6%	4%	12%	5%	6%	5%	4%	4%

GENERAL FUND BUDGETARY HIGHLIGHTS:

Differences between the original and final budgets for expenditures were relatively minor, and adjustments were made to the Village's budget procedures to address changes in activity during the year.

The budget to actual comparisons for the Village's General Fund was generally favorable.

CAPITAL ASSETS:

The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounted to \$1,402,499 (net amount after accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, infrastructure, runway, and sewer infrastructure, as shown below:

Item	Governmental Activities	Business-type Activities	Total
Land	\$ 5,304	\$ 115,000	\$ 120,304
Roads	\$ 852,809	\$ -	\$ 852,809
Equipment	\$ 43,399	\$ -	\$ 43,399
Buildings	\$ 364,120	\$ -	\$ 364,120
Vehicles	\$ 21,867	\$ -	\$ 21,867
Airport/Runway	\$ -	\$ -	\$ -
Total	\$ 1,287,499	\$ 115,000	\$ 1,402,499

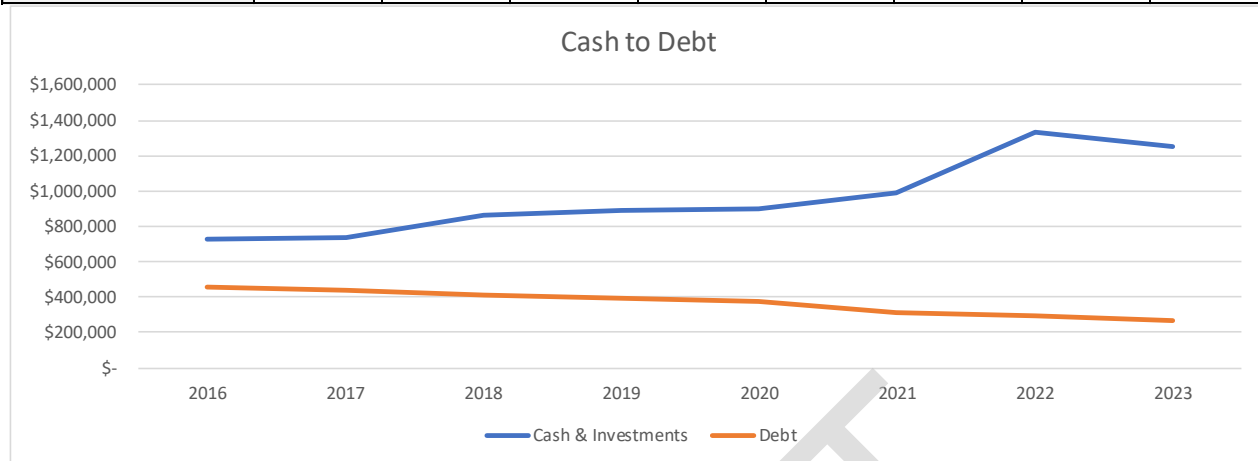
Additional information on the Village's capital assets can be found in note 5.

LONG-TERM DEBT:

As described in Note 6 to the financial statements, the Village had \$270,000 long-term debt at the end of the fiscal year. The Village is well under its legal debt limit as of year-end. The Village's only debt obligation is the recast of a consolidated debt issue from 2013. The original debt refinanced in 2013 combined the debt on the Village Hall Construction Project, Salt Barn Construction Project, and DPW Property Acquisition into a single issue. In 2021 the Village was able to recast that debt, paying down the principal from cash reserves and locking in a lower interest rate for the remaining life of the debt.

Looking at the Village's long-term debt to its cash position, over the most recent seven years, the Village has continued to increase its cash position while decreasing its debt load. During this time, the ratio of cash-to-debt has increased from 1.592 to 4.648. This ratio means the Village has roughly four and one-half dollars in reserves for every one dollar of debt. The Village's debt position was also impacted during the 2021-22 Fiscal Year when the Village paid down a portion and recast the remaining debt that was held at the start of the Fiscal Year. This effort will allow the Village to pay off its remaining debt earlier and also save considerably on interest.

	2016	2017	2018	2019	2020	2021	2022	2023
Cash & Investments	\$ 724,379	\$ 737,289	\$ 860,543	\$ 890,699	\$ 902,030	\$ 991,781	\$1,333,854	\$1,254,859
Debt	\$ 455,000	\$ 435,000	\$ 414,000	\$ 393,000	\$ 378,000	\$ 315,000	\$ 292,500	\$ 270,000
Ratio	1.592	1.695	2.079	2.266	2.386	3.149	4.560	4.648



FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS:

The Village Council considered many factors when setting the annual budget. One of the factors is the economy. The Village derives a greater share of its revenues in the General Fund from State shared revenue than property taxes due to the tax cap in the Village Charter. The Council realizes, and the readers should understand, that there are not sufficient funds available to provide all desirable services or repair every road in the Village's transportation system. The Village continues to review all budget line items for opportunities to reduce expenditures when possible. Therefore, the Council attempts to spend the public's money wisely and equitably and in the best interest of the citizens of the Village of Lake Isabella.

The Village has taken a conservative approach to spending the public's money. This is due to the restriction on revenue imposed by the Village Charter. With the current wording of the Village Charter, the Village has the authority to levy only 1 Mill of taxation. As part of the Village's 2022 General Election, voters approved the first-ever tax increase in the Village's history. A small levy of 0.333 mills was approved to fund a continuation of the Village's patrol agreement with the Isabella County Sheriff's Department. An additional millage was passed early in the 2023-24 Fiscal Year that will raise 3 Mills dedicated to lake and river bottom restoration.

REQUESTS FOR INFORMATION:

This financial report is designed to provide a general overview of the Village's finances for all those interested in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Timothy R. Wolff, CPM, ICMA-CM
Lake Isabella Village Manager
1010 Clubhouse Drive
Lake Isabella, MI 48893
989.644.8654

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**



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Village of Lake Isabella
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,195,961	\$ 9,299	\$ 1,205,260
Due from other governmental units	95,119	-	95,119
Prepaid expenses	848	-	848
Noncurrent assets			
Capital assets not being depreciated	5,304	115,000	120,304
Capital assets being depreciated, net	1,282,195	-	1,282,195
Total assets	<u>2,579,427</u>	<u>124,299</u>	<u>2,703,726</u>
Liabilities			
Accounts payable	9,758	-	9,758
Accrued interest	1,418	-	1,418
Unearned revenue	42,636	-	42,636
Compensated absences, due within one year	1,142	-	1,142
General oblig. bonds, due within one year	22,500	-	22,500
Noncurrent liabilities			
Compensated absences, due beyond one year	6,468	-	6,468
General oblig. bonds, due beyond one year	270,000	-	270,000
Total liabilities	<u>353,922</u>	<u>-</u>	<u>353,922</u>
Net Position			
Net investment in capital assets	994,999	115,000	1,109,999
Restricted	632,741	-	632,741
Unrestricted	597,765	9,299	607,064
Total net position	<u>\$ 2,225,505</u>	<u>\$ 124,299</u>	<u>\$ 2,349,804</u>

Village of Lake Isabella
Statement of Activities
For the year ended June 30, 2023

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Functions/Programs						
Governmental activities						
General government	\$ 347,438	\$ -	\$ 95,178	\$ (252,260)	\$ -	\$ (252,260)
Public safety	80,048	89	-	(79,959)	-	(79,959)
Public works	490,264	28,276	390,377	(71,611)	-	(71,611)
Community and economic dev.	32,104	27,303	-	(4,801)	-	(4,801)
Debt service	5,928	-	-	(5,928)	-	(5,928)
Total governmental activities	955,782	55,668	485,555	(414,559)	-	(414,559)
Business-type activities						
Airport	-	-	-	-	-	-
Sewer	725	-	-	-	(725)	(725)
Total business-type activities	725	-	-	-	(725)	(725)
Total government	<u>\$ 956,507</u>	<u>\$ 55,668</u>	<u>\$ 485,555</u>	(414,559)	(725)	(415,284)
General revenues						
Property taxes				76,340	-	76,340
Special assessments				39,099	-	39,099
State grants				198,570	-	198,570
Interest				35,298	86	35,384
Other revenues				17,742	-	17,742
Total general revenues				367,049	86	367,135
Change in net position				(47,510)	(639)	(48,149)
Net position - beginning of year				2,273,015	124,938	2,397,953
Net position - end of year				<u>\$ 2,225,505</u>	<u>\$ 124,299</u>	<u>\$ 2,349,804</u>

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS



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Village of Lake Isabella
Balance Sheet
Governmental Funds
June 30, 2023

	Major Funds			Total Non-major Funds	Total Governmental Funds
	General	Major Street	Local Street		
Assets					
Cash and cash equivalents	\$ 624,011	\$ 428,786	\$ 143,064	\$ 100	\$ 1,195,961
Due from other governmental units	31,054	42,915	21,150	-	95,119
Due from other funds	3,274	-	-	-	3,274
Prepaid expenditures	848	-	-	-	848
Total assets	<u>\$ 659,187</u>	<u>\$ 471,701</u>	<u>\$ 164,214</u>	<u>\$ 100</u>	<u>\$ 1,295,202</u>
Liabilities					
Accounts payable	\$ 9,758	\$ -	\$ -	\$ -	\$ 9,758
Due to other funds	-	2,194	1,080	-	3,274
Unearned revenue	42,636	-	-	-	42,636
Total liabilities	<u>52,394</u>	<u>2,194</u>	<u>1,080</u>	<u>-</u>	<u>55,668</u>
Fund balances					
Non-spendable	848	-	-	-	848
Restricted	-	469,507	163,134	100	632,741
Unassigned	605,945	-	-	-	605,945
Total fund balances	<u>606,793</u>	<u>469,507</u>	<u>163,134</u>	<u>100</u>	<u>1,239,534</u>
Total liabilities and fund balances	<u>\$ 659,187</u>	<u>\$ 471,701</u>	<u>\$ 164,214</u>	<u>\$ 100</u>	<u>\$ 1,295,202</u>

Village of Lake Isabella
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Position of Governmental Activities on the Statement of Net Position
June 30, 2023

Total fund balance - governmental funds	\$ 1,239,534
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Amounts reported for governmental activities in the statement of net position are different because:

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

Add:	Capital assets	5,729,878
Deduct:	Accumulated depreciation	(4,442,379)

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Deduct:	Accrued interest	(1,418)
Deduct:	Compensated absences	(7,610)
Deduct:	Bonds payable	<u>(292,500)</u>

Net position of governmental activities	<u><u>\$ 2,225,505</u></u>
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Village of Lake Isabella
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2023

	Major Funds			Total Non-major Funds	Total Governmental Funds
	General	Major Street	Local Street		
Revenues					
Property taxes	\$ 76,340	\$ -	\$ -	\$ -	\$ 76,340
Special assessments	39,099	-	-	-	39,099
Licenses and permits	27,303	-	-	-	27,303
State funding	198,570	265,743	124,634	-	588,947
Federal funding	95,178	-	-	-	95,178
Charges for services	28,276	-	-	-	28,276
Fines and forfeitures	89	-	-	-	89
Interest and rents	32,949	2,080	269	-	35,298
Other revenues	16,892	-	850	-	17,742
Total revenues	514,696	267,823	125,753	-	908,272
Expenditures					
General government	333,837	-	-	-	333,837
Public safety	80,048	-	-	-	80,048
Public works	4,130	357,163	111,336	-	472,629
Community and economic development	32,104	-	-	-	32,104
Debt service - principal	22,500	-	-	-	22,500
Debt service - interest	5,981	-	-	-	5,981
Total expenditures	478,600	357,163	111,336	-	947,099
Excess of revenues over (under) expenditures	36,096	(89,340)	14,417	-	(38,827)
Fund balance - beginning of year	570,697	558,847	148,717	100	1,278,361
Fund balance - end of year	\$ 606,793	\$ 469,507	\$ 163,134	\$ 100	\$ 1,239,534

The notes to the financial statements are an integral part of this statement.

Village of Lake Isabella
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2023

Net change in fund balances - total governmental funds	\$ (38,827)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add:	Purchase of capital assets	218,922
Deduct:	Depreciation expense	(250,760)

Long-term debt payments are reported as financing uses in the governmental funds and thus contribute to the change in fund balance. However, long-term payments reduce long-term liabilities on the Statement of Net Position.

Add:	Change in accrued interest	53
Add:	Change in compensated absences	602
Add:	Principal payments on debt	<u>22,500</u>

Change in net position of governmental activities	<u>\$ (47,510)</u>
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**PROPRIETARY FUND
FINANCIAL STATEMENTS**



Village of Lake Isabella
Statement of Net Position
Proprietary Funds
June 30, 2023

	Business-Type Activities Enterprise Funds		Total
	Airport	Sewer	
Assets			
Current assets			
Cash and cash equivalents	\$ -	\$ 9,299	\$ 9,299
Total current assets	-	9,299	9,299
Noncurrent assets			
Capital assets not being depreciated	50,000	65,000	115,000
Total noncurrent assets	50,000	65,000	115,000
Total assets	50,000	74,299	124,299
Net position			
Net investment in capital assets	50,000	65,000	115,000
Unrestricted	-	9,299	9,299
Total net position	\$ 50,000	\$ 74,299	\$ 124,299

Village of Lake Isabella
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2023

	Business-Type Activities Enterprise Funds		
	Airport	Sewer	Total
Operating revenues			
Charges for services	\$ -	\$ -	\$ -
Total operating revenues	-	-	-
Operating expenses			
Contracted services	-	725	725
Total operating expenses	-	725	725
Operating income (loss)	-	(725)	(725)
Nonoperating revenues (expenses)			
Interest income	-	86	86
Change in net position	-	(639)	(639)
Net position - beginning of year	50,000	74,938	124,938
Net position - end of year	\$ 50,000	\$ 74,299	\$ 124,299

Village of Lake Isabella
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2023

	Business-Type Activities Enterprise Funds		Total
	Airport	Sewer	
Cash flows from operating activities:			
Payments to suppliers / outsiders	\$ -	\$ (725)	\$ (725)
Cash flows from investing activities:			
Interest income	-	86	86
Net (decrease) in cash and cash equivalents	-	(639)	(639)
Cash and cash equivalents - beginning of year	-	9,938	9,938
Cash and cash equivalents - end of year	<u>\$ -</u>	<u>\$ 9,299</u>	<u>\$ 9,299</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ -	\$ (725)	\$ (725)
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ (725)</u>	<u>\$ (725)</u>

NOTES TO THE FINANCIAL STATEMENTS



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Village of Lake Isabella (the Village) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

Reporting Entity

The Village is governed by an elected seven-member Council. The Village receives funding from local and state sources and must comply with all of the requirements of these funding source entities. However, the Village is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Council members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Village. All fiduciary activities, if any, are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds, while the business-type activities incorporate data from the Village's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Village's funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

- The *general fund* is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund.
- The *major street fund* accounts for the resources of State revenue sharing of Trunkline maintenance revenues, gas and weight tax revenues, and local road program revenues that are restricted for use on major streets.
- The *local street fund* accounts for the resources of State revenue sharing of gas and weight tax revenues, and local road program revenues that are restricted for use on major streets.

The Village reports the following proprietary funds:

- The *airport fund* accounts for the assets of the Village's airport.
- The *sewer fund* accounts for the maintenance of the Village's lagoons.

The Village reports the following non-major governmental funds:

- The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The Village accounts for its fire withholding activity in the special revenue funds.

During the course of operations, the Village has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Village does not utilize encumbrance accounting.

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

- The Manager submits to the Village Council a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally adopted by Village Council resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted below as well as in the required supplementary information section.
- Transfers may be made for budgeted amounts between major expenditure functions within any fund;

Village of Lake Isabella
Notes to the Financial Statements
June 30, 2023

however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Village Council.

- The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30. Although the Village does consider these amendments to be significant, they were deemed necessary due to considerable uncertainty at the time the original budget was adopted.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2023, expenditures exceeded appropriations in the general fund as follows:

Function	Original Budget	Final Budget	Actual	Variance
Police and fire	58,000	79,910	80,048	(138)

Assets, Liabilities, and Net Position/Fund Balance

Cash and Cash Equivalents

The Village's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

Investments

In accordance with Michigan Compiled Laws, the Village is authorized to invest in the following investment vehicles:

- Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.
- The United States government or federal agency obligations repurchase agreements.
- Bankers' acceptances of United States banks.
- Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Accounts Receivable/Payable

Accounts receivable/payable in all funds report amounts that have arisen in the ordinary course of business. Accounts receivable are stated net of allowances for uncollectible amounts, if any.

Due from/Due to Other Governmental Units

Due from/due to other governmental units consist primarily of amounts due from/to grantors and the State of Michigan.

Village of Lake Isabella
Notes to the Financial Statements
June 30, 2023

Inventory

The Village does not recognize supplies inventory as an asset. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, as detailed in the table below, are reported in the government-wide financial statements. Capital assets are tangible and intangible assets, defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible capital assets in the appropriate capital asset class.

The costs of normal maintenance and repairs that do not increase the asset's capacity or efficiency or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress, if any, are not depreciated. The other tangible and intangible property, plant, equipment, and the right to use assets of the Village are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20 – 50
Equipment	5 – 15
Roads	15 – 25
Vehicles	5 – 7
Runway	20

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

Accrued Payroll and Benefits

Accrued payroll and benefits relate to salaries and wages earned prior to year-end but not paid until after year-end.

Unearned Revenue

Unearned revenues arise when resources are received by the Village before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the Village has a legal claim to the resources, the liability for unearned revenue is removed from the fund financial statements and Government-wide financial statements, and revenue is recognized.

Compensated Absences

The Village's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

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, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Village has no items that qualify for reporting in this category.

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 Village has no items that qualify for reporting in this category.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets less liabilities is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* consist of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the Village will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position in the government-wide 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.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The Village's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- *Nonspendable* fund balance represents amounts that are either not in spendable form or are either legally or contractually required to be maintained intact.

- *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- *Committed* fund balance represents amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Education prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board of Education adopts another ordinance to remove or revise the limitation.
- *Assigned* fund balance represents amounts that are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the finance director to assign fund balance. The Board of Education may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- *Unassigned* fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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

Revenues

Program Revenues

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

Property Tax Revenue

The Village's property tax is levied on July 1st on the taxable valuation of property (as defined by State statutes) located in the Village as of the preceding December 31st.

Taxes are payable to the Village from July 1, to March 1, at which time they are turned over to the County for reimbursement from its revolving tax fund.

Although the Village's 2023 ad valorem tax is levied and collectible on July 1st, 2023, it is the Village's policy to recognize revenue from the current tax levy in the year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2023 taxable valuation of property located in the Village for operating purposes totaled \$91.7 million, on which ad valorem taxes levied consisted of 0.8180 mills for operating. The Village also levied an additional 1.00 mills for a fire and rescue special assessment.

Village of Lake Isabella
Notes to the Financial Statements
June 30, 2023

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

It is the policy of the Village to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village, and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital), liquidity, and yield.

As of year-end, the Village had deposits subject to the following risks:

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of year-end, \$677,246 of the Village's bank balance of \$1,254,859 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivable and payable shown on the fund financial statements as of June 30th, are as follows:

Description	Due from Other Funds	Due to Other Funds
General Fund	3,274	-
Major Street Fund	-	2,194
Local Street Fund	-	1,080
Total	3,274	3,274

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

As of year-end, amounts due from other governmental units for the Village's individual major governmental funds were as follows:

Description	Amount
<i>General Fund</i> - State of Michigan – State Shared Revenues	31,054
<i>Major Street Fund</i> - State of Michigan – Act 51	42,915
<i>Local Street Fund</i> - State of Michigan – Act 51	21,150
Total	95,119

Village of Lake Isabella
Notes to the Financial Statements
June 30, 2023

NOTE 5 - CAPITAL ASSETS

A summary of changes in the Village's capital asset activity for governmental activities is as follows:

<i>Governmental Activities</i>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	5,304	-	-	5,304
Capital assets being depreciated				
Buildings	546,000	-	-	546,000
Equipment	89,369	-	-	89,369
Roads	4,796,829	197,500	-	4,994,329
Vehicles	73,454	21,422	-	94,876
Total capital assets being depreciated	5,505,652	218,922	-	5,724,574
Accumulated depreciation				
Buildings	(168,860)	(13,020)	-	(181,880)
Equipment	(36,798)	(9,172)	-	(45,970)
Roads	(3,920,161)	(221,359)	-	(4,141,520)
Vehicles	(65,800)	(7,209)	-	(73,009)
Total accumulated depreciation	(4,191,619)	(250,760)	-	(4,442,379)
Net capital assets being depreciated	1,314,033	(31,838)	-	1,282,195
Net capital assets	1,319,337	(31,838)	-	1,287,499

A summary of changes in the Village's capital asset activity for business-type activities is as follows:

<i>Business-Type Activities</i>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	115,000	-	-	115,000
Capital assets being depreciated				
Runway	206,452	-	-	206,452
Total capital assets being depreciated	206,452	-	-	206,452
Accumulated depreciation				
Runway	(206,452)	-	-	(206,452)
Total accumulated depreciation	(206,452)	-	-	(206,452)
Net capital assets being depreciated	-	-	-	-
Net capital assets	115,000	-	-	115,000

Depreciation expense for the year ended June 30, 2023 was charged to the functions of the Village's activities as follows:

Governmental activities	Amount
General government	14,203
Public works	236,557
Total governmental activities	250,760

The Village is considered a "Phase 3" Government, as defined by GASB 34. Accordingly, the Village has elected to not retroactively apply the reporting of major general infrastructure assets.

NOTE 6 - LONG-TERM DEBT

Long-term debt

As of year-end, long-term debt payable were as follows:

Description	Original Borrowing	Interest Rates	Final Maturity	Outstanding at Year-end
General obligations				
Limited tax refunding bonds – series 2021	337,500	0.860 – 2.75%	2035	292,500
Total general obligation bonds	337,500	-	-	292,500

Summary of Long-Term Debt

The changes in long-term debt during the fiscal year are as follows:

Description	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<i>General government</i>					
Compensated absences	8,212	630	(1,232)	7,610	1,142
General obligation bonds	315,000	-	(22,500)	292,500	22,500
Total	323,212	630	(23,732)	300,110	23,642

The requirements to pay principal and interest on the long-term debt outstanding at year-end are shown below:

Fiscal Year Year Ended June 30	General Obligation Bonds	
	Principal	Interest
2024	22,500	5,644
2025	22,500	5,383
2026	22,500	5,085
2027	22,500	4,746
2028	22,500	4,375
2029-2033	112,500	15,230
2034-2038	67,500	2,726
Total long-term debt	292,500	43,189

NOTE 7 – RETIREMENT PLAN

Deferred Compensation Retirement Plan – 457 (b)

Plan Description

The Village offers all regular, full-time employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, as described in IRC Section 457 (b) for the exclusive benefit of the participants (employees) and their beneficiaries. Nationwide Retirement Solutions acts as the custodian for the plan and holds the custodial account for the beneficiaries of this Section 457 plan.

The assets may not be diverted to any other use. Nationwide Retirement Solutions are agents of the employer for purposes of providing direction from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Village's financial statements.

Plan provisions are established or amended by Council resolution. Under the plan, employees may elect to defer a portion of their wages, subject to Internal Revenue Service limits. This plan is funded by employee and employer contributions.

Eligibility

All regular, full-time employees are immediately eligible for the plan upon hire.

Contributions

Under the plan, employees may elect to defer a portion of their salaries and defer paying income taxes on the deferred portion until the withdrawal date. The Village provides a match of up to an additional 4% of base pay when participating in a retirement plan offered by nationwide or Fidelity. Employees wishing to participate in other retirement programs or plans of a similar nature with a different vendor are required to submit a written request to the Village Manager. Upon approval by the Village Manager, the Village will match up to 4% of the employee's base salary in such approved program or plan.

Normal Retirement Age & Vesting

Retirement age as defined by the plan is 70 ½ years of age. All contributions are 100% vested immediately.

Forfeitures

Contributions are 100% vested immediately therefore there are no forfeitures.

Funding

For the year ended June 30th, the Village contributed \$3,180 and the employees contributed \$780 to the plan.

NOTE 8 - NET INVESTMENT IN CAPITAL ASSETS

As of year-end, the composition of the governmental activities net investment in capital assets was comprised of the following:

Net investment in capital assets – Governmental Activities	Amount
Capital assets not being depreciated	5,304
Capital assets being depreciated, net	1,282,195
Capital related long-term liabilities	(292,500)
Net investment in capital assets	994,999

As of year-end, the composition of the business-type activities net investment in capital assets was comprised of the following:

Net investment in capital assets – Business-Type Activities	Amount
Capital assets not being depreciated	115,000
Net investment in capital assets	115,000

NOTE 9 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance from independent insurance providers. 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 obtained through commercial insurance during the past year.

NOTE 10 – TAX ABATEMENTS

The Village is required to disclose significant tax abatements as required by GASB Statement No. 77 (*Tax Abatements*). For the year ended June 30, 2023, the Village did not receive reduced property tax revenues as a result of tax abatements from taxing authorities within its Village boundaries. Additionally, there are no abatements made by the Village.

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 100, *Accounting Changes and Error Corrections*, was issued by the GASB in June 2022 and will be effective for the Village's fiscal year June 30, 2024. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement prescribes the accounting and financial reporting for 1) each type of accounting change and 2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

GASB Statement No. 101, *Compensated Absences*, was issued by the GASB in June 2022 and will be effective for the Village's fiscal year June 30, 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences – including parental leave, military leave, and jury duty leave – not be recognized until the leave commences. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

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REQUIRED SUPPLEMENTAL INFORMATION



Village of Lake Isabella
Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 74,500	\$ 75,803	\$ 76,340	\$ 537
Special assessments	39,000	39,099	39,099	-
Licenses and permits	22,500	27,143	27,303	160
State funding	175,000	192,030	198,570	6,540
Federal funding	43,080	94,990	95,178	188
Charges for services	23,793	23,763	28,276	4,513
Fines and forfeitures	1,000	300	89	(211)
Interest and rents	30,800	32,350	32,949	599
Other revenues	14,500	17,429	16,892	(537)
Total revenues	424,173	502,907	514,696	11,789
Expenditures				
General government				
Council	6,035	2,980	2,825	155
Manager and administrative	231,951	263,650	255,052	8,598
Elections	600	150	150	-
Clerk	35,840	30,215	27,819	2,396
Treasurer	22,961	22,011	21,642	369
Building and grounds	43,750	27,450	26,349	1,101
Public safety				
Police and fire	58,000	79,910	80,048	(138)
Public works				
Cal Brewer Airport	3,475	3,175	2,191	984
Street lights	2,300	2,000	1,939	61
Community and economic development				
Code enforcement	27,257	27,007	17,209	9,798
Planning and zoning	17,465	17,515	14,895	2,620
Debt service	28,374	28,481	28,481	-
Total expenditures	478,008	504,544	478,600	25,944
Excess of revenues over (under) expenditures	(53,835)	(1,637)	36,096	37,733
Fund balance, beginning of year	570,697	570,697	570,697	-
Fund balance, end of year	\$ 516,862	\$ 569,060	\$ 606,793	\$ 37,733

Village of Lake Isabella
Budgetary Comparison Schedule
Major Street Fund
For the year ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
State funding	\$ 356,055	\$ 252,500	\$ 265,743	\$ 13,243
Interest and rents	950	1,250	2,080	830
Total revenues	<u>357,005</u>	<u>253,750</u>	<u>267,823</u>	<u>14,073</u>
Expenditures				
Public works	<u>571,286</u>	<u>366,511</u>	<u>357,163</u>	<u>9,348</u>
Total expenditures	<u>571,286</u>	<u>366,511</u>	<u>357,163</u>	<u>9,348</u>
Excess of revenues over (under) expenditures	(214,281)	(112,761)	(89,340)	23,421
Fund balance, beginning of year	<u>558,847</u>	<u>558,847</u>	<u>558,847</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 344,566</u></u>	<u><u>\$ 446,086</u></u>	<u><u>\$ 469,507</u></u>	<u><u>\$ 23,421</u></u>

Village of Lake Isabella
 Budgetary Comparison Schedule
 Local Street Fund
 For the year ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
State funding	\$117,500	\$117,500	\$ 124,634	\$ 7,134
Interest	150	255	269	14
Other revenues	-	-	850	850
Total revenues	<u>117,650</u>	<u>117,755</u>	<u>125,753</u>	<u>7,998</u>
Expenditures				
Public works	<u>127,949</u>	<u>117,100</u>	<u>111,336</u>	<u>5,764</u>
Total expenditures	<u>127,949</u>	<u>117,100</u>	<u>111,336</u>	<u>5,764</u>
Excess of revenues over (under) expenditures	(10,299)	655	14,417	13,762
Fund balance, beginning of year	<u>148,717</u>	<u>148,717</u>	<u>148,717</u>	<u>-</u>
Fund balance, end of year	<u>\$ 138,418</u>	<u>\$ 149,372</u>	<u>\$ 163,134</u>	<u>\$ 13,762</u>

OTHER SUPPLEMENTAL INFORMATION



Village of Lake Isabella
Balance Sheet
Non-major Governmental Fund
June 30, 2023

	<u>Fire Withholding</u>	<u>Total Non-major Funds</u>
Assets		
Cash and cash equivalents	\$ 100	\$ 100
Total assets	<u>\$ 100</u>	<u>\$ 100</u>
Fund balance		
Restricted	\$ 100	\$ 100
Total fund balance	<u>\$ 100</u>	<u>\$ 100</u>

Village of Lake Isabella
Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Fund
For the year ended June 30, 2023

	<u>Fire Withholding</u>	<u>Total Non-major Funds</u>
Revenues		
Charges for services	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>
Expenditures		
Other expenditures	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>
Net change in fund balance	-	-
Fund balance - beginning of year	<u>100</u>	<u>100</u>
Fund balance - end of year	<u><u>\$ 100</u></u>	<u><u>\$ 100</u></u>



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Members of the Village Council
Village of Lake Isabella
Lake Isabella, Michigan

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

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

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Communication with Those Charged with Governance at the Conclusion of the Audit

To the Members of the Village Council
Village of Lake Isabella
Lake Isabella, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Lake Isabella (the Village) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you during planning. 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 are described in the notes 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 during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the payout of employee compensated absences is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's allocation of current and noncurrent compensated absences is based on an estimate of the percentage of employee's use of compensated absences.

Management's estimated lives of capital assets are based on the expected life of the asset. We evaluated the key factors and assumptions used to develop the estimated lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. 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 each opinion unit's financial statements taken as a whole.

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.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

We were engaged to report on the combining statements which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Sincerely,



Roslund, Prestage & Company, P.C.
Certified Public Accountants