

VILLAGE OF LAKE ISABELLA
MICHIGAN
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

VILLAGE OF LAKE ISABELLA
YEAR ENDED JUNE 30, 2003

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YEAR ENDED JUNE 30, 2003

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VILLAGE OF LAKE ISABELLA
OFFICIALS
JUNE 30, 2003

VILLAGE COUNCIL

President

Jackie Adkins

President Protem

Steve Grenus (through August 2002)
James Kenney (from August 2002)

Treasurer

Don Washburn (through December 2002)
Ken Devergilio (from December 2002)

Clerk

Beverly Pillar

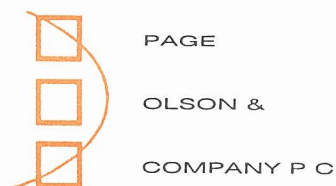
Members

Brian Hughes
Ken Devergilio (through December 2002)
Jeff Grey
George Dunn (from August 2002)

VILLAGE MANAGER

Sherry Yens

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INDEPENDENT AUDITOR'S REPORT

September 23, 2003

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, 2003, 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 of America. 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 of America. 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, 2003, 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, 2002 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, 2002 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, 2003

Statement I

	General Fund	Special Revenue Funds	Capital Project Funds	Enterprise Funds	Agency Funds	Fixed Assets Account Group	Totals (Memorandum Only)
<u>ASSETS</u>							
Cash	\$ 139,231	\$ 107,353	\$ 356,019	\$ 149,098	\$ 1,304	\$ -	\$ 753,005
Due From Other Funds	1,952	52,211	-	-	-	-	54,163
Property, Plant, and Equipment	-	-	-	287,904	-	16,228	304,132
TOTAL ASSETS	\$ 141,183	\$ 159,564	\$ 356,019	\$ 437,002	\$ 1,304	\$ 16,228	\$ 1,111,300
<u>LIABILITIES AND FUND EQUITY</u>							
LIABILITIES							
Withholdings Payable	\$ -	\$ -	\$ -	\$ -	\$ 1,304	\$ -	\$ 1,304
Due To Other Funds	-	-	53,563	600	-	-	54,163
TOTAL LIABILITIES	-	-	53,563	600	1,304	-	55,467
FUND EQUITY							
Investment in Fixed Assets	-	-	-	-	-	16,228	16,228
Retained Earnings	-	-	-	436,402	-	-	436,402
Unreserved Fund Balance	141,183	159,564	302,456	-	-	-	603,203
Unreserved - Undesignated	-	-	-	-	-	-	-
TOTAL FUND EQUITY	141,183	159,564	302,456	436,402	-	16,228	1,055,833
TOTAL LIABILITIES AND FUND EQUITY	\$ 141,183	\$ 159,564	\$ 356,019	\$ 437,002	\$ 1,304	\$ 16,228	\$ 1,111,300

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, 2003

Statement II

	General Fund	Special Revenue Funds	Capital Projects Funds	Total (Memorandum Only)
REVENUE				
Property Taxes	\$ 38,150	\$ -	\$ -	\$ 38,150
Special Assessment	14,659	-	356,019	370,678
Permits	2,900	-	-	2,900
State Shared Revenue	87,664	161,014	-	248,678
Charges for Services	33	-	-	33
Interest Earnings	2,359	610	-	2,969
Rents and Royalties	2,936	-	-	2,936
Other Revenue	<u>83</u>	<u>-</u>	<u>-</u>	<u>83</u>
 TOTAL REVENUE	 148,784	 161,624	 356,019	 666,427
EXPENDITURES				
Current Operations				
Legislative	962	-	-	962
General Government	69,042	-	-	69,042
Public Safety	29,371	-	-	29,371
Public Works	192	59,111	-	59,303
Construction	-	4,240	53,563	57,803
Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL EXPENDITURES	 <u>99,567</u>	 <u>63,351</u>	 <u>53,563</u>	 <u>216,481</u>
 EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	 49,217	 98,273	 302,456	 449,946
 OTHER FINANCING SOURCES (USES) Operating Transfers In (Out)	 <u>10,018</u>	 <u>(8,804)</u>	 <u>-</u>	 <u>1,214</u>
 EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	 59,235	 89,469	 302,456	 451,160
 CASH BASIS FUND BALANCE - JULY 1	 <u>81,948</u>	 <u>70,095</u>	 <u>-</u>	 <u>152,043</u>
 CASH BASIS FUND BALANCE - JUNE 30	 <u>\$ 141,183</u>	 <u>\$ 159,564</u>	 <u>\$ 302,456</u>	 <u>\$ 603,203</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, 2003

Statement III

	General Fund			Special Revenue Funds		
	Budget	Actual	Under (Over) Budget	Budget	Actual	Under (Over) Budget
REVENUE						
Property Taxes		\$ 38,150			\$ -	
Special Assessments		14,659			-	
Permits		2,900			-	
State Shared Revenue		87,664			161,014	
Charges for Services		33			-	
Interest Earnings		2,359			610	
Rents and Royalties		2,936			-	
Other Revenue		<u>83</u>			<u>-</u>	
TOTAL REVENUE	139,656	148,784	(9,128)	162,635	161,624	1,011
EXPENDITURES						
Current Operations						
Legislative		962			-	
General Government		69,042			-	
Public Safety		29,371			-	
Public Works		192			59,111	
Construction		-			4,240	
Debt Service		<u>-</u>			<u>-</u>	
TOTAL EXPENDITURES	<u>135,202</u>	<u>99,567</u>	<u>35,635</u>	<u>133,935</u>	<u>63,351</u>	<u>70,584</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	4,454	49,217	(44,763)	28,700	98,273	(69,573)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In (Out)	<u>8,966</u>	<u>10,018</u>	<u>(1,052)</u>	<u>(8,366)</u>	<u>(8,804)</u>	<u>438</u>
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	13,420	59,235	(45,815)	20,334	89,469	(69,135)
CASH BASIS FUND BALANCE - JULY 1	<u>81,948</u>	<u>81,948</u>	<u>-</u>	<u>70,095</u>	<u>70,095</u>	<u>-</u>
CASH BASIS FUND BALANCE - JUNE 30	<u>\$ 95,368</u>	<u>\$ 141,183</u>	<u>\$(45,815)</u>	<u>\$ 90,429</u>	<u>\$ 159,564</u>	<u>\$(69,135)</u>

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, 2003

Statement IV

	<u>Enterprise Funds</u>
OPERATING REVENUE	\$ -
OPERATING EXPENSES	<u>-</u>
OPERATING INCOME (LOSS)	(10,322)
NET NON-OPERATING REVENUE (EXPENSE)	<u>2,395</u>
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	(7,927)
OPERATING TRANSFERS IN (OUT)	<u>(1,214)</u>
NET INCOME (LOSS)	(9,141)
CASH BASIS RETAINED EARNINGS - JULY 1	<u>445,543</u>
CASH BASIS RETAINED EARNINGS - JUNE 30	<u>\$ 436,402</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, 2003

Statement V

	<u>Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (10,322)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operations:	
Depreciation	<u>10,322</u>
Net Cash Provided (Used) by Operating Activities	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Operating Transfers Out to Other Funds	(1,214)
Increase in Due to Other Funds	<u>600</u>
Net Cash Provided by Non-Capital Financing Activities	(614)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Earnings	<u>2,395</u>
Net Increase (Decrease) in Cash & Cash Equivalents	1,781
CASH AND CASH EQUIVALENTS - JULY 1	<u>147,317</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ 149,098</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	<u>\$ -</u>

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, 2003

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.

Capital Project Funds

These Funds are used to account for the construction of major capital facilities other than those financed by proprietary funds and trust accounts.

The Village's Capital Project Funds consist of the Major Street Capital Project Fund and the Local Street Capital Project 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, 2003

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 .9226 mills for operating and 1.0000 mill for fire protection.

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.

VILLAGE OF LAKE ISABELLA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, have been recorded as interfund payables to funds with positive balances, as applicable.

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.

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-

VILLAGE OF LAKE ISABELLA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Compiled 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 . 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. 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, 2003 the carrying amount of the Village's cash and savings was \$753,005 as follows:

Carrying Value

Petty Cash	\$ 120
Deposits with Financial Institutions	
Cash in Checking	501,889
Cash in Savings	<u>250,996</u>
Total Deposits with Financial Institutions	<u>752,885</u>
Total Cash and Investments	<u>\$ 753,005</u>

VILLAGE OF LAKE ISABELLA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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	\$ 297,180	\$ 455,705	\$ 752,885
Bank Balances	\$ 297,180	\$ 459,601	\$ 756,781

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

Interfund receivable and payable balances as of June 30, 2003 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<u>General Fund</u>		
Sewer Fund	\$ 600	\$ -
Major Street Capital Project Fund	1,352	-
<u>Major Street Fund</u>		
Major Street Capital Project Fund	45,945	-
<u>Local Street Fund</u>		
Major Street Capital Project Fund	596	-
Local Street Capital Project Fund	5,670	-
<u>Sewer Fund</u>		
General Fund	-	600
<u>Major Street Capital Project Fund</u>		
General Fund	-	1,352
Major Street Fund	-	45,945
Local Street Fund	-	596
<u>Local Street Capital Project Fund</u>		
Local Street Fund	-	5,670
	<u>\$ 54,163</u>	<u>\$ 54,163</u>

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	\$ 5,713
Local Street Fund	3,091
Sewer Fund	<u>1,214</u>
Total Administrative Charges Paid to the General Fund	<u>\$ 10,018</u>

VILLAGE OF LAKE ISABELLA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NOTE 4 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in General Fixed Assets follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Land	\$ 6,820	\$ -	\$ -	\$ 6,820
Buildings	-	8,300	-	8,300
Equipment	8,760	-	4,500	4,260
Office Furniture and Equipment	5,154	-	-	5,154
Vehicles	6,344	-	-	6,344
Total before Depreciation	27,078	8,300	4,500	30,878
Provision for Accumulated Depreciation	(11,940)	(2,710)	-	(14,650)
TOTAL	<u>\$ 15,138</u>	<u>\$ 5,590</u>	<u>\$ 4,500</u>	<u>\$ 16,228</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	-	(33,548)
TOTAL		<u>\$ 287,904</u>

NOTE 6 - FUND DEFICITS

The Village of Lake Isabella has accumulated fund deficits in the following individual funds:

Fund	Type	Amount of Deficit
Local Street Capital Project Fund	Capital Project Fund	\$ 5,670

Michigan Public Act 275 of 1980 requires that the Village of Lake Isabella file a deficit elimination plan within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition.

NOTE 7 - 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, 2003 AND 2002

Exhibit A1-1

ASSETS

	<u>2003</u>	<u>2002</u>
Petty Cash	\$ 120	\$ 120
Cash	139,111	81,828
Due From Sewer Fund	600	-
Due From Major Street Capital Projects Fund	<u>1,352</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 141,183</u>	 <u>\$ 81,948</u>

LIABILITIES AND CASH BASIS FUND BALANCE

LIABILITIES	\$ -	\$ -
CASH BASIS FUND BALANCE		
Unreserved - Undesignated	<u>141,183</u>	<u>81,948</u>
 TOTAL LIABILITIES AND CASH BASIS FUND BALANCE	 <u>\$ 141,183</u>	 <u>\$ 81,948</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, 2003 AND 2002

Exhibit A1-2

	<u>2003</u>	<u>2002</u>
REVENUE		
Property Taxes	\$ 38,150	\$ 34,772
Interest and Penalties	62	32
Special Assessment	14,659	25,553
Permits	2,900	2,850
State Shared Revenue	87,664	120,447
Charges for Services	33	1,188
Interest Earnings	2,359	1,953
Rents and Royalties	2,936	5,729
Miscellaneous	<u>21</u>	<u>9</u>
TOTAL REVENUE	148,784	192,533
EXPENDITURES		
LEGISLATIVE		
Village Council		
Supplies	477	531
Printing and Publishing	62	704
Miscellaneous	<u>423</u>	<u>702</u>
TOTAL LEGISLATIVE	962	1,937
GENERAL GOVERNMENT		
Administration		
Salaries and Wages	33,385	24,466
Fringes	9,132	5,727
Supplies	3,070	1,960
Contracted Services	6,720	20,914
Insurance and Bonds	4,335	4,188
Communication	1,195	1,196
Printing and Publishing	995	-
Education and Training	805	-
Capital Outlay	-	463
Miscellaneous	<u>1,759</u>	<u>950</u>
Total Administration	61,396	59,864
Elections		
Supplies	-	527
Contracted Services	-	528
Printing and Publishing	<u>-</u>	<u>26</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, 2003 AND 2002

Exhibit A1-2

	<u>2003</u>	<u>2002</u>
EXPENDITURES (Continued)		
GENERAL GOVERNMENT (Continued)		
Clerk		
Supplies	\$ -	\$ 83
Printing and Publishing	-	273
Education and Training	135	-
Miscellaneous	<u>11</u>	<u>50</u>
Total Clerk	146	406
Treasurer		
Supplies	-	526
Printing and Publishing	937	584
Miscellaneous	<u>63</u>	<u>-</u>
Total Treasurer	1,000	1,110
Building and Grounds		
Office Rent	6,500	6,000
Capital Outlay	<u>-</u>	<u>3,233</u>
Total Building and Grounds	<u>6,500</u>	<u>9,233</u>
TOTAL GENERAL GOVERNMENT	69,042	71,694
PUBLIC SAFETY		
Fire Safety		
Contracted Services	14,661	12,777
Planning Commission		
Supplies	-	22
Printing and Publishing	254	315
Miscellaneous	<u>-</u>	<u>286</u>
Total Planning Commission	254	623
Zoning Board of Appeals		
Supplies	17	21
Printing and Publishing	251	80
Miscellaneous	<u>-</u>	<u>286</u>
Total Zoning Board of Appeals	268	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, 2003 AND 2002

Exhibit A1-2

	<u>2003</u>	<u>2002</u>
EXPENDITURES (Continued)		
PUBLIC SAFETY (Continued)		
Zoning Administration		
Salaries and Wages	\$ 12,295	\$ 7,462
Fringes	602	503
Supplies	50	230
Contracted Services	884	2,536
Telephone	342	27
Miscellaneous	<u>15</u>	<u>-</u>
Total Zoning Administration	<u>14,188</u>	<u>10,758</u>
TOTAL PUBLIC SAFETY	29,371	24,545
PUBLIC WORKS		
Department of Public Works		
Supplies	-	8
Equipment Repair	192	195
Capital Outlay	-	100
Telephone	<u>-</u>	<u>19</u>
TOTAL PUBLIC WORKS	192	322
DEBT SERVICE		
Interest	<u>-</u>	<u>4,130</u>
TOTAL EXPENDITURES	<u>99,567</u>	<u>102,628</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	49,217	89,905
OTHER FINANCING SOURCES (USES)		
Operating Transfers In		
Major Streets	5,713	5,438
Local Streets	3,091	2,983
Sewer Fund	<u>1,214</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>10,018</u>	<u>8,421</u>
EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	59,235	98,326
CASH BASIS FUND BALANCE - JULY 1	<u>81,948</u>	<u>(16,378)</u>
CASH BASIS FUND BALANCE - JUNE 30	<u>\$ 141,183</u>	<u>\$ 81,948</u>

VILLAGE OF LAKE ISABELLA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
JUNE 30, 2003

Exhibit B1-1

	<u>ASSETS</u>		
	Major Streets	Local Streets	Total
Cash	\$ 60,006	\$ 47,347	\$ 107,353
Due From Other Funds	<u>45,945</u>	<u>6,266</u>	<u>52,211</u>
 TOTAL ASSETS	 \$ 105,951	 \$ 53,613	 \$ 159,564

<u>LIABILITIES AND CASH BASIS FUND BALANCE</u>			
LIABILITIES	\$ -	\$ -	\$ -
 CASH BASIS FUND BALANCE			
Unreserved - Undesignated	<u>105,951</u>	<u>53,613</u>	<u>159,564</u>
 TOTAL LIABILITIES AND CASH BASIS FUND BALANCE	 <u>\$ 105,951</u>	 <u>\$ 53,613</u>	 <u>\$ 159,564</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, 2003

Exhibit B1-2

	Major Streets	Local Streets	Total
<u>REVENUE</u>			
State Gas and Weight Tax	\$ 105,095	\$ 55,919	\$ 161,014
Interest Earnings	413	197	610
Reimbursements	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL REVENUE	 105,508	 56,116	 161,624
<u>EXPENDITURES</u>			
CONSTRUCTION	2,887	1,353	4,240
 PUBLIC WORKS			
Routine Maintenance	20,545	14,722	35,267
Traffic Service	332	105	437
Winter Maintenance	14,806	8,278	23,084
Administration	<u>255</u>	<u>68</u>	<u>323</u>
 TOTAL PUBLIC WORKS	 <u>35,938</u>	 <u>23,173</u>	 <u>59,111</u>
 TOTAL EXPENDITURES	 <u>38,825</u>	 <u>24,526</u>	 <u>63,351</u>
 EXCESS REVENUE OVER (UNDER) EXPENDITURES	 66,683	 31,590	 98,273
 OTHER FINANCING SOURCES (USES)			
Operating Transfers In (Out)			
To General Fund	<u>(5,713)</u>	<u>(3,091)</u>	<u>(8,804)</u>
 EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	 60,970	 28,499	 89,469
 CASH BASIS FUND BALANCE - JULY 1	 <u>44,981</u>	 <u>25,114</u>	 <u>70,095</u>
 CASH BASIS FUND BALANCE - JUNE 30	 <u>\$ 105,951</u>	 <u>\$ 53,613</u>	 <u>\$ 159,564</u>

VILLAGE OF LAKE ISABELLA
MAJOR STREETS FUND
COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
JUNE 30, 2003 AND 2002

Exhibit B2-1

ASSETS

	<u>2003</u>	<u>2002</u>
Cash	\$ 60,006	\$ 44,981
Due from Major Street Capital Project Fund	<u>45,945</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 105,951</u>	 <u>\$ 44,981</u>

LIABILITIES AND CASH BASIS FUND BALANCE

LIABILITIES	\$ -	\$ -
CASH BASIS FUND BALANCE		
Unreserved - Undesignated	<u>105,951</u>	<u>44,981</u>
 TOTAL LIABILITIES AND CASH BASIS FUND BALANCE	 <u>\$ 105,951</u>	 <u>\$ 44,981</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, 2003 AND 2002

Exhibit B2-2

	<u>2003</u>	<u>2002</u>
<u>REVENUE</u>		
State Gas and Weight Tax	\$ 105,095	\$ 98,882
Grants	-	-
Interest Earnings	413	670
Reimbursements	<u>-</u>	<u>1,366</u>
 TOTAL REVENUE	 105,508	 100,918
<u>EXPENDITURES</u>		
<u>CONSTRUCTION</u>		
Contracted Services	2,887	16,882
 <u>PUBLIC WORKS</u>		
Routine Maintenance		
Salaries and Wages	5,004	5,715
Fringes	385	467
Supplies	3,035	8,258
Contracted Services	9,498	30,762
Insurance and Bonds	542	524
Transportation	124	-
Equipment Rental	<u>1,957</u>	<u>3,702</u>
 Total Routine Maintenance	 20,545	 49,428
Traffic Services		
Supplies	200	889
Contracted Services	<u>132</u>	<u>1,381</u>
 Total Traffic Services	 332	 2,270
Winter Maintenance		
Supplies	1,681	1,566
Contracted Services	11,225	9,949
Capital Outlay	<u>1,900</u>	<u>2,250</u>
 Total Winter Maintenance	 14,806	 13,765
Administration		
Supplies	119	793
Contracted Services	-	8,174
Printing and Publishing	45	-
Miscellaneous	<u>91</u>	<u>-</u>
 Total Administration	 <u>255</u>	 <u>8,967</u>
 TOTAL PUBLIC WORKS	 35,938	 74,430
 TOTAL EXPENDITURES	 <u>38,825</u>	 <u>91,312</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, 2003 AND 2002

Exhibit B2-2

	<u>2003</u>	<u>2002</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	\$ 66,683	\$ 9,606
OTHER FINANCING SOURCES (USES)		
Operating Transfers In (Out)		
To General Fund	<u>(5,713)</u>	<u>(5,438)</u>
EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	60,970	4,168
CASH BASIS FUND BALANCE - JULY 1	<u>44,981</u>	<u>40,813</u>
CASH BASIS FUND BALANCE - JUNE 30	<u>\$ 105,951</u>	<u>\$ 44,981</u>

VILLAGE OF LAKE ISABELLA
LOCAL STREETS FUND
COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
JUNE 30, 2003 AND 2002

Exhibit B3-1

ASSETS

	<u>2003</u>	<u>2002</u>
Cash	\$ 47,347	\$ 25,114
Due from Major Street Capital Project Fund	596	-
Due from Local Street Capital Project Fund	<u>5,670</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 53,613</u>	 <u>\$ 25,114</u>

LIABILITIES AND CASH BASIS FUND BALANCE

LIABILITIES	\$ -	\$ -
CASH BASIS FUND BALANCE		
Unreserved - Undesignated	<u>53,613</u>	<u>25,114</u>
 TOTAL LIABILITIES AND CASH BASIS FUND BALANCE	 <u>\$ 53,613</u>	 <u>\$ 25,114</u>

VILLAGE OF LAKE ISABELLA
LOCAL STREETS FUND
COMPARATIVE STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,
AND CHANGES IN CASH BASIS FUND BALANCE
YEARS ENDED JUNE 30, 2003 AND 2002

Exhibit B3-2

	<u>2003</u>	<u>2002</u>
<u>REVENUE</u>		
State Gas and Weight Tax	\$ 55,919	\$ 54,204
Grants	-	-
Reimbursements	-	1,366
Interest Earnings	<u>197</u>	<u>358</u>
 TOTAL REVENUE	 56,116	 55,928
<u>EXPENDITURES</u>		
CONSTRUCTION		
Contracted Services	1,353	1,250
 PUBLIC WORKS		
Routine Maintenance		
Salaries and Wages	4,466	4,690
Fringes	340	399
Supplies	1,645	5,356
Contracted Services	6,724	18,759
Insurance and Bonds	542	524
Transportation	26	-
Equipment Rental	<u>979</u>	<u>2,027</u>
 Total Routine Maintenance	 14,722	 31,755
 Traffic Service		
Supplies	105	493
Contracted Services	<u>-</u>	<u>300</u>
 Total Traffic Service	 105	 793
 Winter Maintenance		
Supplies	840	506
Contracted Services	5,538	9,663
Capital Outlay	<u>1,900</u>	<u>2,250</u>
 Total Winter Maintenance	 8,278	 12,419
 Administration		
Supplies	-	97
Printing and Publishing	22	-
Contracted Services	-	1,620
Miscellaneous	<u>46</u>	<u>-</u>
 Total Administration	 <u>68</u>	 <u>1,717</u>
 TOTAL EXPENDITURES	 <u>24,526</u>	 <u>47,934</u>

VILLAGE OF LAKE ISABELLA
LOCAL STREETS FUND
COMPARATIVE STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,
AND CHANGES IN CASH BASIS FUND BALANCE
YEARS ENDED JUNE 30, 2003 AND 2002

Exhibit B3-2

	<u>2003</u>	<u>2002</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	\$ 31,590	\$ 7,994
OTHER FINANCING SOURCES (USES)		
Operating Transfers In (Out)		
To General Fund	<u>(3,091)</u>	<u>(2,983)</u>
EXCESS REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	28,499	5,011
CASH BASIS FUND BALANCE - JULY 1	<u>25,114</u>	<u>20,103</u>
CASH BASIS FUND BALANCE - JUNE 30	<u>\$ 53,613</u>	<u>\$ 25,114</u>

VILLAGE OF LAKE ISABELLA
CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
JUNE 30, 2003

Exhibit C1-1

	Major Streets Capital Project	Local Streets Capital Project	Total
<u>ASSETS</u>			
Cash	\$ 356,019	\$ -	\$ 356,019
<u>LIABILITIES AND CASH BASIS FUND BALANCE</u>			
LIABILITIES			
Due to Other Funds	\$ 47,893	\$ 5,670	\$ 53,563
CASH BASIS FUND BALANCE			
Unreserved - Undesignated	308,126	(5,670)	302,456
 TOTAL LIABILITIES AND CASH BASIS FUND BALANCE	 \$ 356,019	 \$ -	 \$ 356,019

COMBINING STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,
AND CHANGES IN CASH BASIS FUND BALANCE
YEAR ENDED JUNE 30, 2003

Exhibit C1-2

	Major Streets Capital Project	Local Streets Capital Project	Total
<u>REVENUE</u>			
Special Assessments	\$ 356,019	\$ -	\$ 356,019
<u>EXPENDITURES</u>			
Construction	47,893	5,670	53,563
EXCESS REVENUE OVER (UNDER) EXPENDITURES	308,126	(5,670)	302,456
CASH BASIS FUND BALANCE - JULY 1	-	-	-
CASH BASIS FUND BALANCE - JUNE 30	\$ 308,126	\$ (5,670)	\$ 302,456

VILLAGE OF LAKE ISABELLA
MAJOR STREETS CAPITAL PROJECT FUND
STATEMENT OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
JUNE 30, 2003

Exhibit C2-1

ASSETS

2003

Cash	\$ <u>356,019</u>
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LIABILITIES AND CASH BASIS FUND BALANCE

LIABILITIES

Due to General Fund	\$ 1,352
Due to Major Streets Fund	45,945
Due to Local Streets Fund	<u>596</u>

TOTAL LIABILITIES	47,893
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CASH BASIS FUND BALANCE

Unreserved - Undesignated	<u>308,126</u>
---------------------------	----------------

TOTAL LIABILITIES AND CASH BASIS FUND BALANCE	<u>\$ 356,019</u>
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STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,
AND CHANGES IN CASH BASIS FUND BALANCE
YEAR ENDED JUNE 30, 2003

Exhibit C2-2

2003

REVENUE

Special Assessments	\$ 356,019
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EXPENDITURES

CONSTRUCTION

Supplies	2,070
Contracted Services	44,288
Printing and Publishing	<u>1,535</u>

TOTAL EXPENDITURES	<u>47,893</u>
--------------------	---------------

EXCESS REVENUE OVER (UNDER) EXPENDITURES	308,126
--	---------

CASH BASIS FUND BALANCE - JULY 1	<u>-</u>
----------------------------------	----------

CASH BASIS FUND BALANCE - JUNE 30	<u>\$ 308,126</u>
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VILLAGE OF LAKE ISABELLA
LOCAL STREETS CAPITAL PROJECT FUND
STATEMENT OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
JUNE 30, 2003

Exhibit C3-1

ASSETS

	<u>2003</u>
Cash	\$ <u>-</u>

LIABILITIES AND CASH BASIS FUND BALANCE

LIABILITIES	
Due to Local Streets Fund	\$ 5,670
CASH BASIS FUND BALANCE (DEFICIT)	
Unreserved - Undesignated	<u>(5,670)</u>
TOTAL LIABILITIES AND CASH BASIS FUND BALANCE	\$ <u>-</u>

STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,
AND CHANGES IN CASH BASIS FUND BALANCE
YEAR ENDED JUNE 30, 2003

Exhibit C3-2

	<u>2003</u>
<u>REVENUE</u>	\$ -
<u>EXPENDITURES</u>	
CONSTRUCTION	
Contracted Services	<u>5,670</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(5,670)
CASH BASIS FUND BALANCE - JULY 1	<u>-</u>
CASH BASIS FUND BALANCE - JUNE 30	<u>\$ (5,670)</u>

VILLAGE OF LAKE ISABELLA
ENTERPRISE FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
JUNE 30, 2003

Exhibit D1-1

ASSETS

	<u>Airport</u>	<u>Sewer</u>	<u>Total</u>
Cash	\$ -	\$ 149,098	\$ 149,098
Property, Plant and Equipment	<u>222,904</u>	<u>65,000</u>	<u>287,904</u>
 TOTAL ASSETS	 <u>\$ 222,904</u>	 <u>\$ 214,098</u>	 <u>\$ 437,002</u>

LIABILITIES AND CASH BASIS FUND EQUITY

LIABILITIES			
Due to Other Funds	\$ -	\$ 600	\$ 600
 CASH BASIS FUND EQUITY			
Retained Earnings			
Unreserved - Undesignated	<u>222,904</u>	<u>213,498</u>	<u>436,402</u>
 TOTAL LIABILITIES AND CASH BASIS FUND EQUITY	 <u>\$ 222,904</u>	 <u>\$ 214,098</u>	 <u>\$ 437,002</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, 2003

Exhibit D1-2

	<u>Airport</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUE	\$ -	\$ -	\$ -
OPERATING EXPENSES			
Contracted Services	-	-	-
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	-	-	-
Less: Depreciation Expense	<u>(10,322)</u>	<u>-</u>	<u>(10,322)</u>
OPERATING INCOME (LOSS)	(10,322)	-	(10,322)
NET NON-OPERATING REVENUE (EXPENSE)			
Interest Earnings	<u>-</u>	<u>2,395</u>	<u>2,395</u>
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	(10,322)	2,395	(7,927)
OPERATING TRANSFERS IN (OUT)			
Operating Transfers out to General Fund	<u>-</u>	<u>(1,214)</u>	<u>(1,214)</u>
NET INCOME (LOSS)	(10,322)	1,181	(9,141)
CASH BASIS RETAINED EARNINGS - JULY 1	<u>233,226</u>	<u>212,317</u>	<u>445,543</u>
CASH BASIS RETAINED EARNINGS - JUNE 30	<u>\$ 222,904</u>	<u>\$ 213,498</u>	<u>\$ 436,402</u>

VILLAGE OF LAKE ISABELLA
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2003

Exhibit D1-3

	<u>Airport</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (10,322)	\$ -	\$ (10,322)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operations:			
Depreciation	<u>10,322</u>	<u>-</u>	<u>10,322</u>
Net Cash Provided (Used) by Operating Activities	-	-	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating Transfers Out to Other Funds	-	(1,214)	(1,214)
Increase in Due to Other Funds	<u>-</u>	<u>600</u>	<u>600</u>
Net Cash Provided by Non-Capital Financing Activities	-	(614)	(614)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Earnings	<u>-</u>	<u>2,395</u>	<u>2,395</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	1,781	1,781
CASH AND CASH EQUIVALENTS - JULY 1	<u>-</u>	<u>147,317</u>	<u>147,317</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ -</u>	<u>\$ 149,098</u>	<u>\$ 149,098</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, 2003 AND 2002

Exhibit D2-1

ASSETS

	<u>2003</u>	<u>2002</u>
Property, Plant and Equipment		
Land	\$ 50,000	\$ 50,000
Runway	206,452	206,452
Accumulated Depreciation - Runway	<u>(33,548)</u>	<u>(23,226)</u>
 TOTAL ASSETS	 <u>\$ 222,904</u>	 <u>\$ 233,226</u>

LIABILITIES AND CASH BASIS FUND EQUITY

LIABILITIES	\$ -	\$ -
 CASH BASIS FUND EQUITY		
Retained Earnings	<u>222,904</u>	<u>233,226</u>
 TOTAL LIABILITIES AND CASH BASIS FUND EQUITY	 <u>\$ 222,904</u>	 <u>\$ 233,226</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, 2003 AND 2002

Exhibit D2-2

	<u>2003</u>	<u>2002</u>
OPERATING REVENUE	\$ -	\$ -
OPERATING EXPENSES	<u>-</u>	<u>-</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	-	-
Less: Depreciation Expense	<u>(10,322)</u>	<u>(10,323)</u>
NET INCOME (LOSS)	(10,322)	(10,323)
CASH BASIS RETAINED EARNINGS - JULY 1	<u>233,226</u>	<u>243,549</u>
CASH BASIS RETAINED EARNINGS - JUNE 30	<u>\$ 222,904</u>	<u>\$ 233,226</u>

VILLAGE OF LAKE ISABELLA
AIRPORT FUND
COMPARATIVE STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2003 AND 2002

Exhibit D2-3

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (10,322)	\$ (10,323)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operations:		
Depreciation	<u>10,322</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, 2003 AND 2002

Exhibit D3-1

ASSETS

	<u>2003</u>	<u>2002</u>
Cash	\$ 149,098	\$ 147,317
Property, Plant and Equipment	<u>65,000</u>	<u>65,000</u>
 TOTAL ASSETS	 <u>\$ 214,098</u>	 <u>\$ 212,317</u>

LIABILITIES AND CASH BASIS FUND EQUITY

LIABILITIES		
Due to General Fund	\$ 600	\$ -
 CASH BASIS FUND EQUITY		
Retained Earnings		
Unreserved	<u>213,498</u>	<u>212,317</u>
 TOTAL LIABILITIES AND CASH BASIS FUND EQUITY	 <u>\$ 214,098</u>	 <u>\$ 212,317</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, 2003 AND 2002

Exhibit D3-2

	<u>2003</u>	<u>2002</u>
OPERATING REVENUE	\$ -	\$ -
OPERATING EXPENSES		
Contracted Services	<u>-</u>	<u>38,292</u>
OPERATING INCOME (LOSS)	-	(38,292)
NET NON-OPERATING REVENUE (EXPENSE)		
Interest Earnings	<u>2,395</u>	<u>8,544</u>
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	2,395	(29,748)
OPERATING TRANSFERS		
Operating Transfer Out to General Fund	<u>(1,214)</u>	<u>-</u>
NET INCOME (LOSS)	1,181	(29,748)
CASH BASIS RETAINED EARNINGS - JULY 1	<u>212,317</u>	<u>242,065</u>
CASH BASIS RETAINED EARNINGS - JUNE 30	<u>\$ 213,498</u>	<u>\$ 212,317</u>

VILLAGE OF LAKE ISABELLA
SEWER FUND
COMPARATIVE STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2003 AND 2002

Exhibit D3-3

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ -	\$ (38,292)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Long-Term Advance	-	4,820
Interest Earnings	-	4,130
Operating Transfers Out to Other Funds	(1,214)	-
Decrease in Due From Other Funds	-	22,957
Increase in Due to Other Funds	<u>600</u>	<u>-</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	(614)	31,907
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Assets	-	3,180
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Earnings	<u>2,395</u>	<u>4,414</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,781	1,209
CASH AND CASH EQUIVALENTS - JULY 1	<u>147,317</u>	<u>146,108</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ 149,098</u>	<u>\$ 147,317</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, 2003

Exhibit E1-1

	<u>Balance</u> <u>7/01/02</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/03</u>
ASSETS				
Cash	\$ 1,077	\$ 59,347	\$ 59,120	\$ 1,304
LIABILITIES				
Withholdings and Benefits Payable	\$ 1,077	\$ 4,198	\$ 3,971	\$ 1,304
Net Salaries Payable	<u>-</u>	<u>55,149</u>	<u>55,149</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 1,077</u>	<u>\$ 59,347</u>	<u>\$ 59,120</u>	<u>\$ 1,304</u>

VILLAGE OF LAKE ISABELLA
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE STATEMENT OF GENERAL FIXED ASSETS
JUNE 30, 2003 AND 2002

Exhibit F1-1

	<u>2003</u>	<u>2002</u>
GENERAL FIXED ASSETS		
Land	\$ 6,820	\$ 6,820
Buildings	8,300	-
Equipment	4,260	8,760
Office Furniture and Equipment	5,154	5,154
Vehicles	<u>6,344</u>	<u>6,344</u>
 Total Assets	 30,878	 27,078
 Provision for Depreciation	 <u>(14,650)</u>	 <u>(11,940)</u>
 TOTAL GENERAL FIXED ASSETS	 <u>\$ 16,228</u>	 <u>\$ 15,138</u>
 INVESTMENTS IN GENERAL FIXED ASSETS BY SOURCE		
General Fund	<u>\$ 16,228</u>	<u>\$ 15,138</u>

VILLAGE OF LAKE ISABELLA
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
YEAR ENDED JUNE 30, 2003

Exhibit F1-2

<u>Function and Activity</u>	General			General		
	Fixed Assets			Fixed Assets		
	<u>7/01/02</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/03</u>		
GENERAL FUND						
General Government						
Building and Grounds	\$ 11,974	\$ -	\$ -	\$ 11,974		
Public Works						
Department of Public Works	<u>15,104</u>	<u>8,300</u>	<u>4,500</u>	<u>18,904</u>		
 TOTAL BEFORE DEPRECIATION	 <u>\$ 27,078</u>	 <u>\$ 8,300</u>	 <u>\$ 4,500</u>	 <u>\$ 30,878</u>		

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

Exhibit F1-3

Function and Activity	Land and		Buildings	Office	
	Total	Improvements		Equipment and Furniture	Vehicles
GENERAL FUND					
General Government					
Building and Grounds	\$ 11,974	\$ 6,820	\$ -	\$ 5,154	\$ -
Public Works	18,904	-	8,300	-	6,344
Department of Public Works					
TOTAL GENERAL FUND	30,878	6,820	8,300	5,154	6,344
Provision for Depreciation	(14,650)	-	(1,281)	(3,492)	(6,344)
TOTAL	\$ 16,228	\$ 6,820	\$ 7,019	\$ 1,662	\$ -



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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

September 23, 2003

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, 2003. As required by auditing standards generally accepted in the United States of America, 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 OF AMERICA

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 of America. 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."

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.

PROPERTY TAXES (Repeated Comment with Modification)

During testing of property tax deposits it was noted that there were a few 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. It was noted, however, that the deposits were made more timely than in the past.

RECEIPT CODING

During cash testing it was noted that several transactions were coded to the incorrect general ledger account. Greater care should be used when coding journal entries for deposits to ensure they are being coded to the account they are actually being deposited into.

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 these matters does not affect our report on the Village's financial statements, dated September 23, 2003.

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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