

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

**Financial Statements
June 30, 2021**



RPC
Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

Village of Lake Isabella
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June 30, 2021

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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, 2021, 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, 2021, 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.

Change in Accounting Principle

As discussed in the notes to the financial statements, during the year the Village implemented GASB Statement No. 84, *Fiduciary Activities*. As a result of the implementation of this Statement, the financial statements have been changed to reflect the new presentation required by GASB Statement No. 84. Our opinion is not modified with respect to this matter.

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 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 other supplemental information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is 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 October 22, 2021, 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 black ink that reads "Roslund, Prestage & Company, P.C." The signature is written in a cursive, flowing style.

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

October 22, 2021

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, 2021.

FINANCIAL HIGHLIGHTS:

- The Village's assets exceeded its liabilities at the close of the most recent fiscal year by \$2,400,534. Of this amount, \$509,206 or 21% represents the unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$507,337, which is approximately 160% of total regular general fund expenditures for the year ended June 30, 2021.
- The Village has a net investment in capital assets (e.g., buildings, equipment, vehicles, and infrastructure), which amounted to \$1,328,631 or 55% of Total Net Position, and an unrestricted net position of \$509,206 or 21% 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 (\$562,697 or 23%) represent resources that have external restrictions on how they may be used.

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 helpful 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 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. 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 helpful 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 helpful 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 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 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 10-19 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 20-22 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 \$2,400,534 at the end of the fiscal year.

VILLAGE OF LAKE ISABELLA'S NET POSITION

	Government Activities		Business-Type Activities		Total	
	2020	2021	2020	2021	2020	2021
ASSETS						
<i>Current Assets</i>						
Cash & Investments	\$ 889,624	\$ 981,218	\$ 12,406	\$ 10,563	\$ 902,030	\$ 991,781
Accounts Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from Other Gov. Units	\$ 63,505	\$ 85,319	\$ -	\$ -	\$ 63,505	\$ 85,319
Prepaid Expenses	\$ 11,129	\$ 4,498	\$ -	\$ -	\$ 11,129	\$ 4,498
Total Current Assets	\$ 964,258	\$ 1,071,035	\$ 12,406	\$ 10,563	\$ 976,664	\$ 1,081,598
<i>Non-Current Assets</i>						
Capital Assets NOT Depreciated	\$ 5,304	\$ 5,304	\$ 115,000	\$ 115,000	\$ 120,304	\$ 120,304
Capital Assets being Depreciated	\$ 1,775,987	\$ 1,545,827	\$ -	\$ -	\$ 1,775,987	\$ 1,545,827
Total Non-Current Assets	\$ 1,781,291	\$ 1,551,131	\$ 115,000	\$ 115,000	\$ 1,896,291	\$ 1,666,131
TOTAL ASSETS	\$ 2,745,549	\$ 2,622,166	\$ 127,406	\$ 125,563	\$ 2,872,955	\$ 2,747,729
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	\$ 7,990	\$ 1,001	\$ -	\$ -	\$ 7,990	\$ 1,001
Accrued Interest	\$ 2,890	\$ 1,518	\$ -	\$ -	\$ 2,890	\$ 1,518
Compensated Absences	\$ 378	\$ 1,076	\$ -	\$ -	\$ 378	\$ 1,076
Bonds Payable, Due W/1 Year	\$ 15,000	\$ 22,500	\$ -	\$ -	\$ 15,000	\$ 22,500
Total Current Liabilities	\$ 26,258	\$ 26,095	\$ -	\$ -	\$ 26,258	\$ 26,095
<i>Non-Current Liabilities</i>						
Compensated Absences	\$ 5,645	\$ 6,100	\$ -	\$ -	\$ 5,645	\$ 6,100
Bonds Payable	\$ 378,000	\$ 315,000	\$ -	\$ -	\$ 378,000	\$ 315,000
Total Non-Current Liabilities	\$ 383,645	\$ 321,100			\$ 383,645	\$ 321,100
TOTAL LIABILITIES	\$ 409,903	\$ 347,195	\$ -	\$ -	\$ 409,903	\$ 347,195
NET POSITION						
Net Investment in Capital Assets	\$ 1,388,291	\$ 1,213,631	\$ 115,000	\$ 115,000	\$ 1,503,291	\$ 1,328,631
Prior Period Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	\$ 465,314	\$ 562,697	\$ -	\$ -	\$ 465,314	\$ 562,697
Unrestricted	\$ 482,041	\$ 498,643	\$ 12,406	\$ 10,563	\$ 494,447	\$ 509,206
TOTAL NET POSITION	\$ 2,335,646	\$ 2,274,971	\$ 127,406	\$ 125,563	\$ 2,463,052	\$ 2,400,534

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 \$1,328,631 or 55% of Total Net Position, and unrestricted net position of \$509,206 or 21% 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 (\$562,697 or 23%) 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	
	2020	2021	2020	2021	2020	2021
<i>Program Revenues</i>						
Charges for Services	\$ 34,343	\$ 36,782	\$ -	\$ -	\$ 34,343	\$ 36,782
Operating Grants/Contributions	\$ 313,499	\$ 344,226	\$ -	\$ -	\$ 313,499	\$ 344,226
Capital Grants/Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Total Program Revenues</i>	\$ 347,842	\$ 381,008	\$ -	\$ -	\$ 347,842	\$ 381,008
<i>General Revenues</i>						
Taxes	\$ 68,347	\$ 70,616	\$ -	\$ -	\$ 68,347	\$ 70,616
Special Assessments	\$ 33,234	\$ 34,525	\$ -	\$ -	\$ 33,234	\$ 34,525
SSR	\$ 145,810	\$ 165,720	\$ -	\$ -	\$ 145,810	\$ 165,720
Other	\$ 15,472	\$ 29,241	\$ -	\$ -	\$ 15,472	\$ 29,241
Interest	\$ 36,025	\$ 33,433	\$ 63	\$ 32	\$ 36,088	\$ 33,465
Transfers In (Out)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Total General Revenues</i>	\$ 298,888	\$ 333,535	\$ 63	\$ 32	\$ 298,951	\$ 333,567
TOTAL REVENUES	\$ 646,730	\$ 714,543	\$ 63	\$ 32	\$ 646,793	\$ 714,575
EXPENSES						
General Government	\$ 215,729	\$ 273,174	\$ -	\$ -	\$ 215,729	\$ 273,174
Public Safety	\$ 36,440	\$ 38,045	\$ -	\$ -	\$ 36,440	\$ 38,045
Public Works	\$ 511,750	\$ 449,346	\$ -	\$ -	\$ 511,750	\$ 449,346
Com/Econ. Development	\$ 26,683	\$ 27,225	\$ -	\$ -	\$ 26,683	\$ 27,225
Interest on Long-Term Debt	\$ 11,860	\$ 10,154	\$ -	\$ -	\$ 11,860	\$ 10,154
Airport	\$ -	\$ -	\$ 7,742	\$ 1,875	\$ 7,742	\$ 1,875
Sewer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL EXPENSES	\$ 802,462	\$ 797,944	\$ 7,742	\$ 1,875	\$ 810,204	\$ 799,819
Change in Net Position	\$ (155,732)	\$ (83,401)	\$ (7,679)	\$ (1,843)	\$ (163,411)	\$ (85,244)
Prior Period Adjustment	\$ -	\$ (1,147)	\$ -	\$ -	\$ 0	\$ (1,147)
Net Position Beginning of Period	\$ 2,491,378	\$ 2,359,519	\$ 135,085	\$ 127,406	\$ 2,626,463	\$ 2,486,925
Net Position at End of Period	\$ 2,335,646	\$ 2,274,971	\$ 127,406	\$ 125,563	\$ 2,463,052	\$ 2,400,534

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 \$1,071,035, an increase of \$106,777 compared to the prior year. Approximately 47% 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

\$507,337, which is approximately 160% of total regular general fund expenditures for the year ended June 30, 2021.

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 \$10,563 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
State Shared/Returned Revenue	54%	56%	69%	70%	71%	77%
Property Taxes	9%	11%	10%	10%	11%	10%
Charges for Services	5%	1%	1%	5%	5%	5%
Interest & Rents	7%	5%	5%	12%	5%	5%
Other Revenue Sources	22%	27%	15%	9%	8%	3%

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
Public Works	58%	60%	44%	58%	63%	56%
General Government	29%	29%	38%	32%	27%	34%
Public Safety	7%	7%	6%	5%	4%	5%
Other Functions	6%	4%	12%	5%	6%	5%

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

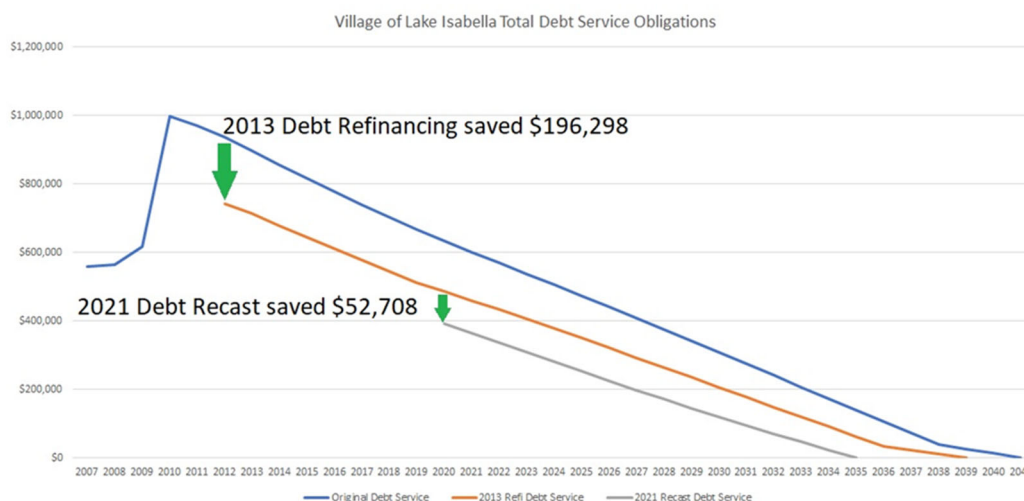
June 30, 2020, amounted to \$1,896,291 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, infrastructure, runway, and sewer infrastructure, as shown below:

Item	Governmental Activities	Business-type Activities	Total
Land	\$ 5,304	\$ 115,000	\$ 120,304
Roads	\$ 1,087,056	\$ -	\$ 1,087,056
Equipment	\$ 54,833	\$ -	\$ 54,833
Buildings	\$ 390,160	\$ -	\$ 390,160
Vehicles	\$ 13,778	\$ -	\$ 13,778
Airport/Runway	\$ -	\$ -	\$ -
Total	\$ 1,551,131	\$ 115,000	\$ 1,666,131

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

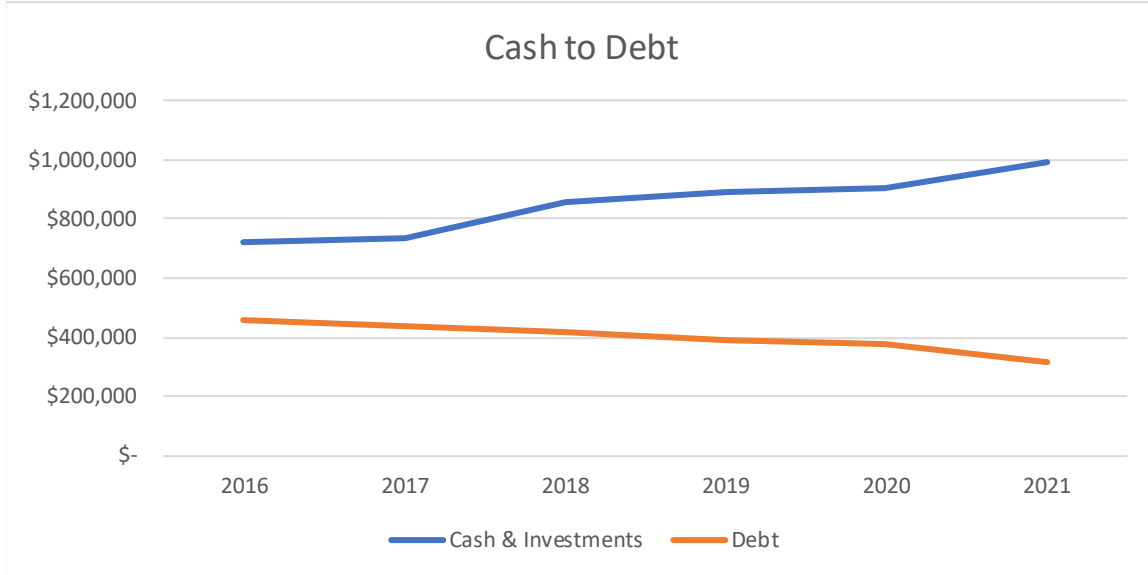
LONG-TERM DEBT:

As described in Note 6 to the financial statements, the Village had \$337,500 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 six-years, the Village has continued to increase its cash position while decreasing its debt load. The ratio of cash-to-debt has increased from 1.592 to 3.149, meaning the Village has roughly three dollars in reserves for every one dollar of debt.

	2016	2017	2018	2019	2020	2021
Cash & Investments	\$724,379	\$737,289	\$860,543	\$890,699	\$902,030	\$991,781
Debt	\$455,000	\$435,000	\$414,000	\$393,000	\$378,000	\$315,000
Ratio	1.592	1.695	2.079	2.266	2.386	3.149



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. 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.

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's adopted 2021-22 Budget included the following information regarding addressing community needs. *"It is recommended that the Village Council consider pursuing a Community Improvement Bond to fund several capital needs that appear to be converging at the same time. The concept would be to seek voter approval for a series of capital improvements around the community targeting street improvements and implementing the forthcoming Parks & Recreation Master Plan. One additional area that should be explored for this project is a joint lake restoration project with the LIPOA. The Village has two previously disclosed legal opinions regarding joint Village-Association Projects."*

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 solid and stable, which did not result in a need to cut staff or services. Looking forward, to date, the Village has identified two primary uses for funds received through the American Rescue Plan Act. The bulk of the funds are classified as "lost revenue" under the formula in the Act, allowing the Village to utilize these funds to provide additional services such as dedicated law enforcement coverage. The other priority identified is premium pay for Village staff. The Village operates through a minimal staff size. In order to ensure that the Village remains a competitive employer in the current economic climate while not having to navigate staff turnover, hourly compensation has been temporarily increased through ARPA.

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**



Village of Lake Isabella
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 981,218	\$ 10,563	\$ 991,781
Due from other governmental units	85,319	-	85,319
Prepaid expenses	4,498	-	4,498
Total current assets	<u>1,071,035</u>	<u>10,563</u>	<u>1,081,598</u>
Noncurrent assets			
Capital assets not being depreciated	5,304	115,000	120,304
Capital assets being depreciated, net	1,545,827	-	1,545,827
Total noncurrent assets	<u>1,551,131</u>	<u>115,000</u>	<u>1,666,131</u>
Total assets	2,622,166	125,563	2,747,729
Liabilities			
Current liabilities			
Accounts payable	1,001	-	1,001
Accrued interest	1,518	-	1,518
Compensated absences, due within one year	1,076	-	1,076
Bonds payable, due within one year	22,500	-	22,500
Total current liabilities	<u>26,095</u>	<u>-</u>	<u>26,095</u>
Noncurrent liabilities			
Compensated absences, due beyond one year	6,100	-	6,100
Bonds payable, due beyond one year	315,000	-	315,000
Total noncurrent liabilities	<u>321,100</u>	<u>-</u>	<u>321,100</u>
Total liabilities	347,195	-	347,195
Net Position			
Net investment in capital assets	1,213,631	115,000	1,328,631
Restricted	562,697	-	562,697
Unrestricted	498,643	10,563	509,206
Total net position	<u>\$ 2,274,971</u>	<u>\$ 125,563</u>	<u>\$ 2,400,534</u>

Village of Lake Isabella
Statement of Activities
For the year ended June 30, 2021

	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	\$ 273,174	\$ -	\$ -	\$ (273,174)	\$ -	\$ (273,174)
Public safety	38,045	452	-	(37,593)	-	(37,593)
Public works	449,346	7,706	344,226	(97,414)	-	(97,414)
Community and economic dev.	27,225	28,624	-	1,399	-	1,399
Debt service	10,154	-	-	(10,154)	-	(10,154)
Total governmental activities	797,944	36,782	344,226	(416,936)	-	(416,936)
Business-type activities						
Airport	-	-	-	-	-	-
Sewer	1,875	-	-	-	(1,875)	(1,875)
Total business-type activities	1,875	-	-	-	(1,875)	(1,875)
Total government	<u>\$ 799,819</u>	<u>\$ 36,782</u>	<u>\$ 344,226</u>	(416,936)	(1,875)	(418,811)
General revenues						
Property taxes				70,616	-	70,616
Special assessments				34,525	-	34,525
State grants				165,720	-	165,720
Interest				33,433	32	33,465
Other revenues				29,241	-	29,241
Total general revenues				333,535	32	333,567
Change in net position				(83,401)	(1,843)	(85,244)
Net position - beginning of year, as restated				2,359,519	127,406	2,486,925
Prior period adjustment				(1,147)	-	(1,147)
Net position - end of year				\$ 2,274,971	\$ 125,563	\$ 2,400,534

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, 2021

	Major Funds			Total Non-major Funds	Total Governmental Funds
	General	Major Street	Local Street		
Assets					
Cash and cash equivalents	\$ 472,909	\$ 403,628	\$ 104,581	\$ 100	\$ 981,218
Due from other governmental units	30,780	36,385	18,154	-	85,319
Due from other funds	1,569	-	-	-	1,569
Prepaid expenditures	3,080	709	709	-	4,498
Total assets	<u>\$ 508,338</u>	<u>\$ 440,722</u>	<u>\$ 123,444</u>	<u>\$ 100</u>	<u>\$ 1,072,604</u>
Liabilities					
Accounts payable	\$ 1,001	\$ -	\$ -	\$ -	\$ 1,001
Due to other funds	-	1,047	522	-	1,569
Total liabilities	<u>1,001</u>	<u>1,047</u>	<u>522</u>	<u>-</u>	<u>2,570</u>
Fund balances					
Restricted	-	439,675	122,922	100	562,697
Unassigned	507,337	-	-	-	507,337
Total fund balances	<u>507,337</u>	<u>439,675</u>	<u>122,922</u>	<u>100</u>	<u>1,070,034</u>
Total liabilities and fund balances	<u>\$ 508,338</u>	<u>\$ 440,722</u>	<u>\$ 123,444</u>	<u>\$ 100</u>	<u>\$ 1,072,604</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, 2021

Total fund balance - governmental funds	\$ 1,070,034
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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	5,503,877
Deduct:	Accumulated depreciation	(3,952,746)

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	(1,518)
Deduct:	Compensated absences	(7,176)
Deduct:	Bonds payable	<u>(337,500)</u>

Net position of governmental activities	<u><u>\$ 2,274,971</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, 2021

	Major Funds			Total Non-major Funds	Total Governmental Funds
	General	Major Street	Local Street		
Revenues					
Property taxes	\$ 70,616	\$ -	\$ -	\$ -	\$ 70,616
Special assessments	34,525	-	-	-	34,525
Licenses and permits	28,624	-	-	-	28,624
State grants	165,720	233,358	110,868	-	509,946
Charges for services	7,706	-	-	-	7,706
Fines and forfeitures	452	-	-	-	452
Interest and rents	32,388	914	131	-	33,433
Other revenues	29,241	-	-	-	29,241
Total revenues	369,272	234,272	110,999	-	714,543
Expenditures					
General government	234,045	-	-	-	234,045
Public safety	38,045	-	-	-	38,045
Public works	6,047	130,067	97,275	-	233,389
Community and economic development	27,225	-	-	-	27,225
Debt service:					
Principal	393,000	-	-	-	393,000
Interest	11,526	-	-	-	11,526
Other expenses	-	-	-	23,773	23,773
Total expenditures	709,888	130,067	97,275	23,773	961,003
Excess of revenues over (under) expenditures	(340,616)	104,205	13,724	(23,773)	(246,460)
Other financing sources (uses)					
Transfers in	18,320	-	-	-	18,320
Transfers out	-	(12,222)	(6,098)	-	(18,320)
Proceeds from borrowing	337,500	-	-	-	337,500
Total other financing sources (uses)	355,820	(12,222)	(6,098)	-	337,500
Net change in fund balance	15,204	91,983	7,626	(23,773)	91,040
Fund balance - beginning of year, as restated	490,954	349,244	116,070	23,873	980,141
Prior period adjustment	1,179	(1,552)	(774)	-	(1,147)
Fund balance - end of year	<u>\$ 507,337</u>	<u>\$ 439,675</u>	<u>\$ 122,922</u>	<u>\$ 100</u>	<u>\$ 1,070,034</u>

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, 2021

Net change in fund balances - total governmental funds \$ 91,040

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	(237,759)
Add:	Purchase of capital assets	7,599

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	1,372
Deduct:	Change in compensated absences	(1,153)
Deduct:	Proceeds from borrowing	(337,500)
Add:	Principal payments on debt	393,000

Change in net position of governmental activities	<u>\$ (83,401)</u>
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Village of Lake Isabella
Statement of Net Position
Proprietary Funds
June 30, 2021

	Business-Type Activities Enterprise Funds		
	Airport	Sewer	Total
Assets			
Current assets			
Cash and cash equivalents	\$ -	\$ 10,563	\$ 10,563
Total current assets	-	10,563	10,563
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	75,563	125,563
Liabilities			
Current liabilities			
Accounts payable	-	-	-
Total current liabilities	-	-	-
Net position			
Net investment in capital assets	50,000	65,000	115,000
Unrestricted	-	10,563	10,563
Total net position	\$ 50,000	\$ 75,563	\$ 125,563

Village of Lake Isabella
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2021

	Business-Type Activities Enterprise Funds		
	Airport	Sewer	Total
Operating revenues			
Charges for services	\$ -	\$ -	\$ -
Total operating revenues	-	-	-
Operating expenses			
Contracted services	-	1,875	1,875
Total operating expenses	-	1,875	1,875
Operating income (loss)	-	(1,875)	(1,875)
Nonoperating revenues (expenses)			
Interest income	-	32	32
Change in net position	-	(1,843)	(1,843)
Net position - beginning of year	50,000	77,406	127,406
Net position - end of year	<u>\$ 50,000</u>	<u>\$ 75,563</u>	<u>\$ 125,563</u>

Village of Lake Isabella
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2021

	Business-Type Activities Enterprise Funds		
	Airport	Sewer	Total
Cash flows from operating activities:			
Payments to suppliers / outsiders	\$ -	\$ (1,875)	\$ (1,875)
Cash flows from investing activities:			
Interest income	-	32	32
Net (decrease) in cash and cash equivalents	-	(1,843)	(1,843)
Cash and cash equivalents - beginning of year	-	12,406	12,406
Cash and cash equivalents - end of year	<u>\$ -</u>	<u>\$ 10,563</u>	<u>\$ 10,563</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ -	\$ (1,875)	\$ (1,875)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	-	-	-
Change in assets and liabilities:			
Accounts payable	-	-	-
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ (1,875)</u>	<u>\$ (1,875)</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 non-major governmental fund:

- The Fire Withholding 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.

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.

Village of Lake Isabella
Notes to the Financial Statements
June 30, 2021

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 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 2020 ad valorem tax is levied and collectible on July 1st, 2020, 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 2020 taxable valuation of property located in the Village for operating purposes totaled \$83.0 million, on which ad valorem taxes levied consisted of 0.8386 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.

Village of Lake Isabella
Notes to the Financial Statements
June 30, 2021

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 1st. The council holds public hearings and final budgets are adopted prior to July 1st.

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	655,186
Certificates of Deposit	336,395
Total	991,781

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.

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. As of year-end, \$787,604 of the Village's bank balance of \$1,037,604 was exposed to custodial credit risk because it 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.

Village of Lake Isabella
Notes to the Financial Statements
June 30, 2021

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	30,780
<i>Major Street Fund</i>	
State of Michigan – Act 51	36,385
<i>Local Street Fund</i>	
State of Michigan – Act 51	18,154
Totals	85,319

Village of Lake Isabella
Notes to the Financial Statements
June 30, 2021

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	74,691	7,599	-	82,290
Roads	4,796,829	-	-	4,796,829
Vehicles	73,454	-	-	73,454
Total capital assets being depreciated	5,490,974	7,599	-	5,498,573
Accumulated Depreciation				
Buildings	(142,820)	(13,020)	-	(155,840)
Equipment	(19,228)	(8,229)	-	(27,457)
Roads	(3,499,386)	(210,387)	-	(3,709,773)
Vehicles	(53,553)	(6,123)	-	(59,676)
Total accumulated depreciation	(3,714,987)	(237,759)	-	(3,952,746)
Net capital assets being depreciated	1,775,987	(230,160)	-	1,545,827
Net capital assets	1,781,291	(230,160)	-	1,551,131

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 was charged to programs of the primary government as follows:

Governmental Activities	
General Government	14,203
Public Works	223,556
Total Governmental Activities	237,759

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. During the year, these bonds were paid in full with the proceeds from the General Obligation Limited Tax Refunding Bonds – Series 2021.

General Obligation Limited Tax Refunding Bonds – Series 2021 - On April 1, 2021, the Village issued General Obligation Limited Tax Refunding Bonds in the amount of \$337,500 in order to refinance the Series 2013 bonds at a lower rate. The bonds bear interest at a rate ranging from 0.860% to 2.75% 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.	6,023	2,056	(903)	7,176	1,076
General Obligation Bonds	393,000	337,500	(393,000)	337,500	22,500
Total	399,023	339,556	(393,903)	344,676	23,576

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

Year Ended June 30	General Obligation Bonds	
	Principal	Interest
2022	22,500	6,077
2023	22,500	5,874
2024	22,500	5,644
2025	22,500	5,383
2026	22,500	5,085
2027-2031	112,500	19,712
2032-2036	112,500	7,365
Total long-term debt	337,500	55,140

NOTE 7 - 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	1,545,827
Capital related long-term liabilities	(337,500)
Net investment in capital assets	1,213,631

Village of Lake Isabella
Notes to the Financial Statements
June 30, 2021

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
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 30th, the Village contributed \$3,240 and the employees contributed \$780 to the plan.

NOTE 9 - TRANSFERS

During the year the following transfers were made between funds:

- The Major Street Fund transferred \$12,222 to the General Fund for administrative fees as allowed by MCL 247.663(8).
- The Local Street Fund transferred \$6,098 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 – RESTATEMENT OF FUND BALANCE/NET POSITION

For the year ended June 30, 2021, the Village implemented *GASB Statement No. 84, Fiduciary Activities*.

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.

As of June 30, 2021, the beginning fund balance was restated as follows:

	Beginning Balance Previously Reported	Restatement	Beginning Balance as Restated
Fund balance – Fire Withholding Fund (a special revenue fund)	-	23,873	23,873

As of June 30, 2021, the beginning net position was restated as follows:

	Beginning Balance Previously Reported	Restatement	Beginning Balance as Restated
Net position – Governmental Activities	2,335,646	23,873	2,359,519

NOTE 12 – PRIOR PERIOD ADJUSTMENT

As of June 30, 2021, the Village recorded a prior period adjustment of \$1,147 to adjust amounts due between funds in the General Fund, Major Street Fund and Local Street Fund initially recorded in the prior year.

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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 SUPPLEMENTAL INFORMATION



Village of Lake Isabella
Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 69,000	\$ 70,616	\$ 70,616	\$ -
Special assessments	33,500	34,525	34,525	-
Licenses and permits	25,500	28,294	28,624	330
State grants	114,750	150,390	165,720	15,330
Charges for services	7,600	7,706	7,706	-
Fines and forfeitures	500	450	452	2
Interest and rents	33,980	32,530	32,388	(142)
Other revenues	28,500	26,091	29,241	3,150
Total revenues	313,330	350,602	369,272	18,670
Expenditures				
General government				
Council	7,605	5,305	4,573	732
Manager and administrative	154,125	193,025	166,033	26,992
Elections	1,600	375	375	-
Clerk	18,850	18,900	19,646	(746)
Treasurer	22,125	22,025	22,281	(256)
Building and grounds	16,300	26,650	21,137	5,513
Public safety				
Police and fire	37,000	38,121	38,045	76
Public works				
Cal Brewer Airport	1,625	2,002	4,220	(2,218)
Contracted services	13,700	1,405	-	1,405
Street lights	1,750	1,800	1,827	(27)
Community and economic development				
Code enforcement	15,250	13,500	13,219	281
Planning and zoning	14,300	13,735	14,006	(271)
Debt service	26,527	405,123	404,526	597
Total expenditures	330,757	741,966	709,888	32,078
Excess of revenues over (under) expenditures	(17,427)	(391,364)	(340,616)	50,748
Other financing sources (uses)				
Transfers in	11,750	16,875	18,320	1,445
Proceeds from borrowing	-	337,500	337,500	-
Total other financing sources (uses)	11,750	354,375	355,820	1,445
Net change in fund balance	(5,677)	(36,989)	15,204	52,193
Fund balance, beginning of year	490,954	490,954	490,954	-
Prior period adjustment	-	-	1,179	1,179
Fund balance, end of year	\$ 485,277	\$ 453,965	\$ 507,337	\$ 53,372

Village of Lake Isabella
Budgetary Comparison Schedule
Major Street Fund
For the year ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
State grants	\$ 164,615	\$ 218,640	\$ 233,358	\$ 14,718
Interest and rents	1,000	925	914	(11)
Total revenues	<u>165,615</u>	<u>219,565</u>	<u>234,272</u>	<u>14,707</u>
Expenditures				
Public works	<u>163,874</u>	<u>137,799</u>	<u>130,067</u>	<u>7,732</u>
Total expenditures	<u>163,874</u>	<u>137,799</u>	<u>130,067</u>	<u>7,732</u>
Excess of revenues over (under) expenditures	1,741	81,766	104,205	22,439
Other financing sources (uses)				
Operating transfers (out)	<u>-</u>	<u>(11,500)</u>	<u>(12,222)</u>	<u>(722)</u>
Total other financing sources (uses)	<u>-</u>	<u>(11,500)</u>	<u>(12,222)</u>	<u>(722)</u>
Net change in fund balance	1,741	70,266	91,983	21,717
Fund balance, beginning of year	349,244	349,244	349,244	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(1,552)</u>	<u>(1,552)</u>
Fund balance, end of year	<u>\$ 350,985</u>	<u>\$ 419,510</u>	<u>\$ 439,675</u>	<u>\$ 20,165</u>

Village of Lake Isabella
Budgetary Comparison Schedule
Local Street Fund
For the year ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
State grants	\$ 77,156	\$ 104,000	\$ 110,868	\$ 6,868
Interest	200	200	131	(69)
Total revenues	<u>77,356</u>	<u>104,200</u>	<u>110,999</u>	<u>6,799</u>
Expenditures				
Public works	<u>105,356</u>	<u>98,756</u>	<u>97,275</u>	<u>1,481</u>
Total expenditures	<u>105,356</u>	<u>98,756</u>	<u>97,275</u>	<u>1,481</u>
Excess of revenues over (under) expenditures	(28,000)	5,444	13,724	8,280
Other financing sources (uses)				
Transfers in	28,000	-	-	-
Transfers out	<u>-</u>	<u>(5,375)</u>	<u>(6,098)</u>	<u>(723)</u>
Total other financing sources (uses)	<u>28,000</u>	<u>(5,375)</u>	<u>(6,098)</u>	<u>(723)</u>
Net change in fund balance	-	69	7,626	7,557
Fund balance, beginning of year	116,070	116,070	116,070	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(774)</u>	<u>(774)</u>
Fund balance, end of year	<u>\$ 116,070</u>	<u>\$ 116,139</u>	<u>\$ 122,922</u>	<u>\$ 6,783</u>

OTHER SUPPLEMENTAL INFORMATION



Village of Lake Isabella
Balance Sheet
Non-major Governmental Fund
June 30, 2021

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

Village of Lake Isabella
Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Fund
For the year ended June 30, 2021

	<u>Fire Withholding</u>	<u>Total Non-major Funds</u>
Revenues		
Charges for services	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>
Expenditures		
Other expenditures	<u>23,773</u>	<u>23,773</u>
Total expenditures	<u>23,773</u>	<u>23,773</u>
Change in fund balance	(23,773)	(23,773)
Fund balance - beginning of year, as restated	<u>23,873</u>	<u>23,873</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 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, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated October 22, 2021.

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 dark ink that reads 'Roslund, Prestage & Company, P.C.' in a cursive script.

Roslund, Prestage & Company, P.C.
Certified Public Accountants
October 22, 2021