

VILLAGE OF LAKE ISABELLA  
MICHIGAN  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2002



VILLAGE OF LAKE ISABELLA  
YEAR ENDED JUNE 30, 2002

TABLE OF CONTENTS

Page Numbers

Village Council	1
-----------------	---

INDEPENDENT AUDITORS' REPORT	3
------------------------------	---

Statements

**GENERAL PURPOSE FINANCIAL STATEMENTS**

I	Combined Statement of Assets and Liabilities Arising from Cash Transactions - All Fund Types and Account Groups	7
II	Combined Statement of Revenue Collected, Expenditures Paid, and Changes in Cash Basis Fund Balance - All Governmental Fund Types	8
III	Combined Statement of Revenue Collected, Expenditures Paid, and Changes in Cash Basis Fund Balance - General and Special Revenue Funds - Budget and Actual	9
IV	Combined Statement of Revenue Collected, Expenses Paid, and Changes in Cash Basis Retained Earnings - All Proprietary Fund Types	10
V	Combined Statement of Cash Flows - All Proprietary Fund Types	11

Notes to the Financial Statements	13-18
-----------------------------------	-------

Exhibits

**SUPPLEMENTAL DATA**

**GENERAL FUND**

A1-1	Statement of Assets and Liabilities Arising from Cash Transactions	21
A1-2	Statement of Revenue Collected, Expenditures Paid, and Changes in Cash Basis Fund Balance	22-24

**SPECIAL REVENUE FUNDS**

B1-1	Combining Statement of Assets and Liabilities Arising from Cash Transactions	25
B1-2	Combining Statement of Revenue Collected, Expenditures Paid, and Changes in Fund Balance	26-27

Major Streets Fund

B2-1	Statement of Assets and Liabilities Arising from Cash Transactions	28
B2-2	Statement of Revenue Collected, Expenditures Paid, and Changes in Cash Basis Fund Balance	29-30

Local Street Fund

B3-1	Statement of Assets and Liabilities Arising from Cash Transactions	31
B3-2	Statement of Revenue Collected, Expenditures Paid, and Changes in Cash Basis Fund Balance	32-33

**ENTERPRISE FUNDS**

C1-1	Combining Statement of Assets and Liabilities Arising from Cash Transactions	34
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VILLAGE OF LAKE ISABELLA  
YEAR ENDED JUNE 30, 2002

TABLE OF CONTENTS

	<u>Page Numbers</u>
C1-2 Combining Statement of Revenue Collected, Expenses Paid, and Changes in Cash Basis Retained Earnings	35
C1-3 Combining Statement of Cash Flows	36
<u>Airport Fund</u>	
C2-1 Statement of Assets and Liabilities Arising from Cash Transactions	37
C2-2 Statement of Revenue Collected, Expenses Paid, and Changes in Cash Basis Retained Earnings	38
C2-3 Statement of Cash Flows	39
<u>Sewer Fund</u>	
C3-1 Statement of Assets and Liabilities Arising from Cash Transactions	40
C3-2 Statement of Revenue Collected, Expenses Paid, and Changes in Cash Basis Retained Earnings	41
C3-3 Statement of Cash Flows	42
FIDUCIARY FUNDS	
<u>Payroll Fund</u>	
D1-1 Statement of Changes in Assets and Liabilities	43
GENERAL FIXED ASSETS ACCOUNT GROUP	
E1-1 Statement of General Fixed Assets	44
E1-2 Schedule of Changes in General Fixed Assets by Function and Activity	45
E1-3 Schedule of General Fixed Assets by Function and Activity	46
AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS	47-50



VILLAGE OF LAKE ISABELLA  
OFFICIALS  
JUNE 30, 2002

VILLAGE COUNCIL

Jack Adkins	President
James Kenney	President Protem
Donald Washburn	Treasurer
Beverly Pillar	Clerk
Brian Hughes	Member
Ken Devergilio	Member
Jeff Grey	Member

VILLAGE MANAGER

Sherry Chalker

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COMPANY P C

## INDEPENDENT AUDITOR'S REPORT

October 3, 2002

Village Council  
Village of Lake Isabella, Michigan

We have audited the accompanying financial statements of the Village of Lake Isabella as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the Summary of Significant Accounting Policies, Note 1-C, the Village prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. Consequently, revenue and the related assets are recognized only when received and expenditures are recognized only when paid.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Village of Lake Isabella as of June 30, 2002, and its revenue collected and expenditures paid during the year then ended, on the basis of accounting described in Note 1-C.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The financial information identified in the table of contents as supplemental data and included in the report is reported for purposes of additional analysis and is not a required part of the general purpose financial statements for the Village of Lake Isabella. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole. Such information relative to June 30, 2001 and for the year then ended was subjected to auditing procedures applied in the audit of the general purpose financial statements for the year ended June 30, 2001 and is presented here for comparison purposes only.

Our report of comments and recommendations is included herein and forms a part of this report.

*Page, Olson & Company*

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VILLAGE OF LAKE ISABELLA  
COMBINED STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS - ALL FUND TYPES  
AND ACCOUNT GROUPS  
JUNE 30, 2002

Statement I

	General Fund	Special Revenue Funds	Enterprise Funds	Agency Funds	General Fixed Assets Account Group	Totals (Memorandum Only)
<b><u>ASSETS</u></b>						
Cash	\$ 81,948	\$ 70,095	\$ 147,317	\$ 1,077	\$ -	\$ 300,437
Property, Plant, and Equipment	-	-	298,226	-	15,138	313,364
<b>TOTAL ASSETS</b>	<b>\$ 81,948</b>	<b>\$ 70,095</b>	<b>\$ 445,543</b>	<b>\$ 1,077</b>	<b>\$ 15,138</b>	<b>\$ 613,801</b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>						
<b>LIABILITIES</b>						
Withholdings Payable	\$ -	\$ -	\$ -	\$ 1,077	\$ -	\$ 1,077
<b>FUND EQUITY</b>						
Investment in Fixed Assets	-	-	-	-	15,138	15,138
Retained Earnings	-	-	445,543	-	-	-
Unreserved	-	-	-	-	-	445,543
Fund Balance	81,948	70,095	-	-	-	-
Unreserved - Undesignated	-	-	-	-	-	152,043
<b>TOTAL FUND EQUITY</b>	<b>81,948</b>	<b>70,095</b>	<b>445,543</b>	<b>-</b>	<b>15,138</b>	<b>612,724</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 81,948</b>	<b>\$ 70,095</b>	<b>\$ 445,543</b>	<b>\$ 1,077</b>	<b>\$ 15,138</b>	<b>\$ 613,801</b>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LAKE ISABELLA  
 COMBINED STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,  
 AND CHANGES IN CASH BASIS FUND BALANCE  
 ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2002

Statement II

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total (Memorandum Only)</u>
<b>REVENUE</b>			
Property Taxes	\$ 34,772	\$ -	\$ 34,772
Special Assessment	25,553	-	25,553
Permits	2,850	-	2,850
State Shared Revenue	120,447	153,086	273,533
Charges for Services	1,188	-	1,188
Interest Earnings	1,953	1,028	2,981
Rents and Royalties	5,729	-	5,729
Other Revenue	41	2,732	2,773
	<u>192,533</u>	<u>156,846</u>	<u>349,379</u>
<b>TOTAL REVENUE</b>			
<b>EXPENDITURES</b>			
Current Operations			
Legislative	1,937	-	1,937
General Government	71,694	-	71,694
Public Safety	24,545	-	24,545
Public Works	322	121,114	121,436
Construction	-	18,132	
Debt Service	4,130	-	4,130
	<u>102,628</u>	<u>139,246</u>	<u>241,874</u>
<b>TOTAL EXPENDITURES</b>			
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	89,905	17,600	107,505
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In (Out)	8,421	(8,421)	-
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	98,326	9,179	107,505
<b>CASH BASIS FUND BALANCE - JULY 1</b>	<u>(16,378)</u>	<u>60,916</u>	<u>44,538</u>
<b>CASH BASIS FUND BALANCE - JUNE 30</b>	<u>\$ 81,948</u>	<u>\$ 70,095</u>	<u>\$ 152,043</u>

The accompanying notes are an integral part of the financial statements.



VILLAGE OF LAKE ISABELLA  
 COMBINED STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID  
 AND CHANGES IN CASH BASIS FUND BALANCE  
 GENERAL AND SPECIAL REVENUE FUNDS - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2002

Statement III

	General Fund			Special Revenue Funds		
			Under (Over)			Under (Over)
	Budget	Actual	Budget	Budget	Actual	Budget
<b>REVENUE</b>						
Property Taxes	\$ 34,900	\$ 34,772	\$ 128	\$ -	\$ -	\$ -
Special Assessment	25,628	25,553	75	-	-	-
Permits	3,500	2,850	650	-	-	-
State Shared Revenue	123,390	120,447	2,943	133,500	153,086	(19,586)
Charges for Services	-	1,188	(1,188)	-	-	-
Interest Earnings	1,800	1,953	(153)	-	1,028	(1,028)
Rents and Royalties	5,050	5,729	(679)	-	-	-
Other Revenue	-	41	(41)	-	2,732	(2,732)
<b>TOTAL REVENUE</b>	<b>194,268</b>	<b>192,533</b>	<b>1,735</b>	<b>133,500</b>	<b>156,846</b>	<b>(23,346)</b>
<b>EXPENDITURES</b>						
Current Operations						
Legislative		1,937			-	
General Government		71,694			-	
Public Safety		24,545			-	
Public Works		322			121,114	
Construction		-			18,132	
Debt Service		4,130			-	
<b>TOTAL EXPENDITURES</b>	<b>133,800</b>	<b>102,628</b>	<b>31,172</b>	<b>143,655</b>	<b>139,246</b>	<b>4,409</b>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<b>60,468</b>	<b>89,905</b>	<b>(29,437)</b>	<b>(10,155)</b>	<b>17,600</b>	<b>(27,755)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating Transfers In (Out)	13,350	8,421	4,929	(13,350)	(8,421)	(4,929)
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>73,818</b>	<b>98,326</b>	<b>(24,508)</b>	<b>(23,505)</b>	<b>9,179</b>	<b>(32,684)</b>
<b>CASH BASIS FUND BALANCE - JULY 1</b>	<b>(16,378)</b>	<b>(16,378)</b>	<b>-</b>	<b>60,916</b>	<b>60,916</b>	<b>-</b>
<b>CASH BASIS FUND BALANCE - JUNE 30</b>	<b>\$ 57,440</b>	<b>\$ 81,948</b>	<b>\$(24,508)</b>	<b>\$ 37,411</b>	<b>\$ 70,095</b>	<b>\$(32,684)</b>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LAKE ISABELLA  
 COMBINED STATEMENT OF REVENUE COLLECTED,  
 EXPENSES PAID, AND CHANGES IN RETAINED EARNINGS  
 ALL PROPRIETARY FUND TYPES  
YEAR ENDED JUNE 30, 2002

Statement IV

Enterprise  
Funds

OPERATING REVENUE	\$ -
OPERATING EXPENSES	<u>48,615</u>
OPERATING INCOME (LOSS)	(48,615)
NET NON-OPERATING REVENUE (EXPENSE)	<u>8,544</u>
NET INCOME (LOSS)	(40,071)
CASH BASIS RETAINED EARNINGS - JULY 1	<u>485,614</u>
CASH BASIS RETAINED EARNINGS - JUNE 30	<u>\$ 445,543</u>

The accompanying notes are an integral part of the financial statements.



VILLAGE OF LAKE ISABELLA  
COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
YEAR ENDED JUNE 30, 2002

Statement V

Enterprise  
Funds

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income (Loss) \$ (48,615)

Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by  
Operations:

Depreciation 10,323

Net Cash Provided (Used) by Operating Activities (38,292)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Long-Term Advance 4,820

Interest Earnings 4,130

Due from Other Funds 22,957

Net Cash Provided by Non-Capital Financing Activities 31,907

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Sale of Assets 3,180

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Earnings 4,414

Net Increase (Decrease) in Cash & Cash Equivalents 1,209

CASH AND CASH EQUIVALENTS - JULY 1 146,108

CASH AND CASH EQUIVALENTS - JUNE 30 \$ 147,317

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES \$ -

The accompanying notes are an integral part of the financial statements.

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VILLAGE OF LAKE ISABELLA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Lake Isabella, Isabella County, Michigan is a Home Rule Village chartered May 1998, with a population of less than 4,000 people. The Village is governed by a seven member council, elected by the Village electorate.

A. FINANCIAL REPORTING ENTITY

In evaluating how to define the government, for financial reporting purposes, management has considered all potential agencies and organizations. The decision to include a potential agency or organization in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB) Statement 14. The Village does not have any component units. The Village applies applicable FASB pronouncements in accounting and reporting for its proprietary operations.

B. FUND ACCOUNTING

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or retained earnings, revenue, and expenditures or expenses, as appropriate. The various funds and account groups of the Village are as follows:

GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These Funds are used to account for specific governmental revenue (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

The Village's Special Revenue Funds consist of the Major Street Fund and the Local Street Fund.

PROPRIETARY FUNDS

Enterprise Funds

These Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where user charges finance the costs/expense, including depreciation, of providing services.

The Village Enterprise Funds consist of Airport Fund and Sewer Fund.

VILLAGE OF LAKE ISABELLA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. FUND ACCOUNTING (CONTINUED)

FIDUCIARY FUND

Trust and Agency Fund

This Fund is considered an Agency Fund and is used to account for assets held by the Village as an agent for individual, private organizations, other governments, and for other Funds. This Fund is custodial in nature and does not involve measurement of the results of operations. The Village currently has one Agency Fund for maintenance of Payroll.

ACCOUNT GROUP

General Fixed Assets Account Group

This Account Group presents the fixed assets that the Village utilizes in its general operations (nonproprietary fixed assets).

The Account Group is not a "fund". The Account Group is concerned only with the measurement of financial position. It is not involved with the measurement of results of operations.

C. BASIS OF ACCOUNTING

Basis of accounting refers to how revenue and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting for the various funds is described in the following paragraphs.

The accounting books and records of the Village of Lake Isabella are maintained on a cash basis of accounting during the year and the financial statements have been prepared directly from these books and records. The financial statements do not, therefore, give effect to accounts receivable, accounts payable and accrued items. The proprietary funds do however reflect depreciation expense as applicable. Non-cash donations are also recognized at an estimated fair value at the date of donation.

D. BUDGETARY COMPARISON

The Village adopted a budget for the General Fund and all Special Revenue Funds. Accordingly, the financial statements present a comparison of actual revenue and expenditures to these Budgets in Statement III.

E. PROPERTY TAXES

Property Taxes are levied on July 1 of each year and are recognized as revenue in the General Fund on a collection basis in conformity with the National Council on Governmental Accounting's (NCGA) Interpretation 3 entitled "Revenue Recognition - Property Taxes."

Property Taxes are allocated to the General Fund based on the voted millage rate of .9383 mills for operating and 2.0000 mills for fire protection.



VILLAGE OF LAKE ISABELLA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. PROPERTY TAXES (CONTINUED)

Isabella County, the county in which the Village of Lake Isabella is located, has a delinquent tax revolving fund whereby the County pays the Village for its delinquent real property taxes. It then becomes the County's responsibility to collect these delinquent taxes from the various taxpayers.

F. CASH AND INVESTMENTS

The Village maintains a common checking account for its operating funds. Each participating fund reports its share separately. To the extent that some funds have negative balance in their share of common cash, such negative balances represent temporary interfund borrowing and, at June 30,

Currently the Village investments consist solely of money-market rate savings accounts. Consequently, for proprietary reporting purposes all investments are considered cash equivalents.

G. SHORT TERM INTERFUND RECEIVABLES AND PAYABLES

Due From and Due to Other Funds: During the course of its operations, the Village has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of June 30, balances of interfund amounts receivable or payable have been recorded. Also, to the extent that some funds have deficit balances in the Equity in Common Cash at June 30, such deficits represent temporary interfund borrowings and have been recorded as interfund receivables or payables.

H. ADVANCES TO/FROM OTHER FUNDS

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund equity reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

I. FIXED ASSETS AND DEPRECIATION

The accounting and reporting treatment applied to fixed assets associated with a fund are determined by its measurement focus.

Governmental Fund Type Assets

Fixed assets acquired in Governmental fund types are recorded as expenditures when purchased. Such assets are capitalized at cost and reported in the General Fixed Assets Account Group except for infrastructure improvements (including road, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems). Donated fixed assets are valued at their estimated fair market value on the date received. Governmental fund type fixed assets of the Village are reported in the General Fixed Assets Account Group and the Village has opted to include a provision for depreciation. Depreciation has been provided on exhaustible fixed assets over the varying estimated useful lives of the assets using the straight-line method.

VILLAGE OF LAKE ISABELLA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. FIXED ASSETS AND DEPRECIATION (CONTINUED)

Proprietary Fund Type Assets

Fixed Assets of Proprietary fund types are recorded at historical cost, and are accounted for in the respective funds. Donated assets are recorded at their fair market value on the date received.

Depreciation is charged on all exhaustible fixed assets used by Proprietary fund types. Proprietary fund type fixed assets have been reported net of accumulated depreciation on Statement I.

Depreciation has been provided over the varying estimated useful lives of the assets using the straight-line method.

J. FUND EQUITY

Reservations are established to identify the existence of assets that are legally restricted to a future use of the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure. These include such assets as donor-restricted endowments, prepaid expenditures, or inventories which cannot be "re-spent," and noncurrent assets (long-term accounts receivable and long-term advances to other funds).

Designations are established to indicate tentative plans for financial resource utilization in a future period. Designations require the action of the Village Council.

K. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not represent financial position or results of operations.

NOTE 2 - CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are in two financial institutions in the name of the Village Treasurer. Michigan Compile Laws, Section 129.91, Authorizes the Village to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations.

Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States; repurchase agreements consisting of bonds, securities and other obligations of the United States; or an agency or instrumentality of the United States, banker;s acceptances of United States banks; obligations of this State or any of its political subdivision that at the time of purchase are rated as investment grade by not less than one standard rating service; commercial paper rated with the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company act of 1940, with the authority to purchase only investments by a public corporation; obligations described above if purchased through an inter-local agreement under the urban cooperations act of 1967, PA7, MCL 124.501 to 124.512; investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118, and the investment pool organized under the local government investment pool act, 1985 PA 121, MC 129.141 to 129.150.

VILLAGE OF LAKE ISABELLA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2002

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Village's deposits are in accordance with statutory authority.

At June 30, 2002 the carrying amount of the Village's cash and savings was \$300,437 as follows:

Carrying Value

Petty Cash	\$ 120
Deposits with Financial Institutions	
Cash in Checking	161,405
Cash in Savings	<u>138,912</u>
Total Deposits with Financial Institutions	<u>300,317</u>
Total Cash and Investments	<u>\$ 300,437</u>

Following is a summary of the Village's deposits by FDIC insurance coverage:

	<u>FDIC Insured</u>	<u>Uninsured</u>	<u>Total</u>
Carrying Amounts	\$ 195,397	\$ 104,920	\$ 300,317
Bank Balances	\$ 195,397	\$ 105,579	\$ 300,976

Larger amount of deposits with financial institutions were uninsured during the year than at year end due to varying cash flows.

NOTE 3 - OTHER INTERFUND TRANSACTIONS

Included in Operating Transfers are amounts which various funds pay to the General Fund as subsidies in lieu of allocation of specific administrative costs:

Major Streets Fund	\$ 5,438
Local Street Fund	<u>2,983</u>
Total Administrative Charges Paid to the General Fund	<u>\$ 8,421</u>



VILLAGE OF LAKE ISABELLA  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2002

NOTE 4 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in General Fixed Assets follows:

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Land	\$ 3,640	\$ 3,180	\$ -	\$ 6,820
Equipment	4,260	4,500	-	8,760
Office Furniture and Equipment	4,538	616	-	5,154
Vehicles	<u>6,344</u>	<u>-</u>	<u>-</u>	<u>6,344</u>
Total before Depreciation	18,782	8,296	-	27,078
Provision for Accumulated Depreciation	<u>(8,177)</u>	<u>(3,763)</u>	<u>-</u>	<u>(11,940)</u>
TOTAL	<u>\$ 10,605</u>	<u>\$ 4,533</u>	<u>\$ -</u>	<u>\$ 15,138</u>

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT

Following is a summary of proprietary fund type property, plant, and equipment:

	Estimated Useful Life in Years	Enterprise Funds
Land	-	\$ 115,000
Runway	20	206,452
Accumulated Depreciation	-	<u>(23,226)</u>
TOTAL		<u>\$ 298,226</u>

NOTE 6 - CONTINGENCIES

Litigation

The Village is subject to various legal proceedings arising in the course of providing public services to Village residents. However, in the opinion of the Village's attorney and management, the resolution of these matters will not have a material effect, if any, on the financial condition of the Village.



VILLAGE OF LAKE ISABELLA  
GENERAL FUND  
COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS  
JUNE 30, 2002 AND 2001

Exhibit A1-1

**ASSETS**

	<u>2002</u>	<u>2001</u>
Petty Cash	\$ 120	\$ 100
Cash	<u>81,828</u>	<u>11,299</u>
 TOTAL ASSETS	 <u>\$ 81,948</u>	 <u>\$ 11,399</u>

**LIABILITIES AND CASH BASIS FUND BALANCE**

LIABILITIES		
Due to Other Funds	\$ -	\$ 22,957
Long Term Advance From Sewer Fund	<u>-</u>	<u>4,820</u>
 TOTAL LIABILITIES	 <u>\$ -</u>	 <u>\$ 27,777</u>
 CASH BASIS FUND BALANCE (Deficit)		
Unreserved - Undesignated	<u>81,948</u>	<u>(16,378)</u>
 TOTAL LIABILITIES AND CASH BASIS FUND BALANCE	 <u>\$ 81,948</u>	 <u>\$ 11,399</u>

VILLAGE OF LAKE ISABELLA  
GENERAL FUND  
COMPARATIVE STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,  
AND CHANGES IN CASH BASIS FUND BALANCE  
YEARS ENDED JUNE 30, 2002 AND 2001

Exhibit A1-2

	<u>2002</u>	<u>2001</u>
<b>REVENUE</b>		
Property Taxes	\$ 34,772	\$ 30,609
Interest and Penalties	32	14
Special Assessment	25,553	10,098
Permits	2,850	3,525
State Shared Revenue	120,447	46,903
Charges for Services	1,188	3,117
Interest Earnings	1,953	1,170
Rents and Royalties	5,729	3,449
Contributions - Private Sources	-	2,123
Refunds	-	40
Miscellaneous	<u>9</u>	<u>60</u>
 TOTAL REVENUE	 192,533	 101,108
 <b>EXPENDITURES</b>		
<b>LEGISLATIVE</b>		
Village Council		
Supplies	531	918
Printing and Publishing	704	593
Miscellaneous	<u>702</u>	<u>363</u>
 TOTAL LEGISLATIVE	 1,937	 1,874
 <b>GENERAL GOVERNMENT</b>		
Administration		
Salaries and Wages	24,466	25,659
Fringes	5,727	2,385
Supplies	1,960	1,238
Contracted Services	20,914	11,680
Insurance and Bonds	4,188	3,232
Communication	1,196	945
Capital Outlay	463	-
Miscellaneous	<u>950</u>	<u>215</u>
 Total Administration	 59,864	 45,354
 Elections		
Supplies	527	-
Contracted Services	528	-
Printing and Publishing	<u>26</u>	<u>-</u>
 Total Elections	 1,081	 -

VILLAGE OF LAKE ISABELLA  
GENERAL FUND  
COMPARATIVE STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,  
AND CHANGES IN CASH BASIS FUND BALANCE  
YEARS ENDED JUNE 30, 2002 AND 2001

Exhibit A1-2

	<u>2002</u>	<u>2001</u>
<b>EXPENDITURES</b> (Continued)		
GENERAL GOVERNMENT (Continued)		
Clerk		
Supplies	\$ 83	\$ 306
Printing and Publishing	273	-
Miscellaneous	<u>50</u>	<u>-</u>
Total Clerk	406	306
Treasurer		
Supplies	526	1,765
Printing and Publishing	<u>584</u>	<u>-</u>
Total Treasurer	1,110	1,765
Building and Grounds		
Office Rent	6,000	3,000
Capital Outlay	<u>3,233</u>	<u>940</u>
Total Building and Grounds	<u>9,233</u>	<u>3,940</u>
TOTAL GENERAL GOVERNMENT	71,694	51,365
PUBLIC SAFETY		
Fire Safety		
Contracted Services	12,777	22,150
Planning Commission		
Supplies	22	68
Contracted Services	-	1,128
Printing and Publishing	315	422
Miscellaneous	<u>286</u>	<u>-</u>
Total Planning Commission	623	1,618
Zoning Board of Appeals		
Supplies	21	-
Printing and Publishing	80	-
Miscellaneous	<u>286</u>	<u>-</u>
Total Zoning Board of Appeals	387	-

VILLAGE OF LAKE ISABELLA  
GENERAL FUND  
COMPARATIVE STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,  
AND CHANGES IN CASH BASIS FUND BALANCE  
YEARS ENDED JUNE 30, 2002 AND 2001

Exhibit A1-2

	<u>2002</u>	<u>2001</u>
<b>EXPENDITURES</b> (Continued)		
PUBLIC SAFETY (Continued)		
Zoning Administration		
Salaries and Wages	\$ 7,462	\$ 9,708
Fringes	503	760
Supplies	230	517
Contracted Services	2,536	553
Telephone	27	276
Miscellaneous	<u>-</u>	<u>53</u>
Total Zoning Administration	<u>10,758</u>	<u>11,867</u>
TOTAL PUBLIC SAFETY	24,545	35,635
PUBLIC WORKS		
Department of Public Works		
Supplies	8	120
Equipment Repair	195	274
Capital Outlay	100	-
Telephone	<u>19</u>	<u>55</u>
TOTAL PUBLIC WORKS	322	449
DEBT SERVICE		
Interest	<u>4,130</u>	<u>1,948</u>
TOTAL EXPENDITURES	<u>102,628</u>	<u>91,271</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	89,905	9,837
OTHER FINANCING SOURCES (USES)		
Operating Transfers In		
Major Streets	5,438	4,699
Local Streets	<u>2,983</u>	<u>2,665</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>8,421</u>	<u>7,364</u>
EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	98,326	17,201
CASH BASIS FUND BALANCE - JULY 1	<u>(16,378)</u>	<u>(33,579)</u>
CASH BASIS FUND BALANCE - JUNE 30	<u>\$ 81,948</u>	<u>\$ (16,378)</u>

VILLAGE OF LAKE ISABELLA  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS  
JUNE 30, 2002

Exhibit B1-1

**ASSETS**

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Total</u>
Cash	\$ 44,981	\$ 25,114	\$ 70,095

**LIABILITIES AND CASH BASIS FUND BALANCE**

LIABILITIES	\$ -	\$ -	\$ -
CASH BASIS FUND BALANCE			
Unreserved - Undesignated	<u>44,981</u>	<u>25,114</u>	<u>70,095</u>
TOTAL LIABILITIES AND CASH BASIS FUND BALANCE	<u>\$ 44,981</u>	<u>\$ 25,114</u>	<u>\$ 70,095</u>

VILLAGE OF LAKE ISABELLA  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,  
AND CHANGES IN CASH BASIS FUND BALANCE  
YEAR ENDED JUNE 30, 2002

Exhibit B1-2

	Major Streets	Local Streets	Total
<b><u>REVENUE</u></b>			
State Gas and Weight Tax	\$ 98,882	\$ 54,204	\$ 153,086
Interest Earnings	670	358	1,028
Reimbursements	<u>1,366</u>	<u>1,366</u>	<u>2,732</u>
 TOTAL REVENUE	 100,918	 55,928	 156,846
<b><u>EXPENDITURES</u></b>			
<b>CONSTRUCTION</b>			
Contracted Services	16,882	1,250	18,132
 <b>PUBLIC WORKS</b>			
<b>Routine Maintenance</b>			
Salaries and Wages	5,715	4,690	10,405
Fringes	467	399	866
Supplies	8,258	5,356	13,614
Contracted Services	30,762	18,759	49,521
Insurance	524	524	1,048
Equipment Rental	<u>3,702</u>	<u>2,027</u>	<u>5,729</u>
 Total Routine Maintenance	 49,428	 31,755	 81,183
 <b>Traffic Service</b>			
Supplies	889	493	1,382
Contracted Services	<u>1,381</u>	<u>300</u>	<u>1,681</u>
 Total Traffic Service	 2,270	 793	 3,063
 <b>Winter Maintenance</b>			
Supplies	1,566	506	2,072
Contracted Services	9,949	9,663	19,612
Capital Outlay	<u>2,250</u>	<u>2,250</u>	<u>4,500</u>
 Total Winter Maintenance	 13,765	 12,419	 26,184
 <b>Administration</b>			
Supplies	793	97	890
Contracted Services	<u>8,174</u>	<u>1,620</u>	<u>9,794</u>
 Total Administration	 <u>8,967</u>	 <u>1,717</u>	 <u>10,684</u>
 TOTAL PUBLIC WORKS	 <u>74,430</u>	 <u>46,684</u>	 <u>121,114</u>
 TOTAL EXPENDITURES	 <u>91,312</u>	 <u>47,934</u>	 <u>139,246</u>

VILLAGE OF LAKE ISABELLA  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,  
AND CHANGES IN CASH BASIS FUND BALANCE  
YEAR ENDED JUNE 30, 2002

Exhibit B1-2

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Total</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	\$ 9,606	\$ 7,994	\$ 17,600
OTHER FINANCING SOURCES (USES)			
Operating Transfers In (Out)			
To General Fund	(5,438)	(2,983)	(8,421)
EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	4,168	5,011	9,179
CASH BASIS FUND BALANCE - JULY 1	<u>40,813</u>	<u>20,103</u>	<u>60,916</u>
CASH BASIS FUND BALANCE - JUNE 30	<u>\$ 44,981</u>	<u>\$ 25,114</u>	<u>\$ 70,095</u>



VILLAGE OF LAKE ISABELLA  
MAJOR STREETS FUND  
COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS  
JUNE 30, 2002 AND 2001

Exhibit B2-1

**ASSETS**

	<u>2002</u>	<u>2001</u>
Cash	<u>\$ 44,981</u>	<u>\$ 40,813</u>

**LIABILITIES AND CASH BASIS FUND BALANCE**

LIABILITIES	\$ -	\$ -
CASH BASIS FUND BALANCE		
Unreserved - Undesignated	<u>44,981</u>	<u>40,813</u>
TOTAL LIABILITIES AND CASH BASIS FUND BALANCE	<u>\$ 44,981</u>	<u>\$ 40,813</u>



VILLAGE OF LAKE ISABELLA  
MAJOR STREETS FUND  
COMPARATIVE STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,  
AND CHANGES IN CASH BASIS FUND BALANCE  
YEARS ENDED JUNE 30, 2002 AND 2001

Exhibit B2-2

	<u>2002</u>	<u>2001</u>
<b><u>REVENUE</u></b>		
State Gas and Weight Tax	\$ 98,882	\$ 85,448
Grants	-	908
Interest Earnings	670	470
Reimbursements	<u>1,366</u>	<u>100</u>
 TOTAL REVENUE	 100,918	 86,926
<b><u>EXPENDITURES</u></b>		
<b><u>CONSTRUCTION</u></b>		
Contracted Services	16,882	-
 <b><u>PUBLIC WORKS</u></b>		
Routine Maintenance		
Salaries and Wages	5,715	6,868
Fringes	467	979
Supplies	8,258	3,583
Contracted Services	30,762	15,212
Insurance and Bonds	524	408
Transportation	-	20
Equipment Rental	<u>3,702</u>	<u>1,725</u>
 Total Routine Maintenance	 49,428	 28,795
 Traffic Services		
Supplies	889	-
Contracted Services	<u>1,381</u>	<u>92</u>
 Total Traffic Services	 2,270	 92
 Winter Maintenance		
Salaries	-	592
Fringes	-	48
Supplies	1,566	2,241
Contracted Services	9,949	9,423
Capital Outlay	<u>2,250</u>	<u>-</u>
 Total Winter Maintenance	 13,765	 12,304
 Administration		
Supplies	793	-
Contracted Services	<u>8,174</u>	<u>901</u>
 Total Administration	 <u>8,967</u>	 <u>901</u>
 TOTAL EXPENDITURES	 <u>91,312</u>	 <u>42,092</u>

VILLAGE OF LAKE ISABELLA  
MAJOR STREETS FUND  
COMPARATIVE STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,  
AND CHANGES IN CASH BASIS FUND BALANCE  
YEARS ENDED JUNE 30, 2002 AND 2001

Exhibit B2-2

	<u>2002</u>	<u>2001</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	\$ 9,606	\$ 44,834
OTHER FINANCING SOURCES (USES)		
Operating Transfers In (Out)		
To Local Streets	-	(12,057)
To General Fund	<u>(5,438)</u>	<u>(4,699)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,438)</u>	<u>(16,756)</u>
EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	4,168	28,078
CASH BASIS FUND BALANCE - JULY 1	<u>40,813</u>	<u>12,735</u>
CASH BASIS FUND BALANCE - JUNE 30	<u>\$ 44,981</u>	<u>\$ 40,813</u>

VILLAGE OF LAKE ISABELLA  
LOCAL STREETS FUND  
COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS  
JUNE 30, 2002 AND 2001

Exhibit B3-1

**ASSETS**

	<u>2002</u>	<u>2001</u>
Cash	\$ 25,114	\$ 20,103

**LIABILITIES AND CASH BASIS FUND BALANCE**

LIABILITIES	\$ -	\$ -
CASH BASIS FUND BALANCE		
Unreserved - Undesignated	<u>25,114</u>	<u>20,103</u>
TOTAL LIABILITIES AND CASH BASIS FUND BALANCE	<u>\$ 25,114</u>	<u>\$ 20,103</u>

Local ~~MAJOR~~ VILLAGE OF LAKE ISABELLA  
 MAJOR STREETS FUND  
 COMPARATIVE STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,  
 AND CHANGES IN CASH BASIS FUND BALANCE  
YEARS ENDED JUNE 30, 2002 AND 2001

Exhibit B3-2

	<u>2002</u>	<u>2001</u>
<b><u>REVENUE</u></b>		
State Gas and Weight Tax	\$ 54,204	\$ 48,436
Grants	-	1,362
Reimbursements	1,366	-
Interest Earnings	<u>358</u>	<u>455</u>
 TOTAL REVENUE	 55,928	 50,253
<b><u>EXPENDITURES</u></b>		
<b>CONSTRUCTION</b>		
Contracted Services	1,250	-
 <b>PUBLIC WORKS</b>		
<b>Routine Maintenance</b>		
Salaries and Wages	4,690	6,652
Fringes	399	969
Supplies	5,356	4,028
Contracted Services	18,759	24,609
Insurance and Bonds	524	408
Transportation	-	19
Equipment Rental	<u>2,027</u>	<u>1,725</u>
 Total Routine Maintenance	 31,755	 38,410
 <b>Traffic Service</b>		
Supplies	493	-
Contracted Services	<u>300</u>	<u>7,081</u>
 Total Traffic Service	 793	 7,081
 <b>Winter Maintenance</b>		
Salaries	-	592
Fringes	-	47
Supplies	506	1,627
Contracted Services	9,663	8,810
Capital Outlay	<u>2,250</u>	<u>-</u>
 Total Winter Maintenance	 12,419	 11,076
 <b>Administration</b>		
Supplies	97	-
Contracted Services	<u>1,620</u>	<u>900</u>
 Total Administration	 <u>1,717</u>	 <u>900</u>
 TOTAL EXPENDITURES	 <u>47,934</u>	 <u>57,467</u>

VILLAGE OF LAKE ISABELLA  
MAJOR STREETS FUND  
COMPARATIVE STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,  
AND CHANGES IN CASH BASIS FUND BALANCE  
YEARS ENDED JUNE 30, 2002 AND 2001

Exhibit B3-2

	<u>2002</u>	<u>2001</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	\$ 7,994	\$ (7,214)
OTHER FINANCING SOURCES (USES)		
Operating Transfers In (Out)		
To General Fund	(2,983)	(2,665)
From Major Street Fund	<u>-</u>	<u>12,057</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,983)</u>	<u>9,392</u>
EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	5,011	2,178
CASH BASIS FUND BALANCE - JULY 1	<u>20,103</u>	<u>17,925</u>
CASH BASIS FUND BALANCE - JUNE 30	<u>\$ 25,114</u>	<u>\$ 20,103</u>

VILLAGE OF LAKE ISABELLA  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS  
JUNE 30, 2002

Exhibit C1-1

**ASSETS**

	<u>Airport</u>	<u>Sewer</u>	<u>Total</u>
Cash	\$ -	\$ 147,317	\$ 147,317
Property, Plant and Equipment	<u>233,226</u>	<u>65,000</u>	<u>298,226</u>
 TOTAL ASSETS	 <u>\$ 233,226</u>	 <u>\$ 212,317</u>	 <u>\$ 445,543</u>

**LIABILITIES AND CASH BASIS FUND EQUITY**

LIABILITIES	\$ -	\$ -	\$ -
 CASH BASIS FUND EQUITY			
Retained Earnings			
Unreserved - Undesignated	<u>233,226</u>	<u>212,317</u>	<u>445,543</u>
 TOTAL LIABILITIES AND CASH BASIS FUND EQUITY	 <u>\$ 233,226</u>	 <u>\$ 212,317</u>	 <u>\$ 445,543</u>

VILLAGE OF LAKE ISABELLA  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUE COLLECTED, EXPENSES PAID,  
AND CHANGES IN CASH BASIS RETAINED EARNINGS  
YEAR ENDED JUNE 30, 2002

Exhibit C1-2

	<u>Airport</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUE	\$ -	\$ -	\$ -
OPERATING EXPENSES			
Contracted Services	-	38,292	38,292
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	-	(38,292)	(38,292)
Less: Depreciation Expense	<u>(10,323)</u>	<u>-</u>	<u>(10,323)</u>
OPERATING INCOME (LOSS)	(10,323)	(38,292)	(48,615)
NET NON-OPERATING REVENUE (EXPENSE)			
Interest Earnings	<u>-</u>	<u>8,544</u>	<u>8,544</u>
NET INCOME (LOSS)	(10,323)	(29,748)	(40,071)
CASH BASIS RETAINED EARNINGS - JULY 1	<u>243,549</u>	<u>242,065</u>	<u>485,614</u>
CASH BASIS RETAINED EARNINGS - JUNE 30	<u>\$ 233,226</u>	<u>\$ 212,317</u>	<u>\$ 445,543</u>

VILLAGE OF LAKE ISABELLA  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2002

Exhibit C1-3

	<u>Airport</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (10,323)	\$ (38,292)	\$ (48,615)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operations:			
Depreciation	<u>10,323</u>	<u>-</u>	<u>10,323</u>
Net Cash Provided (Used) by Operating Activities	-	(38,292)	(38,292)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Long-Term Advance	-	4,820	4,820
Interest Earnings	-	4,130	4,130
Due from Other Funds	<u>-</u>	<u>22,957</u>	<u>22,957</u>
Net Cash Provided by Non-Capital Financing Activities	-	31,907	31,907
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Sale of Assets	-	3,180	3,180
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Earnings	<u>-</u>	<u>4,414</u>	<u>4,414</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	1,209	1,209
CASH AND CASH EQUIVALENTS - JULY 1	<u>-</u>	<u>146,108</u>	<u>146,108</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ -</u>	<u>\$ 147,317</u>	<u>\$ 147,317</u>
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



VILLAGE OF LAKE ISABELLA  
AIRPORT FUND  
COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS  
JUNE 30, 2002 AND 2001

Exhibit C2-1

	<u>ASSETS</u>	<u>2002</u>	<u>2001</u>
Property, Plant and Equipment			
Land		\$ 50,000	\$ 50,000
Runway		206,452	206,452
Accumulated Depreciation - Runway		<u>(23,226)</u>	<u>(12,903)</u>
 TOTAL ASSETS		 <u>\$ 233,226</u>	 <u>\$ 243,549</u>

LIABILITIES AND CASH BASIS FUND EQUITY

LIABILITIES	\$	-	\$	-
 CASH BASIS FUND EQUITY				
Retained Earnings		<u>233,226</u>		<u>243,549</u>
 TOTAL LIABILITIES AND CASH BASIS FUND EQUITY		 <u>\$ 233,226</u>		 <u>\$ 243,549</u>

VILLAGE OF LAKE ISABELLA  
AIRPORT FUND  
COMPARATIVE STATEMENT OF REVENUE COLLECTED, EXPENSES PAID,  
AND CHANGES IN CASH BASIS RETAINED EARNINGS  
YEARS ENDED JUNE 30, 2002 AND 2001

Exhibit C2-2

	<u>2002</u>	<u>2001</u>
OPERATING REVENUE	\$ -	\$ 1,958
OPERATING EXPENSES		
Contracted Services	-	1,670
Utilities	-	263
Miscellaneous	<u>-</u>	<u>25</u>
TOTAL OPERATING EXPENSES	<u>-</u>	<u>1,958</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	-	-
Less: Depreciation Expense	<u>(10,323)</u>	<u>(10,323)</u>
NET INCOME (LOSS)	(10,323)	(10,323)
CASH BASIS RETAINED EARNINGS - JULY 1	<u>243,549</u>	<u>253,872</u>
CASH BASIS RETAINED EARNINGS - JUNE 30	<u>\$ 233,226</u>	<u>\$ 243,549</u>

VILLAGE OF LAKE ISABELLA  
AIRPORT FUND  
COMPARATIVE STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2002 AND 2001

Exhibit C2-3

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (10,323)	\$ (10,323)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operations:		
Depreciation	<u>10,323</u>	<u>10,323</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS - JULY 1	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ -</u>	<u>\$ -</u>
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	<u>\$ -</u>	<u>\$ -</u>

VILLAGE OF LAKE ISABELLA  
SEWER FUND  
COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS  
JUNE 30, 2002 AND 2001

Exhibit C3-1

**ASSETS**

	<u>2002</u>	<u>2001</u>
Cash	\$ 147,317	\$ 146,108
Long-Term Advance to General Fund	-	4,820
Due from Other Funds	-	22,957
Property, Plant and Equipment	<u>65,000</u>	<u>68,180</u>
 TOTAL ASSETS	 <u>\$ 212,317</u>	 <u>\$ 242,065</u>

**LIABILITIES AND CASH BASIS FUND EQUITY**

LIABILITIES	\$ -	\$ -
 CASH BASIS FUND EQUITY		
Retained Earnings		
Reserved for Long-Term Advance	-	4,820
Unreserved	<u>212,317</u>	<u>237,245</u>
 Total Retained Earnings	 <u>212,317</u>	 <u>242,065</u>
 TOTAL LIABILITIES AND CASH BASIS FUND EQUITY	 <u>\$ 212,317</u>	 <u>\$ 242,065</u>

VILLAGE OF LAKE ISABELLA  
SEWER FUND  
COMPARATIVE STATEMENT OF REVENUE COLLECTED, EXPENSES PAID,  
AND CHANGES IN CASH BASIS RETAINED EARNINGS  
YEARS ENDED JUNE 30, 2002 AND 2001

Exhibit C3-2

	<u>2002</u>	<u>2001</u>
OPERATING REVENUE	\$ -	\$ -
OPERATING EXPENSES		
Contracted Services	<u>38,292</u>	<u>2,679</u>
OPERATING INCOME (LOSS)	(38,292)	(2,679)
NET NON-OPERATING REVENUE (EXPENSE)		
Interest Earnings	<u>8,544</u>	<u>7,871</u>
NET INCOME (LOSS)	(29,748)	5,192
CASH BASIS RETAINED EARNINGS - JULY 1	<u>242,065</u>	<u>236,873</u>
CASH BASIS RETAINED EARNINGS - JUNE 30	<u>\$ 212,317</u>	<u>\$ 242,065</u>

VILLAGE OF LAKE ISABELLA  
SEWER FUND  
COMPARATIVE STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2002 AND 2001

Exhibit C3-3

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (38,292)	\$ (2,679)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Long-Term Advance	4,820	35,000
Interest Earnings	4,130	1,948
Due From Other Funds	<u>22,957</u>	<u>-</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	31,907	36,948
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Assets	3,180	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Earnings	<u>4,414</u>	<u>5,923</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,209	40,192
CASH AND CASH EQUIVALENTS - JULY 1	<u>146,108</u>	<u>105,916</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ 147,317</u>	<u>\$ 146,108</u>
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	<u>\$ -</u>	<u>\$ -</u>



VILLAGE OF LAKE ISABELLA  
PAYROLL FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED JUNE 30, 2002

Exhibit D1-1

	<u>Balance</u> <u>7/01/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/02</u>
ASSETS				
Cash	\$ 1,018	\$ 60,072	\$ 60,013	\$ 1,077
LIABILITIES				
Withholdings and Benefits Payable	\$ 1,018	\$ 14,322	\$ 14,263	\$ 1,077
Net Salaries Payable	<u>-</u>	<u>45,750</u>	<u>45,750</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 1,018</u>	<u>\$ 60,072</u>	<u>\$ 60,013</u>	<u>\$ 1,077</u>

VILLAGE OF LAKE ISABELLA  
GENERAL FIXED ASSETS ACCOUNT GROUP  
COMPARATIVE STATEMENT OF GENERAL FIXED ASSETS  
JUNE 30, 2002 AND 2001

Exhibit E1-1

	<u>2002</u>	<u>2001</u>
GENERAL FIXED ASSETS		
Land	\$ 6,820	\$ 3,640
Equipment	8,760	4,260
Office Furniture and Equipment	5,154	4,538
Vehicles	<u>6,344</u>	<u>6,344</u>
 Total Assets	 27,078	 18,782
 Provision for Depreciation	 <u>(11,940)</u>	 <u>(8,177)</u>
 TOTAL GENERAL FIXED ASSETS	 <u>\$ 15,138</u>	 <u>\$ 10,605</u>
 INVESTMENTS IN GENERAL FIXED ASSETS BY SOURCE		
General Fund	<u>\$ 15,138</u>	<u>\$ 10,605</u>

VILLAGE OF LAKE ISABELLA  
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS  
BY FUNCTION AND ACTIVITY  
YEAR ENDED JUNE 30, 2002

Exhibit E1-2

<u>Function and Activity</u>	General Fixed Assets			General Fixed Assets
	<u>7/01/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/02</u>
GENERAL FUND				
General Government				
Building and Grounds	\$ 8,178	\$ 3,796	\$ -	\$ 11,974
Public Works				
Department of Public Works	<u>10,604</u>	<u>4,500</u>	<u>-</u>	<u>15,104</u>
 TOTAL BEFORE DEPRECIATION	 <u>\$ 18,782</u>	 <u>\$ 8,296</u>	 <u>\$ -</u>	 <u>\$ 27,078</u>

VILLAGE OF LAKE ISABELLA  
SCHEDULE OF GENERAL FIXED ASSETS  
BY FUNCTION AND ACTIVITY  
YEAR ENDED JUNE 30, 2002

Exhibit E1-3

<u>Function and Activity</u>	<u>Total</u>	<u>Land and Improvements</u>	<u>Equipment</u>	<u>Office Equipment and Furniture</u>	<u>Vehicles</u>
GENERAL FUND					
General Government					
Building and Grounds	\$ 11,974	\$ 6,820	\$ -	\$ 5,154	\$ -
Public Works					
Department of Public Works	<u>15,104</u>	<u>-</u>	<u>8,760</u>	<u>-</u>	<u>6,344</u>
 TOTAL GENERAL FUND	 27,078	 6,820	 8,760	 5,154	 6,344
Provision for Depreciation	<u>(11,940)</u>	<u>-</u>	<u>(3,043)</u>	<u>(2,557)</u>	<u>(6,340)</u>
 TOTAL	 <u>\$ 15,138</u>	 <u>\$ 6,820</u>	 <u>\$ 5,717</u>	 <u>\$ 2,597</u>	 <u>\$ 4</u>



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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

October 3, 2002

Village Council  
Village of Lake Isabella, Michigan

We have recently completed our audit of the financial statements of Village of Lake Isabella for the year ended June 30, 2002. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Village of Lake Isabella in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

Village Council  
Village of Lake Isabella, Michigan

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available from the Village Manager.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Village of Lake Isabella will begin with the year ended June 30, 2003 and will need to be implemented fully by June 30, 2004. The daily operations and recording transactions should not change significantly, however, the Village will be required to maintain additional records for the year end adjustments to the final presentation format.



**COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/  
COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

**SEGREGATION OF DUTIES** (Repeated Comment)

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of accounting duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation. However, with two full time employees it is possible to attain a more desirable system, specifically segregation of duties concerning the cash receipts process.

**BUDGET CONSIDERATIONS** (Repeated Comment with Modification)

The Michigan Public Act 621 of 1978 requires that the Village adopt a budget for each fiscal year. It also requires that the said budget be on a fund basis showing each fund separately. Additionally, it is required that prior year revenues and expenditures and estimates of current year revenues and expenditures be included in the budget document along with the Fund Balance (deficit) accumulated from prior years and estimated current year Fund Balance (deficit).

The budget adopted by the Village for the year ended June 30, 2002 did not meet the requirements of the Michigan Public Act 621 of 1978, but it was noted during the audit that the budget adopted for the year ended June 30, 2003 appears to be in compliance.

**PROPERTY TAXES** (Repeated Comment with Modification)

During testing of property tax deposits it was noted that there were a number of occasions where receipts were not deposited within the proper time frame. Property tax receipts should be deposited within three to five days from the date they were received.

**CAPITALIZATION POLICY**

The Village should adopt a formal capitalization policy. It should include a dollar limit for items to be capitalized versus expensed, a depreciation method to be used, a schedule of estimated useful lives for various assets, etc.

Village Council  
Village of Lake Isabella, Michigan

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of the these matters does not affect our report on the Village's financial statements, dated October 3, 2002.

SUMMARY

We welcome any questions you may have regarding the foregoing comments, and we would be happy to discuss any of these or other questions that you might have at your convenience.

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