

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

**Financial Statements
June 30, 2022**



RPC
Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

Village of Lake Isabella
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June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Lake Isabella

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Lake Isabella (the Village) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in the notes to the financial statements, during 2022 the Village adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2022, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village's internal control over financial reporting and compliance.

Sincerely,

Roslund, Prestage & Company, P.C.

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

December 1, 2022

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 ending June 30, 2022.

FINANCIAL HIGHLIGHTS:

- The Village's assets exceeded its liabilities at the close of the most recent fiscal year by \$2,397,953. Of this amount, \$561,014, or 23%, represents the unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the fiscal year, the Village governmental funds reported combined assets of \$1,421,029, an increase of \$349,994 compared to the prior year. At the government's discretion, approximately 39% of this amount is available for spending as an unassigned fund balance.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$570,697, which is approximately 159% of total regular general fund expenditures for the year ending June 30, 2021.
- The Village has a net investment in capital assets (e.g., buildings, equipment, vehicles, and infrastructure), which amounted to \$1,434,337 or 50% of the Total Net Position.

OVERVIEW OF THE FINANCIAL STATEMENTS:

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

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

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

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

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

FUND FINANCIAL STATEMENTS:

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

Governmental funds:

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

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

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

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

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

Proprietary funds:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS:

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

OTHER INFORMATION:

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

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

INTERDEPENDENCE WITH OTHER ENTITIES:

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As shown in the following chart, the Village's assets exceeded liabilities by \$2,397,953 at the end of the fiscal year.

VILLAGE OF LAKE ISABELLA'S NET POSITION

ASSETS	Government Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Current Assets						
Cash & Investments	\$ 981,218	\$ 1,323,916	\$ 10,563	\$ 9,938	\$ 991,781	\$ 1,333,854
Accounts Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from Other Gov. Units	\$ 85,319	\$ 91,377	\$ -	\$ -	\$ 85,319	\$ 91,377
Prepaid Expenses	\$ 4,498	\$ 5,736	\$ -	\$ -	\$ 4,498	\$ 5,736
Total Current Assets	\$ 1,071,035	\$ 1,421,029	\$ 10,563	\$ 9,938	\$ 1,081,598	\$ 1,430,967
Non-Current Assets						
Capital Assets NOT Depreciated	\$ 5,304	\$ 5,304	\$ 115,000	\$ 115,000	\$ 120,304	\$ 120,304
Capital Assets being Depreciated	\$ 1,545,827	\$ 1,314,033	\$ -	\$ -	\$ 1,545,827	\$ 1,314,033
Total Non-Current Assets	\$ 1,551,131	\$ 1,319,337	\$ 115,000	\$ 115,000	\$ 1,666,131	\$ 1,434,337
TOTAL ASSETS	\$ 2,622,166	\$ 2,740,366	\$ 125,563	\$ 124,938	\$ 2,747,729	\$ 2,865,304
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 1,001	\$ 4,854	\$ -	\$ -	\$ 1,001	\$ 4,854
Accrued Interest	\$ 1,518	\$ 1,471	\$ -	\$ -	\$ 1,518	\$ 1,471
Compensated Absences	\$ 1,076	\$ 1,232	\$ -	\$ -	\$ 1,076	\$ 1,232
Bonds Payable, Due W/I 1 Year	\$ 22,500	\$ 22,500	\$ -	\$ -	\$ 22,500	\$ 22,500
Total Current Liabilities	\$ 26,095	\$ 30,057	\$ -	\$ -	\$ 26,095	\$ 30,057
Non-Current Liabilities						
Compensated Absences	\$ 6,100	\$ 6,980	\$ -	\$ -	\$ 6,100	\$ 6,980
Bonds Payable	\$ 315,000	\$ 292,500	\$ -	\$ -	\$ 315,000	\$ 292,500
Total Non-Current Liabilities	\$ 321,100	\$ 299,480			\$ 321,100	\$ 299,480
TOTAL LIABILITIES	\$ 347,195	\$ 329,537	\$ -	\$ -	\$ 347,195	\$ 329,537
NET POSITION						
Net Investment in Capital Assets	\$ 1,213,631	\$ 1,004,337	\$ 115,000	\$ 115,000	\$ 1,328,631	\$ 1,119,337
Prior Period Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	\$ 562,697	\$ 707,664	\$ -	\$ -	\$ 562,697	\$ 707,664
Unrestricted	\$ 498,643	\$ 561,014	\$ 10,563	\$ 9,938	\$ 509,206	\$ 570,952
TOTAL NET POSITION	\$ 2,274,971	\$ 2,273,015	\$ 125,563	\$ 124,938	\$ 2,400,534	\$ 2,397,953

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 \$1,119,337 or 47% of the Total Net Position, and unrestricted net position of \$561,014 or 25% 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 (\$707,664 or 31%) 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	
	2021	2022	2021	2022	2021	2022
<i>Program Revenues</i>						
Charges for Services	\$ 36,782	\$ 35,905	\$ -	\$ -	\$ 36,782	\$ 35,905
Operating Grants/Contributions	\$ 344,226	\$ 411,562	\$ -	\$ -	\$ 344,226	\$ 411,562
Capital Grants/Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Total Program Revenues</i>	\$ 381,008	\$ 447,467	\$ -	\$ -	\$ 381,008	\$ 447,467
<i>General Revenues</i>						
Taxes	\$ 70,616	\$ 73,203	\$ -	\$ -	\$ 70,616	\$ 73,203
Special Assessments	\$ 34,525	\$ 36,420	\$ -	\$ -	\$ 34,525	\$ 36,420
SSR	\$ 165,720	\$ 206,032	\$ -	\$ -	\$ 165,720	\$ 206,032
Other	\$ 29,241	\$ 12,306	\$ -	\$ -	\$ 29,241	\$ 12,306
Interest	\$ 33,433	\$ 31,562	\$ 32	\$ 12	\$ 33,465	\$ 31,574
Transfers In (Out)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Total General Revenues</i>	\$ 333,535	\$ 359,523	\$ 32	\$ 12	\$ 333,567	\$ 359,535
TOTAL REVENUES	\$ 714,543	\$ 806,990	\$ 32	\$ 12	\$ 714,575	\$ 807,002
EXPENSES						
General Government	\$ 273,174	\$ 277,130	\$ -	\$ -	\$ 273,174	\$ 277,130
Public Safety	\$ 38,045	\$ 53,923	\$ -	\$ -	\$ 38,045	\$ 53,923
Public Works	\$ 449,346	\$ 444,609	\$ -	\$ -	\$ 449,346	\$ 444,609
Com/Econ. Development	\$ 27,225	\$ 30,570	\$ -	\$ -	\$ 27,225	\$ 30,570
Interest on Long-Term Debt	\$ 10,154	\$ 2,714	\$ -	\$ -	\$ 10,154	\$ 2,714
Airport	\$ -	\$ -	\$ 1,875	\$ 637	\$ 1,875	\$ 637
Sewer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL EXPENSES	\$ 797,944	\$ 808,946	\$ 1,875	\$ 637	\$ 799,819	\$ 809,583
Change in Net Position	\$ (83,401)	\$ (1,956)	\$ (1,843)	\$ (625)	\$ (85,244)	\$ (2,581)
Prior Period Adjustment	\$ (1,147)	\$ -	\$ -	\$ -	\$ (1,147)	\$ -
Net Position Beginning of Period	\$ 2,359,519	\$ 2,274,971	\$ 127,406	\$ 125,563	\$ 2,486,925	\$ 2,400,534
Net Position at End of Period	\$ 2,274,971	\$ 2,273,015	\$ 125,563	\$ 124,938	\$ 2,400,534	\$ 2,397,953

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 \$1,421,029, an increase of \$349,994 compared to the prior year. At the government's discretion, approximately 39% of this amount is available for spending as an unassigned fund balance.

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$570,697, which is approximately 159% of total regular general fund expenditures for the year ending 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 \$9,938 for the sewer fund and \$0 for the airport fund. The runway, paved initially in 2000, has fully depreciated from the Village's financial statements.

GOVERNMENTAL ACTIVITIES:

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

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

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

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

GENERAL FUND BUDGETARY HIGHLIGHTS:

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

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

CAPITAL ASSETS:

The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2022, amounted to \$1,434,337 (net amount after accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, infrastructure, runway, and sewer infrastructure, as shown below:

Item	Governmental Activities	Business-type Activities	Total
Land	\$ 5,304	\$ 115,000	\$ 120,304
Roads	\$ 876,668	\$ -	\$ 876,668
Equipment	\$ 52,571	\$ -	\$ 52,571
Buildings	\$ 377,140	\$ -	\$ 377,140
Vehicles	\$ 7,654	\$ -	\$ 7,654
Airport/Runway	\$ -	\$ -	\$ -
Total	\$ 1,319,337	\$ 115,000	\$ 1,434,337

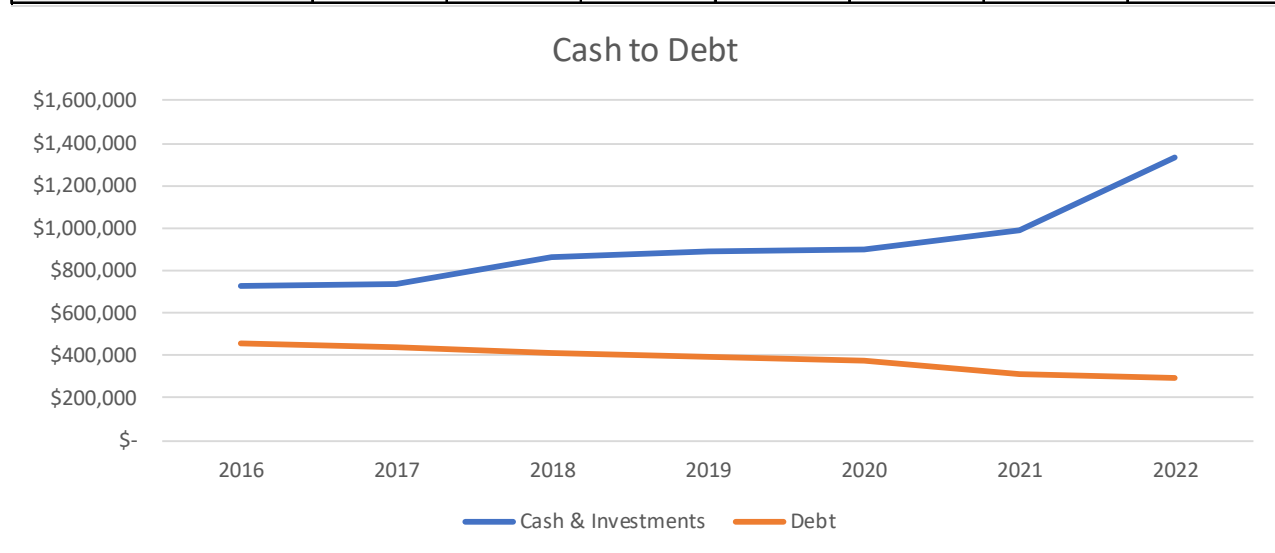
Additional information on the Village's capital assets can be found in note 5.

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 seven years, the Village has continued to increase its cash position while decreasing its debt load. During this time, the ratio of cash-to-debt has increased from 1.592 to 4.560. This ratio means the Village has roughly four and one-half dollars in reserves for every one dollar of debt. The Village's debt position was also impacted during the 2021-22 Fiscal Year when the Village paid down a portion and recast the remaining debt that was held at the start of the Fiscal Year. This effort will allow the Village to pay off its remaining debt earlier and also save considerably on interest.

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



FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS:

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

The Village has taken a conservative approach to spending the public's money. This is due to the restriction on revenue imposed by the Village Charter. With the current wording of the Village Charter, the Village has the authority to levy only 1 Mill of taxation. As part of the Village's 2022 General Election, voters approved the first-ever tax increase in the Village's history. A small levy of 0.333 mills was approved to fund a continuation of the Village's patrol agreement with the Isabella County Sheriff's Department.

Additional revenue requests on the horizon will likely include a second attempt to fund a lake restoration program and also additional revenue for street maintenance. The first attempt to fund a lake restoration effort narrowly failed at the November 2022 General Election by a margin of just 34 votes. The Village Council has expressed an interest in partnering with the LIPOA for a second proposal to be presented possibly in 2023 at a Special Election.

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, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,323,916	\$ 9,938	\$ 1,333,854
Due from other governmental units	91,377	-	91,377
Prepaid expenses	5,736	-	5,736
Noncurrent assets			
Capital assets not being depreciated	5,304	115,000	120,304
Capital assets being depreciated, net	1,314,033	-	1,314,033
Total assets	<u>2,740,366</u>	<u>124,938</u>	<u>2,865,304</u>
Liabilities			
Accounts payable	4,854	-	4,854
Accrued interest	1,471	-	1,471
Unearned revenue	137,814	-	137,814
Compensated absences, due within one year	1,232	-	1,232
General oblig. bonds payable, due within one year	22,500	-	22,500
Noncurrent liabilities			
Compensated absences, due beyond one year	6,980	-	6,980
General oblig. bonds payable, due beyond one year	292,500	-	292,500
Total liabilities	<u>467,351</u>	<u>-</u>	<u>467,351</u>
Net Position			
Net investment in capital assets	1,004,337	115,000	1,119,337
Restricted	707,664	-	707,664
Unrestricted	561,014	9,938	570,952
Total net position	<u>\$ 2,273,015</u>	<u>\$ 124,938</u>	<u>\$ 2,397,953</u>

Village of Lake Isabella
Statement of Activities
For the year ended June 30, 2022

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- Type Activities	
Functions/Programs	Expenses					Total
Governmental activities						
General government	\$ 277,130	\$ -	\$ 38,314	\$ (238,816)	\$ -	\$ (238,816)
Public safety	53,923	1,350	-	(52,573)	-	(52,573)
Public works	444,609	7,500	373,248	(63,861)	-	(63,861)
Community and economic dev.	30,570	27,055	-	(3,515)	-	(3,515)
Debt service	2,714	-	-	(2,714)	-	(2,714)
Total governmental activities	808,946	35,905	411,562	(361,479)	-	(361,479)
Business-type activities						
Airport	-	-	-	-	-	-
Sewer	637	-	-	-	(637)	(637)
Total business-type activities	637	-	-	-	(637)	(637)
Total government	\$ 809,583	\$ 35,905	\$ 411,562	(361,479)	(637)	(362,116)
General revenues						
Property taxes				73,203	-	73,203
Special assessments				36,420	-	36,420
State grants				206,032	-	206,032
Interest				31,562	12	31,574
Other revenues				12,306	-	12,306
Total general revenues				359,523	12	359,535
Change in net position				(1,956)	(625)	(2,581)
Net position - beginning of year				2,274,971	125,563	2,400,534
Net position - end of year				<u>\$ 2,273,015</u>	<u>\$ 124,938</u>	<u>\$ 2,397,953</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, 2022

	Major Funds			Total Non-major Funds	Total Governmental Funds
	General	Major Street	Local Street		
Assets					
Cash and cash equivalents	\$ 668,825	\$ 523,904	\$ 131,087	\$ 100	\$ 1,323,916
Due from other governmental units	35,090	37,719	18,568	-	91,377
Due from other funds	2,846	-	-	-	2,846
Prepaid expenditures	5,736	-	-	-	5,736
Total assets	<u>\$ 712,497</u>	<u>\$ 561,623</u>	<u>\$ 149,655</u>	<u>\$ 100</u>	<u>\$ 1,423,875</u>
Liabilities					
Accounts payable	\$ 3,986	\$ 868	\$ -	\$ -	\$ 4,854
Due to other funds	-	1,908	938	-	2,846
Unearned revenue	137,814	-	-	-	137,814
Total liabilities	<u>141,800</u>	<u>2,776</u>	<u>938</u>	<u>-</u>	<u>145,514</u>
Fund balances					
Restricted	-	558,847	148,717	100	707,664
Unassigned	570,697	-	-	-	570,697
Total fund balances	<u>570,697</u>	<u>558,847</u>	<u>148,717</u>	<u>100</u>	<u>1,278,361</u>
Total liabilities and fund balances	<u>\$ 712,497</u>	<u>\$ 561,623</u>	<u>\$ 149,655</u>	<u>\$ 100</u>	<u>\$ 1,423,875</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, 2022

Total fund balance - governmental funds	\$ 1,278,361
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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	5,510,956
Deduct:	Accumulated depreciation	(4,191,619)

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	(1,471)
Deduct:	Compensated absences	(8,212)
Deduct:	Bonds payable	<u>(315,000)</u>

Net position of governmental activities	<u>\$ 2,273,015</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, 2022

	Major Funds			Total Non-major Funds	Total Governmental Funds
	General	Major Street	Local Street		
Revenues					
Property taxes	\$ 73,203	\$ -	\$ -	\$ -	\$ 73,203
Special assessments	36,420	-	-	-	36,420
Licenses and permits	27,055	-	-	-	27,055
State funding	206,032	253,745	119,503	-	579,280
Federal funding	38,314	-	-	-	38,314
Charges for services	7,500	-	-	-	7,500
Fines and forfeitures	1,350	-	-	-	1,350
Interest and rents	30,899	545	118	-	31,562
Other revenues	12,306	-	-	-	12,306
Total revenues	433,079	254,290	119,621	-	806,990
Expenditures					
General government	261,891	-	-	-	261,891
Public safety	53,923	-	-	-	53,923
Public works	17,702	121,980	87,336	-	227,018
Community and economic development	30,570	-	-	-	30,570
Debt service - principal	22,500	-	-	-	22,500
Debt service - interest	2,761	-	-	-	2,761
Total expenditures	389,347	121,980	87,336	-	598,663
Excess of revenues over (under) expenditures	43,732	132,310	32,285	-	208,327
Other financing sources (uses)					
Transfers in	19,628	-	-	-	19,628
Transfers (out)	-	(13,138)	(6,490)	-	(19,628)
Total other financing sources (uses)	19,628	(13,138)	(6,490)	-	-
Net change in fund balance	63,360	119,172	25,795	-	208,327
Fund balance - beginning of year	507,337	439,675	122,922	100	1,070,034
Fund balance - end of year	\$ 570,697	\$ 558,847	\$ 148,717	\$ 100	\$ 1,278,361

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, 2022

Net change in fund balances - total governmental funds	\$ 208,327
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Amounts reported for governmental activities in the statement of activities are different because:

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

Add:	Purchase of capital assets	7,079
Deduct:	Depreciation expense	(238,873)

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	47
Deduct:	Change in compensated absences	(1,036)
Add:	Principal payments on debt	<u>22,500</u>

Change in net position of governmental activities	<u>\$ (1,956)</u>
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Village of Lake Isabella
Statement of Net Position
Proprietary Funds
June 30, 2022

	Business-Type Activities Enterprise Funds		
	Airport	Sewer	Total
Assets			
Current assets			
Cash and cash equivalents	\$ -	\$ 9,938	\$ 9,938
Total current assets	-	9,938	9,938
Noncurrent assets			
Capital assets not being depreciated	50,000	65,000	115,000
Total noncurrent assets	50,000	65,000	115,000
Total assets	50,000	74,938	124,938
Liabilities			
Current liabilities			
Accounts payable	-	-	-
Total current liabilities	-	-	-
Net position			
Net investment in capital assets	50,000	65,000	115,000
Unrestricted	-	9,938	9,938
Total net position	\$ 50,000	\$ 74,938	\$ 124,938

Village of Lake Isabella
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2022

	Business-Type Activities Enterprise Funds		
	Airport	Sewer	Total
Operating revenues			
Charges for services	\$ -	\$ -	\$ -
Total operating revenues	-	-	-
Operating expenses			
Contracted services	-	637	637
Total operating expenses	-	637	637
Operating income (loss)	-	(637)	(637)
Nonoperating revenues (expenses)			
Interest income	-	12	12
Change in net position	-	(625)	(625)
Net position - beginning of year	50,000	75,563	125,563
Net position - end of year	<u>\$ 50,000</u>	<u>\$ 74,938</u>	<u>\$ 124,938</u>

Village of Lake Isabella
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2022

	Business-Type Activities Enterprise Funds		
	Airport	Sewer	Total
Cash flows from operating activities:			
Payments to suppliers / outsiders	\$ -	\$ (637)	\$ (637)
Cash flows from investing activities:			
Interest income	-	12	12
Net (decrease) in cash and cash equivalents	-	(625)	(625)
Cash and cash equivalents - beginning of year	-	10,563	10,563
Cash and cash equivalents - end of year	<u>\$ -</u>	<u>\$ 9,938</u>	<u>\$ 9,938</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ -	\$ (637)	\$ (637)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	-	-	-
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ (637)</u>	<u>\$ (637)</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.

Description of Government-wide Financial Statements

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

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.

Basis of Presentation - Government-wide Financial Statements

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

Basis of Presentation - Fund Financial Statements

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

The Village reports the following major governmental funds:

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

The Village reports the following proprietary funds:

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

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

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

statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

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

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

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

Budgetary Basis of Accounting

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

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

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

- The Manager submits to the Village Council a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally adopted by Village Council resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
- Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Village Council.
- The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30. Although the Village does consider these amendments to be significant, they were deemed necessary due to considerable uncertainty at the time the original budget was adopted.

Assets, Liabilities, and Net Position/Fund Balance

Cash and Cash Equivalents

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

Investments

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

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

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

Accounts Receivable/Payable

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

Prepaid items

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

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, as detailed in the table below, are reported in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Group purchases are evaluated on a case-by-case basis. Donated capital

Village of Lake Isabella
Notes to the Financial Statements
June 30, 2022

assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress, if any, are not depreciated. Right to use assets of the Village are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The other capital assets of the Village are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
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.

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.

Compensated Absences

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

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

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

- *Net investment in capital assets* consist of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Village of Lake Isabella
Notes to the Financial Statements
June 30, 2022

- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the Village will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance

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

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

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

Revenues

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and

Village of Lake Isabella
Notes to the Financial Statements
June 30, 2022

contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Tax Revenue

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

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

Although the Village's 2021 ad valorem tax is levied and collectible on July 1st, 2021, 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 2021 taxable valuation of property located in the Village for operating purposes totaled \$83.0 million, on which ad valorem taxes levied consisted of 0.8266 mills for operating.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of year-end, \$846,154 of the Village's bank balance of \$1,096,154 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Village will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Village will do business.

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.

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. Obligations of the U.S government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Foreign currency risk: The Village is not authorized to invest in investments which have this type of risk.

Fair value measurement: The Village is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in

Village of Lake Isabella
Notes to the Financial Statements
June 30, 2022

active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Village's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following summarizes the categorization of these amounts as of year-end:

Cash and Cash Equivalents	Governmental Activities	Business-Type Activities	Total
Petty Cash	200	-	200
Checking, Savings & Money Market Accounts	991,926	4,745	996,671
Certificates of Deposit	331,790	5,193	336,983
Total	1,323,916	9,938	1,333,854

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

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

Description	Due from Other Funds	Due to Other Funds
General Fund	2,846	-
Major Street Fund	-	1,908
Local Street Fund	-	938
Total	2,846	2,846

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

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

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

Due from other governmental units	
<i>General Fund</i> - State of Michigan – State Shared Revenues	35,090
<i>Major Street Fund</i> - State of Michigan – Act 51	37,719
<i>Local Street Fund</i> - State of Michigan – Act 51	18,568
Total	91,377

Village of Lake Isabella
Notes to the Financial Statements
June 30, 2022

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	82,290	7,079	-	89,369
Roads	4,796,829	-	-	4,796,829
Vehicles	73,454	-	-	73,454
Total capital assets being depreciated	5,498,573	7,079	-	5,505,652
Accumulated Depreciation				
Buildings	(155,840)	(13,020)	-	(168,860)
Equipment	(27,457)	(9,341)	-	(36,798)
Roads	(3,709,773)	(210,388)	-	(3,920,161)
Vehicles	(59,676)	(6,124)	-	(65,800)
Total accumulated depreciation	(3,952,746)	(238,873)	-	(4,191,619)
Net capital assets being depreciated	1,545,827	(231,794)	-	1,314,033
Net capital assets	1,551,131	(231,794)	-	1,319,337

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/amortization expense for the year ended June 30th was charged to the functions of the Village's activities as follows:

Governmental Activities	
General Government	14,204
Public Works	224,669
Total Governmental Activities	238,873

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.

Village of Lake Isabella
Notes to the Financial Statements
June 30, 2022

NOTE 6 - LONG-TERM DEBT

Governmental Funds:

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 Absences	7,176	2,112	(1,076)	8,212	1,232
General Obligation Bonds	337,500	-	(22,500)	315,000	22,500
Total	344,676	2,112	(23,576)	323,212	23,732

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

	General Obligation Bonds	
Year Ended June 30	Principal	Interest
2023	22,500	5,874
2024	22,500	5,644
2025	22,500	5,383
2026	22,500	5,085
2027	22,500	4,746
2028-2032	112,500	17,550
2033-2037	90,000	4,781
Total long-term debt	315,000	49,063

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	1,314,033
Capital related long-term liabilities	(315,000)
Net investment in capital assets	1,004,337

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 provides a match of up to an additional 4% of base pay when participating in a retirement plan offered by nationwide or the ICMA. Employees wishing to participate in other retirement programs or plans of a similar nature with a different vendor are required to submit a written request to the Village Manager. Upon approval by the Village Manager, the Village will match up to 4% of the employee's base salary in such approved program or plan.

Normal Retirement Age & Vesting

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

Forfeitures

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

Funding

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

NOTE 9 - TRANSFERS

During the year the following transfers were made between funds:

- The Major Street Fund transferred \$13,138 to the General Fund for administrative fees as allowed by MCL 247.663(8).
- The Local Street Fund transferred \$6,490 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 – TAX ABATEMENTS

The Village is required to disclose significant tax abatements as required by GASB Statement No. 77 (*Tax Abatements*). For the year ended June 30, 2022, the Village did not receive reduced property tax revenues as a result of tax abatements from taxing authorities within its Village boundaries. Additionally, there are no abatements made by the Village.

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the Village implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase 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 the 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.

There was no material impact on the Village's financial statement after the adoption of GASB Statement 87.

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 96, Subscription-based Information Technology Arrangements, was issued by the GASB in May 2020 and will be effective for the Village's fiscal year ending June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

REQUIRED SUPPLEMENTAL INFORMATION



Village of Lake Isabella
Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2022

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Property taxes	\$ 72,650	\$ 73,221	\$ 73,203	\$ (18)
Special assessments	36,855	36,420	36,420	-
Licenses and permits	24,500	26,464	27,055	591
State funding	185,956	189,447	206,032	16,585
Federal funding	87,712	88,065	38,314	(49,751)
Charges for services	7,500	7,500	7,500	-
Fines and forfeitures	1,000	1,175	1,350	175
Interest and rents	31,250	30,755	30,899	144
Other revenues	8,367	12,274	12,306	32
Total revenues	455,790	465,321	433,079	(32,242)
Expenditures				
General government				
Council	4,885	3,560	2,722	838
Manager and administrative	240,811	202,634	196,271	6,363
Elections	600	700	-	700
Clerk	19,201	19,988	19,899	89
Treasurer	22,371	22,893	21,880	1,013
Building and grounds	19,750	23,580	21,119	2,461
Public safety				
Police and fire	80,355	56,296	53,923	2,373
Public works				
Cal Brewer Airport	16,901	17,251	15,920	1,331
Street lights	2,000	2,500	1,782	718
Community and economic development				
Code enforcement	22,355	19,995	15,949	4,046
Planning and zoning	14,456	15,856	14,621	1,235
Debt service	28,577	28,577	25,261	3,316
Total expenditures	472,262	413,830	389,347	24,483
Excess of revenues over (under) expenditures	(16,472)	51,491	43,732	(7,759)
Other financing sources (uses)				
Transfers in	-	-	19,628	19,628
Total other financing sources (uses)	-	-	19,628	19,628
Net change in fund balance	(16,472)	51,491	63,360	11,869
Fund balance, beginning of year	507,337	507,337	507,337	-
Fund balance, end of year	\$ 490,865	\$ 558,828	\$ 570,697	\$ 11,869

Village of Lake Isabella
Budgetary Comparison Schedule
Major Street Fund
For the year ended June 30, 2022

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
State funding	\$ 241,000	\$ 254,344	\$ 253,745	\$ (599)
Interest and rents	700	475	545	70
Total revenues	<u>241,700</u>	<u>254,819</u>	<u>254,290</u>	<u>(529)</u>
Expenditures				
Public works	<u>396,545</u>	<u>137,045</u>	<u>121,980</u>	<u>15,065</u>
Total expenditures	<u>396,545</u>	<u>137,045</u>	<u>121,980</u>	<u>15,065</u>
Excess of revenues over (under) expenditures	(154,845)	117,774	132,310	14,536
Other financing sources (uses)				
Transfers (out)	<u>(12,224)</u>	<u>(14,441)</u>	<u>(13,138)</u>	<u>1,303</u>
Total other financing sources (uses)	<u>(12,224)</u>	<u>(14,441)</u>	<u>(13,138)</u>	<u>1,303</u>
Net change in fund balance	(167,069)	103,333	119,172	15,839
Fund balance, beginning of year	<u>439,675</u>	<u>439,675</u>	<u>439,675</u>	<u>-</u>
Fund balance, end of year	<u>\$ 272,606</u>	<u>\$ 543,008</u>	<u>\$ 558,847</u>	<u>\$ 15,839</u>

Village of Lake Isabella
Budgetary Comparison Schedule
Local Street Fund
For the year ended June 30, 2022

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
State funding	\$ 115,000	\$ 120,000	\$ 119,503	\$ (497)
Interest	125	105	118	13
Total revenues	115,125	120,105	119,621	(484)
Expenditures				
Public works	114,350	92,754	87,336	5,418
Total expenditures	114,350	92,754	87,336	5,418
Excess of revenues over (under) expenditures	775	27,351	32,285	4,934
Other financing sources (uses)				
Transfers (out)	(5,865)	(7,139)	(6,490)	649
Total other financing sources (uses)	(5,865)	(7,139)	(6,490)	649
Net change in fund balance	(5,090)	20,212	25,795	5,583
Fund balance, beginning of year	122,922	122,922	122,922	-
Fund balance, end of year	<u>\$ 117,832</u>	<u>\$ 143,134</u>	<u>\$ 148,717</u>	<u>\$ 5,583</u>

OTHER SUPPLEMENTAL INFORMATION



Village of Lake Isabella
Balance Sheet
Non-major Governmental Fund
June 30, 2022

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

Village of Lake Isabella
Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Fund
For the year ended June 30, 2022

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



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the 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, 2022, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated December 1, 2022.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

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*.

The Village's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Village's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Village's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 cursive script that reads "Roslund, Prestage & Company, P.C.".

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

December 1, 2022

Village of Lake Isabella
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Finding 2022-001 – MATERIAL JOURNAL ENTRY

Type:	Material Weakness in Internal Control over financial reporting.
Condition:	The Village's general ledger contained a material error related to revenues recorded at year-end.
Criteria:	The Village's internal control structure should ensure that accounting data is properly calculated and reported in accordance with requirements.
Cause:	This condition was caused by an insufficient internal control process for review of requirements for the unspent portion of the American Rescue Plan Act (ARPA) grant.
Effect:	<p>The Village's initial trial balance presented for audit was materially misstated in revenues. Material entries impacted the account balances as follows:</p> <ul style="list-style-type: none">• Reduction of Federal revenue by \$137,814• Increase of deferred revenue of \$137,814
Context:	This misstatement was related to revenues not normally received by the Village. In addition, recording deferred revenues has not been necessary past years.
Recommendation:	We recommend that the Village review their process of recording grant revenues and make necessary changes to ensure that all revenues not spent in the current year are deferred in accordance with grant requirements.
Management's Resp:	We are in agreement with this finding.



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

To the Village Council
Village of Lake Isabella

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Lake Isabella (the Village) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you during planning. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village are described in the notes to the financial statements. The Village changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 87 Leases. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Note 12 - Change In Accounting Principle. We noted no transactions entered into by the Village during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

The following material misstatement was detected as a result of audit procedures: The Federal revenue balance in the general fund was overstated by \$137,814. A journal entry was subsequently posted by management to decrease Federal revenue and increase deferred revenues by \$137,814.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

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

Sincerely,



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