

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

**Financial Statements  
June 30, 2020**



**RPC**  
Roslund Prestage & Company  
CERTIFIED PUBLIC ACCOUNTANTS

Village of Lake Isabella  
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June 30, 2020

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## INDEPENDENT AUDITOR'S REPORT

To the Village Council  
Village of Lake Isabella

### **Report on the Financial Statements**

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, 2020, and the related notes to the financial statements which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedules be presented to supplement the basic financial

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020, 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 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 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 the Village's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "Roslund, Prestage & Company, P.C." The signature is written in black ink and is positioned above the printed name of the firm.

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

November 30, 2020

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**



## 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 ended June 30, 2020.

### FINANCIAL HIGHLIGHTS:

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$2,463,052. Of this amount, \$494,447 or 20% 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 fund balances of \$964,258, an increase of \$12,317 in comparison with the prior year. Approximately 51% of this amount is available for spending at the government's discretion as an unassigned fund balance.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$490,954, which is approximately 164% of total general fund expenditures for the year ended June 30, 2020.

### 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 in addition to the basic financial statements themselves.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS:

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

The *Statement of Net Position* presents information on all of 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 useful indicator of whether the financial position of the Village 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 of the 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 that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

***Governmental funds:***

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

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

The Village 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 to be major funds.

The Village adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided 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 are used to 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 to be 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 that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11-20 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 flowing 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 \$2,626,463 at the end of the fiscal year.



## VILLAGE OF LAKE ISABELLA'S NET POSITION

ASSETS	Government Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
<b>Current Assets</b>						
Cash & Investments	\$ 876,143	\$ 889,624	\$ 14,556	\$ 12,406	\$ 890,699	\$ 902,030
Accounts Receivable	\$ 100	\$ -	\$ -	\$ -	\$ 100	\$ -
Due from Other Gov. Units	\$ 75,698	\$ 63,505	\$ -	\$ -	\$ 75,698	\$ 63,505
Prepaid Expenses	\$ -	\$ 11,129	\$ -	\$ -	\$ -	\$ 11,129
<b>Total Current Assets</b>	<b>\$ 951,941</b>	<b>\$ 964,258</b>	<b>\$ 14,556</b>	<b>\$ 12,406</b>	<b>\$ 966,497</b>	<b>\$ 976,664</b>
<b>Non-Current Assets</b>						
Capital Assets NOT Depreciated	\$ 5,304	\$ 5,304	\$ 115,000	\$ 115,000	\$ 120,304	\$ 120,304
Capital Assets being Depreciated	\$ 1,967,301	\$ 1,775,987	\$ 7,742	\$ -	\$ 1,975,043	\$ 1,775,987
<b>Total Non-Current Assets</b>	<b>\$ 1,972,605</b>	<b>\$ 1,781,291</b>	<b>\$ 122,742</b>	<b>\$ 115,000</b>	<b>\$ 2,095,347</b>	<b>\$ 1,896,291</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,924,546</b>	<b>\$ 2,745,549</b>	<b>\$ 137,298</b>	<b>\$ 127,406</b>	<b>\$ 3,061,844</b>	<b>\$ 2,872,955</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Accounts Payable	\$ 13,555	\$ 7,990	\$ -	\$ -	\$ 13,555	\$ 7,990
Accrued Interest	\$ 3,095	\$ 2,890	\$ -	\$ -	\$ 3,095	\$ 2,890
Compensated Absences	\$ 378	\$ 378	\$ -	\$ -	\$ 378	\$ 378
Bonds Payable, Due W/I 1 Year	\$ 21,000	\$ 15,000	\$ -	\$ -	\$ 21,000	\$ 15,000
<b>Total Current Liabilities</b>	<b>\$ 38,028</b>	<b>\$ 26,258</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 38,028</b>	<b>\$ 26,258</b>
<b>Non-Current Liabilities</b>						
Compensated Absences	\$ 2,140	\$ 5,645	\$ -	\$ -	\$ 2,140	\$ 5,645
Bonds Payable	\$ 393,000	\$ 378,000	\$ -	\$ -	\$ 393,000	\$ 378,000
<b>Total Non-Current Liabilities</b>	<b>\$ 395,140</b>	<b>\$ 383,645</b>			<b>\$ 395,140</b>	<b>\$ 383,645</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 433,168</b>	<b>\$ 409,903</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 433,168</b>	<b>\$ 409,903</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	\$ 1,558,605	\$ 1,388,291	\$ 122,742	\$ 115,000	\$ 1,681,347	\$ 1,503,291
Prior Period Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	\$ 498,105	\$ 465,314	\$ -	\$ -	\$ 498,105	\$ 465,314
Unrestricted	\$ 434,668	\$ 482,041	\$ 12,343	\$ 12,406	\$ 447,011	\$ 494,447
<b>TOTAL NET POSITION</b>	<b>\$ 2,491,378</b>	<b>\$ 2,335,646</b>	<b>\$ 135,085</b>	<b>\$ 127,406</b>	<b>\$ 2,626,463</b>	<b>\$ 2,463,052</b>

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 \$1,503,291 or 61% of Total Net Position, and unrestricted net position of \$494,447 or 20% 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 (\$465,314 or 19%) 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	
	2019	2020	2019	2020	2019	2020
<b>Program Revenues</b>						
Charges for Services	\$ 34,284	\$ 34,343	\$ -	\$ -	\$ 34,284	\$ 34,343
Operating Grants/Contributions	\$ 333,572	\$ 313,499	\$ -	\$ -	\$ 333,572	\$ 313,499
Capital Grants/Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Program Revenues</b>	<b>\$ 367,856</b>	<b>\$ 347,842</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 367,856</b>	<b>\$ 347,842</b>
<b>General Revenues</b>						
Taxes	\$ 66,784	\$ 68,347	\$ -	\$ -	\$ 66,784	\$ 68,347
Special Assessments	\$ 32,193	\$ 33,234	\$ -	\$ -	\$ 32,193	\$ 33,234
SSR	\$ 145,468	\$ 145,810	\$ -	\$ -	\$ 145,468	\$ 145,810
Other	\$ 38,623	\$ 15,472	\$ -	\$ -	\$ 38,623	\$ 15,472
Interest	\$ 28,554	\$ 36,025	\$ 122	\$ 63	\$ 28,676	\$ 36,088
Transfers In (Out)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total General Revenues</b>	<b>\$ 311,622</b>	<b>\$ 298,888</b>	<b>\$ 122</b>	<b>\$ 63</b>	<b>\$ 311,744</b>	<b>\$ 298,951</b>
<b>TOTAL REVENUES</b>	<b>\$ 679,478</b>	<b>\$ 646,730</b>	<b>\$ 122</b>	<b>\$ 63</b>	<b>\$ 679,600</b>	<b>\$ 646,793</b>
<b>EXPENSES</b>						
General Government	\$ 222,346	\$ 215,729	\$ -	\$ -	\$ 222,346	\$ 215,729
Public Safety	\$ 35,941	\$ 36,440	\$ -	\$ -	\$ 35,941	\$ 36,440
Public Works	\$ 403,959	\$ 511,750	\$ -	\$ -	\$ 403,959	\$ 511,750
Com/Econ. Development	\$ 23,605	\$ 26,683	\$ -	\$ -	\$ 23,605	\$ 26,683
Interest on Long-Term Debt	\$ 12,536	\$ 11,860	\$ -	\$ -	\$ 12,536	\$ 11,860
Airport	\$ -	\$ -	\$ 10,323	\$ 7,742	\$ 10,323	\$ 7,742
Sewer	\$ -	\$ -	\$ 2,213	\$ -	\$ 2,213	\$ -
<b>TOTAL EXPENSES</b>	<b>\$ 698,387</b>	<b>\$ 802,462</b>	<b>\$ 12,536</b>	<b>\$ 7,742</b>	<b>\$ 710,923</b>	<b>\$ 810,204</b>
<b>Change in Net Position</b>	<b>\$ (18,909)</b>	<b>\$ (155,732)</b>	<b>\$ (12,414)</b>	<b>\$ (7,679)</b>	<b>\$ (31,323)</b>	<b>\$ (163,411)</b>
<b>Prior Period Adjustment</b>	<b>\$ (3,910)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,910)</b>	<b>\$ 0</b>
<b>Net Position Beginning of Period</b>	<b>\$ 2,514,197</b>	<b>\$ 2,491,378</b>	<b>\$ 147,499</b>	<b>\$ 135,085</b>	<b>\$ 2,661,696</b>	<b>\$ 2,626,463</b>
<b>Net Position at End of Period</b>	<b>\$ 2,491,378</b>	<b>\$ 2,335,646</b>	<b>\$ 135,085</b>	<b>\$ 127,406</b>	<b>\$ 2,626,463</b>	<b>\$ 2,463,052</b>

### 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 fund balances of \$964,258, an increase of \$12,317 in comparison with the prior year. Approximately 51% of this amount is available for spending at the government's discretion as an unassigned fund balance.

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$490,954, which is approximately 164% of total general fund expenditures for the year ended June 30, 2020.

**Proprietary Funds:**

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

Unrestricted net position at the end of the year was \$12,406 for the sewer fund and \$0 for the airport fund. There was a decrease in net position of \$7,742 for the airport fund, all of which was depreciation and is the final book depreciation for the runway pavement. Overall, the results were consistent with the previous year.

**GOVERNMENTAL ACTIVITIES:**

The following chart summarizes the major 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
State Shared/Returned Revenue	54%	56%	69%	70%	71%
Property Taxes	9%	11%	10%	10%	11%
Charges for Services	5%	1%	1%	5%	5%
Interest & Rents	7%	5%	5%	12%	5%
Other Revenue Sources	22%	27%	15%	9%	8%

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
Public Works	58%	60%	44%	58%	63%
General Government	29%	29%	38%	32%	27%
Public Safety	7%	7%	6%	5%	4%
Other Functions	6%	4%	12%	5%	6%

**GENERAL FUND BUDGETARY HIGHLIGHTS:**

Differences between the original and final budgets for expenditures were relatively minor, and adjustments were made as a part of 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, 2020, amounted to \$1,896,291 (net of 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	\$ 1,297,443	\$ -	\$ 1,297,443
Equipment	\$ 55,463	\$ -	\$ 55,463
Buildings	\$ 403,180	\$ -	\$ 403,180
Vehicles	\$ 19,901	\$ -	\$ 19,901
Airport/Runway	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 1,781,291</b>	<b>\$ 115,000</b>	<b>\$ 1,896,291</b>

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 \$393,000 long-term debt at the end of the fiscal year. The Village is well under its legal debt limit as of year-end. This debt comes from a refinancing of three previous debt issues into a single bond. The original bond went to build the storage barn for road salt, the fifteen-acre Department of Public Works property, and build the Village Hall.

**FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS:**

The Village Council considered many factors when setting the fiscal year 2020/21 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 spend 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. The Village Charter does allow for an additional 1 Mill for not more than three years if approved by the electorate. This revenue source would generate between \$75,000 and \$80,000 before Headlee Rollback. Likewise, the Village has the ability to levy one additional Mill as a Special Assessment for Public Safety, with the

same revenue expectation as a voter-approved millage.

Section 9.04 of the Village Charter requires that the Village adopt and maintain a Balanced Budget. That section states, “For any fund, the total of proposed expenditures shall not exceed the total of estimated income plus carried forward fund balance, exclusive of reserves. In general, the Village shall be required to develop and maintain a balanced budgetary plan each fiscal.” The proposed budget relies upon a mixture of revenue due in the fiscal year, and in some cases, cash reserves to meet all proposed expenditures.

With these limiting factors in place, the Village has limited options to increase services. In the near future, serious discussions will need to be had regarding police coverage and long-term street maintenance. These two items, and how to fund them, will most likely require a multi-year revenue stream. Failure to do so could compromise the quality of life enjoyed by residents of the community. While outside economic factors such as unemployment, regional economic growth, and the overall state and national economy will play a factor in future operations, no single issue is as impactful as the tax cap in the Village Charter.

The Village has also successfully weathered the storm created by the Coronavirus. Due to the Village’s past stewardship and conservative approach to expanding services, the Village’s financial position was strong and stable, which did not result in a need to cut staff or services.

**REQUESTS FOR INFORMATION:**

This financial report is designed to provide a general overview of the Village’s finances for all those with interest in the government’s finances. Questions concerning any of the information provided in this report or request 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**



Village of Lake Isabella  
Statement of Net Position  
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 889,624	\$ 12,406	\$ 902,030
Due from other governmental units	63,505	-	63,505
Prepaid expenses	11,129	-	11,129
Total current assets	<u>964,258</u>	<u>12,406</u>	<u>976,664</u>
Noncurrent assets			
Capital assets not being depreciated	5,304	115,000	120,304
Capital assets being depreciated, net	1,775,987	-	1,775,987
Total noncurrent assets	<u>1,781,291</u>	<u>115,000</u>	<u>1,896,291</u>
Total assets	2,745,549	127,406	2,872,955
<b>Liabilities</b>			
Current liabilities			
Accounts payable	7,990	-	7,990
Accrued interest	2,890	-	2,890
Compensated absences, due within one year	378	-	378
Bonds payable, due within one year	15,000	-	15,000
Total current liabilities	<u>26,258</u>	<u>-</u>	<u>26,258</u>
Noncurrent liabilities			
Compensated absences, due beyond one year	5,645	-	5,645
Bonds payable, due beyond one year	378,000	-	378,000
Total noncurrent liabilities	<u>383,645</u>	<u>-</u>	<u>383,645</u>
Total liabilities	409,903	-	409,903
<b>Net Position</b>			
Net investment in capital assets	1,388,291	115,000	1,503,291
Restricted	465,314	-	465,314
Unrestricted	482,041	12,406	494,447
Total net position	<u>\$ 2,335,646</u>	<u>\$ 127,406</u>	<u>\$ 2,463,052</u>

Village of Lake Isabella  
Statement of Activities  
For the year ended June 30, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Functions/Programs</b>						
Governmental activities						
General government	\$ 215,729	\$ -	\$ -	\$ (215,729)	\$ -	\$ (215,729)
Public safety	36,440	248	-	(36,192)	-	(36,192)
Public works	511,750	7,622	313,499	(190,629)	-	(190,629)
Community and economic dev.	26,683	26,473	-	(210)	-	(210)
Debt service	11,860	-	-	(11,860)	-	(11,860)
Total governmental activities	<u>802,462</u>	<u>34,343</u>	<u>313,499</u>	<u>(454,620)</u>	<u>-</u>	<u>(454,620)</u>
Business-type activities						
Airport	7,742	-	-	-	(7,742)	(7,742)
Sewer	-	-	-	-	-	-
Total business-type activities	<u>7,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,742)</u>	<u>(7,742)</u>
Total government	<u>\$ 810,204</u>	<u>\$ 34,343</u>	<u>\$ 313,499</u>	(454,620)	(7,742)	(462,362)
<b>General revenues</b>						
Property taxes				68,347	-	68,347
Special assessments				33,234	-	33,234
State grants				145,810	-	145,810
Interest				36,025	63	36,088
Other revenues				15,472	-	15,472
Total general revenues				<u>298,888</u>	<u>63</u>	<u>298,951</u>
<b>Change in net position</b>				(155,732)	(7,679)	(163,411)
<b>Net position - beginning of year</b>				<u>2,491,378</u>	<u>135,085</u>	<u>2,626,463</u>
<b>Net position - end of year</b>				<u>\$ 2,335,646</u>	<u>\$ 127,406</u>	<u>\$ 2,463,052</u>

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



## FUND FINANCIAL STATEMENTS



Village of Lake Isabella  
Balance Sheet  
Governmental Funds  
June 30, 2020

	General	Special Revenue		Total Governmental Funds
		Major Street	Local Street	
<b>Assets</b>				
Cash and cash equivalents	\$ 464,280	\$ 323,052	\$ 102,292	\$ 889,624
Due from other governmental units	21,246	28,192	14,067	63,505
Prepaid expenditures	8,339	1,496	1,294	11,129
Total assets	<u>\$ 493,865</u>	<u>\$ 352,740</u>	<u>\$ 117,653</u>	<u>\$ 964,258</u>
<b>Liabilities</b>				
Accounts payable	2,911	3,496	1,583	\$ 7,990
Total liabilities	<u>2,911</u>	<u>3,496</u>	<u>1,583</u>	<u>7,990</u>
<b>Fund balances</b>				
Restricted	-	349,244	116,070	465,314
Unassigned	490,954	-	-	490,954
Total fund balances	<u>490,954</u>	<u>349,244</u>	<u>116,070</u>	<u>956,268</u>
Total liabilities and fund balances	<u>\$ 493,865</u>	<u>\$ 352,740</u>	<u>\$ 117,653</u>	<u>\$ 964,258</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, 2020

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Total fund balance - governmental funds \$ 956,268

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	5,496,278
Deduct:	Accumulated depreciation	(3,714,987)

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	(2,890)
Deduct:	Compensated absences	(6,023)
Deduct:	Bonds payable	<u>(393,000)</u>

Net position of governmental activities \$ 2,335,646

Village of Lake Isabella  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the year ended June 30, 2020

	General	Special Revenue		Total Governmental Funds
		Major Street	Local Street	
<b>Revenues</b>				
Property taxes	\$ 68,347	\$ -	\$ -	\$ 68,347
Special assessments	33,234	-	-	33,234
Licenses and permits	26,473	-	-	26,473
State grants	145,810	212,709	100,790	459,309
Charges for services	7,622	-	-	7,622
Fines and forfeitures	248	-	-	248
Interest and rents	33,232	2,509	284	36,025
Other revenues	15,472	-	-	15,472
<b>Total revenues</b>	<b>330,438</b>	<b>215,218</b>	<b>101,074</b>	<b>646,730</b>
<b>Expenditures</b>				
General government	198,021	-	-	198,021
Public safety	36,440	-	-	36,440
Public works	4,985	240,564	89,090	334,639
Community and economic development	26,683	-	-	26,683
Debt service:				
Principal	21,000	-	-	21,000
Interest	12,065	-	-	12,065
<b>Total expenditures</b>	<b>299,194</b>	<b>240,564</b>	<b>89,090</b>	<b>628,848</b>
Excess of revenues over (under) expenditures	31,244	(25,346)	11,984	17,882
<b>Other financing sources (uses)</b>				
Transfers in	19,429	-	-	19,429
Transfers out	-	(12,961)	(6,468)	(19,429)
<b>Total other financing sources (uses)</b>	<b>19,429</b>	<b>(12,961)</b>	<b>(6,468)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>50,673</b>	<b>(38,307)</b>	<b>5,516</b>	<b>17,882</b>
<b>Fund balance - beginning of year</b>	<b>440,281</b>	<b>387,551</b>	<b>110,554</b>	<b>938,386</b>
<b>Fund balance - end of year</b>	<b>\$ 490,954</b>	<b>\$ 349,244</b>	<b>\$ 116,070</b>	<b>\$ 956,268</b>

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, 2020

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Net change in fund balances - total governmental funds \$ 17,882

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.

Deduct:	Depreciation expense	(236,070)
Add:	Purchase of capital assets	44,756

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	205
Deduct:	Change in compensated absences	(3,505)
Add:	Principal payments on debt	<u>21,000</u>

Change in net position of governmental activities \$ (155,732)

Village of Lake Isabella  
Statement of Net Position  
Proprietary Funds  
June 30, 2020

	Business-Type Activities Enterprise Funds		Total
	Airport	Sewer	
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ -	\$ 12,406	\$ 12,406
Total current assets	-	12,406	12,406
Noncurrent assets			
Capital assets not being depreciated	50,000	65,000	115,000
Capital assets being depreciated, net	-	-	-
Total noncurrent assets	50,000	65,000	115,000
Total assets	50,000	77,406	127,406
<b>Liabilities</b>			
Current liabilities			
Accounts payable	-	-	-
Total current liabilities	-	-	-
<b>Net position</b>			
Net investment in capital assets	50,000	65,000	115,000
Unrestricted	-	12,406	12,406
Total net position	\$ 50,000	\$ 77,406	\$ 127,406

Village of Lake Isabella  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the year ended June 30, 2020

	Business-Type Activities Enterprise Funds		Total
	Airport	Sewer	
<b>Operating revenues</b>			
Charges for services	\$ -	\$ -	\$ -
Total operating revenues	<u>-</u>	<u>-</u>	<u>-</u>
<b>Operating expenses</b>			
Contracted services	-	-	-
Depreciation	7,742	-	7,742
Total operating expenses	<u>7,742</u>	<u>-</u>	<u>7,742</u>
Operating income (loss)	(7,742)	-	(7,742)
<b>Nonoperating revenues (expenses)</b>			
Interest income	-	63	63
<b>Change in net position</b>	(7,742)	63	(7,679)
<b>Net position - beginning of year</b>	<u>57,742</u>	<u>77,343</u>	<u>135,085</u>
<b>Net position - end of year</b>	<u>\$ 50,000</u>	<u>\$ 77,406</u>	<u>\$ 127,406</u>

Village of Lake Isabella  
Statement of Cash Flows  
Proprietary Funds  
For the year ended June 30, 2020

	Business-Type Activities Enterprise Funds		Total
	Airport	Sewer	
<b>Cash flows from operating activities:</b>			
Payments to suppliers / outsiders	\$ -	\$ (2,213)	\$ (2,213)
<b>Cash flows from investing activities:</b>			
Interest income	-	63	63
Net (decrease) in cash and cash equivalents	-	(2,150)	(2,150)
Cash and cash equivalents - beginning of year	-	14,556	14,556
Cash and cash equivalents - end of year	<u>\$ -</u>	<u>\$ 12,406</u>	<u>\$ 12,406</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (7,742)	\$ -	\$ (7,742)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	7,742	-	7,742
Change in assets and liabilities:			
Accounts payable	-	(2,213)	(2,213)
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ (2,213)</u>	<u>\$ (2,213)</u>



Village of Lake Isabella  
Statement of Fiduciary Net Position  
June 30, 2020

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	<u>Fire Withholding Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 23,873
<b>Liabilities</b>	
Due to others	<u>23,873</u>
<b>Net Position</b>	
Unrestricted	<u>\$ -</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.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Village's reporting entity, and which organizations are legally separate, component units of the Village. Based on the application of the criteria, the Village does not contain any component units.

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to consumers who purchase, use or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Net position is restricted when constraints placed on it are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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 - 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 collected within 60 days of the end of the

current fiscal year end. 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 severance pay, are recorded only when payment is due.

Proprietary Fund Financial Statements – The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for services provided. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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 general government, 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 local streets.

The Village reports the following major 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 fiduciary funds:

- The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the Village holds for others in an agency capacity. These funds are not reported in the Village's government-wide financial statements. The Village accounts for the Fire Withholding Escrow Fund activity as an agency fund. This fund holds the resources from insurance proceeds of fire damaged properties in the Village until such time the Village can either remit the money to the property owner, or use the funds to repair, replace, or demolish a damaged structure.

### **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.

### **Accounts Receivable/Payable**

Accounts receivable/payable in all funds report amounts that have arisen in the ordinary course of business. Accounts receivable is 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 the State of Michigan.

### **Inventories**

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.

Village of Lake Isabella  
Notes to the Financial Statements  
June 30, 2020

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**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Village as individual assets with an initial cost equal to or 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. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was incurred or capitalized.

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

Assets	Years
Land	Not Depreciated
Buildings	20 – 50
Equipment	5 – 15
Roads	20 – 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.

**Compensated Absences**

It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. These compensated absences are accrued in the government-wide financial statements.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial 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.

In addition to liabilities, the statement of financial 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 and the proprietary fund types in the fund 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 type statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

**Net Position and Fund Balances**

Restricted net position shown in the government-wide financial statements will generally be different from amounts reported as reserved/designated fund balances in the governmental funds financial statements. This occurs because of differences in the measurement focus and basis of accounting used in the government-wide and fund financial statements and because of the use of funds to imply that restrictions exist.

### Fund Balances - Reserves and Designations

The Village has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- The Village would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.
- Committed fund balance—amounts constrained to specific purposes by the Village itself, using its highest level of decision-making authority (Village Council). To be reported as committed, amounts cannot be used for any other purpose unless the Village takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the Village intends to use for a specific purpose. Intent can be expressed by the Village Council or by an official or body to which the Village Council delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

### Net Position – Restrictions

Net position in the government-wide financial statements are reported as restricted when constraints placed on net position use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

### **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 at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### **Budgetary Data**

Budgets are adopted by the Village for the general fund, the major street fund and the local street fund. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is also adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

The Village does not maintain a formalized encumbrance accounting system.

### **Property Tax Revenue**

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

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 2019 ad valorem tax is levied and collectible on July 1<sup>st</sup>, 2019, 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 2019 taxable valuation of property located in the Village for operating purposes totaled \$81.8 million, on which ad valorem taxes levied consisted of 0.8420 mills for operating.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

Before June of each year, a proposed budget for the next fiscal year is prepared by the Village manager and is submitted to the Village council. The Village council refers the information to the finance committee for review. Once completed, the finance committee submits it to the Village council for a public hearing and adoption. This operating budget includes proposed expenditures and the means of financing them for the fiscal year commencing the following July 1<sup>st</sup>. The council holds public hearings and final budgets are adopted prior to July 1<sup>st</sup>.

Prior to June 1st, the budget is legally enacted pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978, as amended). Council must approve any revisions to the budget.

**Excess of Expenditures over Appropriations in Budgeted Funds**

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year, the Village incurred expenditures in excess of the amounts appropriated, as shown in the Budgetary Comparison Schedules in this report.

**NOTE 3 - CASH AND INVESTMENTS**

Michigan's statutory authority allows governmental entities to invest in the following investments:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified institution.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investments Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

At year-end, the carrying amount of the Village's cash, deposits and investments was as follows:

Cash and Cash Equivalents	
Petty Cash	200
Checking, Savings & Money Market Accounts	567,021
Certificates of Deposit	334,809
<b>Total</b>	<b>902,030</b>

Investments. State statutes authorize the Village to invest in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker's acceptances of the United States banks, obligations of the State of Michigan or any of its political subdivisions, and mutual funds composed entirely of the above investments. As of year-end, the Village had no such investments.

The Village's investment policy complies with the state statutes and has no additional investment policies that would limit its investment choices.

Village of Lake Isabella  
Notes to the Financial Statements  
June 30, 2020

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Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Village's deposits might not be recovered. At year-end, the bank balance of the primary government's deposits was \$907,103 of which \$250,000 was covered by federal depository insurance. The remaining amount was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank 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.

Deposits which exceed FDIC insurance coverage limits are held at local banks.

Investments

State statutes authorize the Village to invest in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker's acceptances of the United States banks, obligations of the State of Michigan or any of its political subdivisions, and mutual funds composed entirely of the above investments. The Village's investment policy complies with the State statutes and has no additional investment policies that would limit its investment choices.

Interest Rate Risk

In accordance with its investment policy, the Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Village's cash requirements.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Village will not be able to recover the value of its investments that are in the possession of an outside party. The Village requires all security transactions, including collateral for repurchase agreements, to be made on a cash basis or a delivery vs. payment basis. Securities may be held by a third-party custodian and must be evidenced by safekeeping receipts. The Village does not have any additional policies for custodial credit risk over investments.

Credit Risk

State statutes limit investments in commercial paper to be rated at the time of purchase within the three highest classifications established by not less than two standard rating services. Investments in obligations of the State of Michigan or its political subdivisions must be rated as investment grade by not less than one rating service. Investments in bonds, obligations, or repurchase agreements must be made with the U.S. Treasury and banker's acceptances with United States banks. The Village's investment policy limits investments to be made with prudent judgment as to the safety of the invested capital and probable outcome of income.

Concentration of Credit Risk

The Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**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:

Due from other governmental units	
<i>General Fund</i>	
State of Michigan – State Shared Revenues	21,246
<i>Major Street Fund</i>	
State of Michigan – Act 51	28,192
<i>Local Street Fund</i>	



Village of Lake Isabella  
Notes to the Financial Statements  
June 30, 2020

State of Michigan – Act 51	14,067
Totals	63,505

**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	29,935	44,756	-	74,691
Roads	4,796,829	-	-	4,796,829
Vehicles	73,454	-	-	73,454
Total capital assets being depreciated	5,446,218	44,756	-	5,490,974
Accumulated Depreciation				
Buildings	(129,800)	(13,020)	-	(142,820)
Equipment	(12,689)	(6,539)	-	(19,228)
Roads	(3,288,998)	(210,388)	-	(3,499,386)
Vehicles	(47,430)	(6,123)	-	(53,553)
Total accumulated depreciation	(3,478,917)	(236,070)	-	(3,714,987)
Net capital assets being depreciated	1,967,301	(191,314)	-	1,775,987
Net capital assets	1,972,605	(191,314)	-	1,781,291

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	(198,710)	(7,742)	-	(206,452)
Total accumulated depreciation	(198,710)	(7,742)	-	(206,452)
Net capital assets being depreciated	7,742	(7,742)	-	-
Net capital assets	122,742	(7,742)	-	115,000

Village of Lake Isabella  
Notes to the Financial Statements  
June 30, 2020

Capital assets not being depreciated include land. Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental Activities</b>	
General Government	14,203
Public Works	221,867
Total Governmental Activities	236,070
<b>Business-Type Activities</b>	
Airport Fund	7,742
Total Business-Type Activities	7,742

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**

*Governmental Funds:*

General Obligation Limited Tax Refunding Bonds – Series 2013 - On July 29, 2013, the Village issued General Obligation Limited Tax Refunding Bonds in the amount of \$530,000 in order to refinance and combine three different debt issues from prior years. Those three debt issues were the Village Hall construction (2007), Salt Barn construction (2009), and purchase of the DPW property (2010). The Village combined these into a single issue, with a lower rate. The bonds bear interest at a rate of 2.99% per annum. Payments on the bonds are due April 1 and October 1 of each year until fiscal year 2040.

Long-term debt activity for the year was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<i>General Government</i>					
Compensated Abs.	2,518	7,686	(4,181)	6,023	903
General Obligation Bonds	414,000	-	(21,000)	393,000	15,000
Total	416,518	7,686	(25,181)	399,023	15,903

The requirements to pay principal and interest on the long-term debt outstanding at June 30, 2019, are shown below:

Year Ended June 30	General Obligation Bonds	
	Principal	Interest
2021	15,000	11,527
2022	15,000	11,078
2023	16,000	10,615
2024	17,000	10,121
2025	17,000	9,613
2026-2030	104,000	39,167
2031-2035	122,000	22,216
2036-2040	87,000	5,037
Total long-term debt	393,000	119,374

**NOTE 7 - NET INVESTMENT IN CAPITAL ASSETS**

As of year-end, the composition of the governmental activities and business-type 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	1,775,987
Capital related long-term liabilities	(393,000)
Net investment in capital assets	1,388,291

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

**NOTE 8 – 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 contributes 1% of base pay to the employee’s account, and provides a match of up to an additional 4% of base pay.

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 30<sup>th</sup>, the Village contributed \$1,800 and the employees contributed \$0 to the plan.

**NOTE 9 - TRANSFERS**

During the year the following transfers were made between funds:

- The Major Street Fund transferred \$12,961 to the General Fund for administrative fees as allowed by MCL 247.663(8).
- The Local Street Fund transferred \$6,468 to the General Fund for administrative fees as allowed by MCL 247.663(8).

**NOTE 10 - 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 11 - NET POSITION RESTRICTION**

In the governmental activities column, net position is restricted for major and local streets.

**NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

*GASB Statement No. 84, Fiduciary Activities*, was issued by the GASB in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Municipalities with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. *GASB Statement No. 84* will be effective for the Village's 2020-2021 fiscal year.

*GASB Statement No. 87, Leases*, was issued by the GASB in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. *GASB Statement No. 87* will be effective for the Village's 2021-2022 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**



Village of Lake Isabella  
 Budgetary Comparison Schedule  
 General Fund  
 For the year ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 67,978	\$ 68,347	\$ 68,347	\$ -
Special assessments	33,000	33,234	33,234	-
Licenses and permits	26,000	26,243	26,473	230
State grants	150,437	142,738	145,810	3,072
Charges for services	7,800	7,625	7,622	(3)
Fines and forfeitures	500	248	248	-
Interest and rents	34,480	33,186	33,233	47
Other revenues	17,250	15,472	15,472	-
<b>Total revenues</b>	<u>337,445</u>	<u>327,093</u>	<u>330,439</u>	<u>3,346</u>
<b>Expenditures</b>				
General government				
Council	4,405	4,370	4,300	70
Manager and administrative	147,473	139,381	131,317	8,064
Elections	7,000	-	-	-
Clerk	18,314	19,260	18,570	690
Treasurer	21,659	22,775	21,765	1,010
Building and grounds	26,800	21,100	22,069	(969)
Public safety				
Police and fire	36,000	36,500	36,440	60
Public works				
Cal Brewer Airport	2,525	3,132	3,141	(9)
Contracted services			-	-
Street lights	1,750	1,950	1,844	106
Community and economic development				
Code enforcement	27,562	13,600	12,998	602
Planning and zoning	13,115	14,250	13,685	565
Debt service	33,065	33,065	33,065	-
<b>Total expenditures</b>	<u>339,668</u>	<u>309,383</u>	<u>299,194</u>	<u>10,189</u>
Excess of revenues over (under) expenditures	(2,223)	17,710	31,245	13,535
<b>Other financing sources (uses)</b>				
Transfers in	15,000	19,340	19,429	89
<b>Total other financing sources (uses)</b>	<u>15,000</u>	<u>19,340</u>	<u>19,429</u>	<u>89</u>
<b>Net change in fund balance</b>	12,777	37,050	50,674	13,624
<b>Fund balance, beginning of year</b>	<u>440,281</u>	<u>440,281</u>	<u>440,281</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 453,058</u>	<u>\$ 477,331</u>	<u>\$ 490,955</u>	<u>\$ 13,624</u>

Village of Lake Isabella  
 Budgetary Comparison Schedule  
 Major Street Fund  
 For the year ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
State grants	\$ 230,816	\$ 211,638	\$ 212,709	\$ 1,071
Interest and rents	1,000	2,525	2,509	(16)
<b>Total revenues</b>	<u>231,816</u>	<u>214,163</u>	<u>215,218</u>	<u>1,055</u>
<b>Expenditures</b>				
Public works	263,697	257,752	240,564	17,188
<b>Total expenditures</b>	<u>263,697</u>	<u>257,752</u>	<u>240,564</u>	<u>17,188</u>
Excess of revenues over (under) expenditures	(31,881)	(43,589)	(25,346)	18,243
<b>Other financing sources (uses)</b>				
Operating transfers (out)	(10,000)	(12,902)	(12,961)	(59)
<b>Total other financing sources (uses)</b>	<u>(10,000)</u>	<u>(12,902)</u>	<u>(12,961)</u>	<u>(59)</u>
<b>Net change in fund balance</b>	(41,881)	(56,491)	(38,307)	18,184
<b>Fund balance, beginning of year</b>	<u>387,551</u>	<u>387,551</u>	<u>387,551</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 345,670</u>	<u>\$ 331,060</u>	<u>\$ 349,244</u>	<u>\$ 18,184</u>

Village of Lake Isabella  
 Budgetary Comparison Schedule  
 Local Street Fund  
 For the year ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
State grants	\$ 110,178	\$ 100,256	\$ 100,790	\$ 534
Interest	200	269	284	15
Total revenues	<u>110,378</u>	<u>100,525</u>	<u>101,074</u>	<u>549</u>
<b>Expenditures</b>				
Public works	<u>99,429</u>	<u>93,342</u>	<u>89,090</u>	<u>4,252</u>
Total expenditures	<u>99,429</u>	<u>93,342</u>	<u>89,090</u>	<u>4,252</u>
Excess of revenues over (under) expenditures	10,949	7,183	11,984	4,801
<b>Other financing sources (uses)</b>				
Transfers out	<u>(5,000)</u>	<u>(6,438)</u>	<u>(6,468)</u>	<u>(30)</u>
Total other financing sources (uses)	<u>(5,000)</u>	<u>(6,438)</u>	<u>(6,468)</u>	<u>(30)</u>
<b>Net change in fund balance</b>	5,949	745	5,516	4,771
<b>Fund balance, beginning of year</b>	110,554	110,554	110,554	-
<b>Prior period adjustment</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 116,503</u>	<u>\$ 111,299</u>	<u>\$ 116,070</u>	<u>\$ 4,771</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 Village Council  
Village of Lake Isabella

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, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated November 30, 2020.

### 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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

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 may exist that have not been identified.

### 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 determination of financial statement amounts. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Roslund, Prestage &amp; Company, P.C." The signature is written in a cursive, flowing style.

Roslund, Prestage & Company, P.C.  
Certified Public Accountants  
November 30, 2020