

VILLAGE OF FIFE LAKE, MICHIGAN  
FEBRUARY 28, 2002

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# *Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

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October 16, 2002

## INDEPENDENT AUDITORS' REPORT

To the President and Village Council  
Village of Fife Lake, Michigan

We have audited the accompanying general-purpose financial statements of the Village of Fife Lake, Michigan, as of and for the year ended February 28, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Village of Fife Lake, Michigan's management. Our responsibility is to express an opinion on these general-purpose 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general-purpose financial statements referred to above do not include the general fixed assets account group, which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

The general-purpose financial statements referred to above do not include financial data of the Downtown Development Authority, which should be included in order to conform with accounting principles generally accepted in the United States of America. The current assets and liabilities and results of operations were not available to be included in the audited financial statements for the year ended February 28, 2002.

In our opinion, except for the effects on the financial statements of the omissions described in the preceding paragraphs, the general-purpose financial statements referred to in the first paragraph present fairly, the financial position of the Village of Fife Lake, Michigan, as of February 28, 2002, and the results of its operations and the cash flows of its proprietary and similar trust fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Continued

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the Village of Fife Lake, Michigan. 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 presented in all material respects in relation to the general-purpose financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter + Bishop, P.C.*

VILLAGE OF FIFE LAKE, MICHIGANCOMBINED BALANCE SHEET  
ALL FUND TYPESFEBRUARY 28, 2002

	<u>GOVERNMENTAL FUND TYPES</u>		<u>PROPRIETARY</u>	<u>TOTAL</u> <u>(MEMORANDUM</u> <u>ONLY)</u>
	<u>GENERAL</u>	<u>SPECIAL</u> <u>REVENUE</u>	<u>FUND TYPE</u>	
			<u>INTERNAL</u> <u>SERVICE</u>	
<u>ASSETS</u>				
Cash	\$ 105,308	\$ 11,198	\$ 86,352	\$ 202,858
Due from Other Governments	0	15,726	0	15,726
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	0	0	47,926	47,926
<b>TOTAL ASSETS</b>	<b>\$ 105,308</b>	<b>\$ 26,924</b>	<b>\$ 134,278</b>	<b>\$ 266,510</b>
<u>LIABILITIES, AND FUND EQUITY</u>				
<u>LIABILITIES</u>				
Current Portion of Equipment Contract	\$ 0	\$ 0	\$ 8,111	\$ 8,111
Equipment Contract (Net of Current Portion)	0	0	22,205	22,205
Accrued Liabilities	1,580	0	0	1,580
<b>Total Liabilities</b>	<b>\$ 1,580</b>	<b>\$ 0</b>	<b>\$ 30,316</b>	<b>\$ 31,896</b>
<u>FUND EQUITY</u>				
Retained Earnings	\$ 0	\$ 0	\$ 103,962	\$ 103,962
Fund Balance Unreserved	103,728	26,924	0	130,652
<b>Total Fund Equity</b>	<b>\$ 103,728</b>	<b>\$ 26,924</b>	<b>\$ 103,962</b>	<b>\$ 234,614</b>
<b>TOTAL LIABILITIES, AND FUND EQUITY</b>	<b>\$ 105,308</b>	<b>\$ 26,924</b>	<b>\$ 134,278</b>	<b>\$ 266,510</b>

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

VILLAGE OF FIFE LAKE, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES

YEAR ENDED FEBRUARY 28, 2002

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Taxes	\$ 75,000	\$ 78,866	\$ 3,866
Licenses and Permits	200	3,576	3,376
State Grants	43,000	54,459	11,459
Contributions from Local Units	2,000	3,573	1,573
Interest and Rents	2,000	3,566	1,566
Other Revenue	49,003	10,530	(38,473)
Total Revenues	<u>\$ 171,203</u>	<u>\$ 154,570</u>	<u>\$ (16,633)</u>
<u>EXPENDITURES</u>			
Legislative	\$ 12,760	\$ 14,128	\$ (1,368)
General Government	41,286	28,083	13,203
Public Safety	10,570	8,257	2,313
Public Works	23,900	19,671	4,229
Recreation and Cultural	15,200	9,578	5,622
Other Functions	4,100	4,815	(715)
Total Expenditures	<u>\$ 107,816</u>	<u>\$ 84,532</u>	<u>\$ 23,284</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 63,387</u>	<u>\$ 70,038</u>	<u>\$ 6,651</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	\$ 0	\$ 0	\$ 0
Operating Transfers Out	(25,438)	(13,500)	11,938
Total Other Financing Sources (Uses)	<u>\$ (25,438)</u>	<u>\$ (13,500)</u>	<u>\$ 11,938</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ 37,949</u>	<u>\$ 56,538</u>	<u>\$ 18,589</u>
<u>FUND BALANCE - Beginning of Year</u>	<u>45,730</u>	<u>47,190</u>	<u>1,460</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 83,679</u>	<u>\$ 103,728</u>	<u>\$ 20,049</u>

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

VILLAGE OF FIFE LAKE, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES

YEAR ENDED FEBRUARY 28, 2002

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Taxes	\$ 75,000	\$ 78,866	\$ 3,866
Licenses and Permits	200	3,576	3,376
State Grants	43,000	54,459	11,459
Contributions from Local Units	2,000	3,573	1,573
Interest and Rents	2,000	3,566	1,566
Other Revenue	49,003	10,530	(38,473)
Total Revenues	\$ 171,203	\$ 154,570	\$ (16,633)
<u>EXPENDITURES</u>			
Legislative	\$ 12,760	\$ 14,128	\$ (1,368)
General Government	41,286	28,083	13,203
Public Safety	10,570	8,257	2,313
Public Works	23,900	19,671	4,229
Recreation and Cultural	15,200	9,578	5,622
Other Functions	4,100	4,815	(715)
Total Expenditures	\$ 107,816	\$ 84,532	\$ 23,284
Excess (Deficiency) of Revenues Over Expenditures	\$ 63,387	\$ 70,038	\$ 6,651
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	\$ 0	\$ 0	\$ 0
Operating Transfers Out	(25,438)	(13,500)	11,938
Total Other Financing Sources (Uses)	\$ (25,438)	\$ (13,500)	\$ 11,938
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 37,949	\$ 56,538	\$ 18,589
<u>FUND BALANCE</u> - Beginning of Year	45,730	47,190	1,460
<u>FUND BALANCE</u> - End of Year	\$ 83,679	\$ 103,728	\$ 20,049

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

EXHIBIT 3

SPECIAL REVENUE FUND TYPES

<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
\$ 0	\$ 0	\$ 0
0	0	0
46,500	50,775	4,275
0	0	0
75	429	354
0	0	0
<u>\$ 46,575</u>	<u>\$ 51,204</u>	<u>\$ 4,629</u>

\$ 0	\$ 0	\$ 0
0	0	0
0	0	0
77,200	58,331	18,869
0	0	0
0	0	0
<u>\$ 77,200</u>	<u>\$ 58,331</u>	<u>\$ 18,869</u>

<u>\$ (30,625)</u>	<u>\$ (7,127)</u>	<u>\$ 23,498</u>
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\$ 25,454	\$ 13,500	\$ (11,954)
0	0	0
<u>\$ 25,454</u>	<u>\$ 13,500</u>	<u>\$ (11,954)</u>

\$ (5,171)	\$ 6,373	\$ 11,544
9,144	20,551	11,407
<u>\$ 3,973</u>	<u>\$ 26,924</u>	<u>\$ 22,951</u>



VILLAGE OF FIFE LAKE, MICHIGANCOMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES - EQUIPMENT FUNDYEAR ENDED FEBRUARY 28, 2002OPERATING REVENUESCharges for Services \$ 29,644OPERATING EXPENSES

Salaries and Wages \$ 7,241

Social Security and Medicare 351

Gasoline and Oil 1,427

Operating Supplies 5,496

Postage and Office Supplies 4

Communications 173

Insurance 1,726

Utilities 2,736

Transportation 214

Repairs and Maintenance 12,444

Depreciation 5,694Total Operating Expenses \$ 37,506Operating Income (Loss) \$ (7,862)NONOPERATING REVENUES (EXPENSES)

Interest Income \$ 1,755

Interest Expense (2,500)

Gain on Sale of Equipment 400Total Nonoperating Revenues (Expenses) \$ (345)

Net Income (Loss) \$ (8,207)

RETAINED EARNINGS - Beginning of Year 112,169RETAINED EARNINGS - End of Year \$ 103,962

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

VILLAGE OF FIFE LAKE, MICHIGAN  
COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES - EQUIPMENT FUND

YEAR ENDED FEBRUARY 28, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating Income (Loss)	\$ (7,862)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	5,694
	5,694
Net Cash Provided by (Used for) Operating Activities	\$ <u>(2,168)</u>

CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES:

Gain on Sale of Equipment	\$ 400
Principal Payments on Equipment Contract	(7,545)
	(7,545)
Net Cash Provided By (Used For) Capital and Related Financing Activities	\$ <u>(7,145)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Income	\$ 1,755
Interest Expense	(2,500)
	(2,500)
Net Cash Provided (Used) by Investing Activities	\$ <u>(745)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (10,058)

<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>96,410</u>
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<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>86,352</u></u>
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SUPPLEMENTAL DISCLOSURE

Cash Payments During Year	
Interest Paid	\$ <u>2,500</u>

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

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2002

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Village of Fife Lake was organized in 1889 and covers an area of approximately one square mile. The Village operates under an elected Council (9 members) and provides services to its more than 466 residents in many areas including law enforcement, street development and maintenance, and parks.

As required by generally accepted accounting principles, these financial statements should present the government and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units should be reported in a separate column in the combined financial statements to emphasize they are legally separate from the primary government. These financial statements do not include the financial data of the Village's Downtown Development Authority.

Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**B. Measurement Focus, Basis of Accounting and Basis of Presentation**

The accounts of the Village are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Village has no long-term debts which would be recorded in the general long-term debt account group. The Village has no record of its general fixed assets which would be recorded in the general fixed asset account group.

The Village has the following fund types and account group:

GOVERNMENTAL FUNDS are used to account for the Village's general government activities. Governmental fund types use the flow of financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes and interest are susceptible to accrual. Gasoline taxes collected and held by the state at year end on behalf of the Village are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the Village and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Continued

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FEBRUARY 28, 2002

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**B. Measurement Focus, Basis of Accounting and Basis of Presentation - Continued**

Governmental funds include the following fund types:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Revenue Funds account for revenue sources that are legally restricted to expenditures for specified purposes.

PROPRIETARY FUNDS are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The government applies all applicable FASB pronouncements issued through November 30, 1989, in accounting and reporting for its proprietary operations. Proprietary funds include the following fund types:

Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

**C. Assets, Liabilities and Equity**

1. Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

I. State statutes authorize the Village to invest funds as follows:

- a. In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II).
- c. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. In repurchase agreements consisting of instruments listed in subdivision (a).
- e. In bankers' acceptances of United States banks.

Continued

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FEBRUARY 28, 2002

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Assets, Liabilities and Equity

1. Deposits and Investments - Continued

- f. In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
  - g. In mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
    - i. The purchase of securities on a when-issued or delayed delivery basis.
    - ii. The ability to lend portfolio securities as long as the mutual fund received collateral at all times equal to at least 100% of the value of the securities loaned.
    - iii. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
  - h. In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA7, MCL 124.501 to 124.512.
  - i. In investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- II. A public corporation that invests its funds under subsection (I) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.

Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).

As used in this section "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

Continued

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FEBRUARY 28, 2002

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Assets, Liabilities and Equity - Continued

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

3. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

4. Fixed Assets

Property, plant and equipment in the proprietary funds of the government are recorded at cost. Property, plant and equipment donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in the proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment are depreciated in the proprietary funds of the government using the straight-line method over the following estimated useful lives:

Equipment	3-10 Years
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5. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Continued

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FEBRUARY 28, 2002

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**C. Assets, Liabilities and Equity - Continued**

6. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

7. Long-Term Obligations

Long-term Debt and other obligations financed by Proprietary Funds are reported as liabilities in those funds.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**A. Budgetary Information**

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

1. By March 1, the clerk submits proposed operating budgets to the Village Council for all funds of the Village for the fiscal year.
2. The Village Council holds a public hearing and adopts a resolution approving the budgets.
3. All transfers of budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund must be approved by the Village Council.
4. During the year, the budget is monitored and amendments to the budget are made when it is deemed necessary.
5. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at year-end. Budgeted amounts are as originally adopted, or as amended by the Village Council from time to time throughout the year in a legally permissible manner.
6. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village because, at present, it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Continued

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
FEBRUARY 28, 2002

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

**A. Deposits and Investments**

At year-end, the carrying amount of the Village's deposits was \$202,858 and the bank balance was \$211,863. Of the bank balance, \$193,647 was covered by federal depository insurance and \$18,216 was uninsured and uncollateralized.

**B. Due from Other Governments**

The \$15,726 due from other governments represents receivables from the State of Michigan for various state revenue sharing payments received within sixty days of the balance sheet date.

**C. Long-Term Debt**

The following is a summary of the long-term debt transactions of the Village for the year ended February 28, 2002:

	<u>EQUIPMENT NOTES PAYABLE</u>
Long-Term Debt Payable at March 1, 2001	\$ 37,861
Additions to Long-Term Debt	0
Long-Term Debt Retired	<u>(7,545)</u>
Long-Term Debt Payable at February 28, 2002	<u>\$ 30,316</u>

Long-Term debts at February 28, 2002, are comprised of the following:

\$42,017 Note for Equipment to Forest Area Federal Credit Union Due in Monthly Installments of \$837 through July 10, 2005 Interest at 7.25%	<u>\$ 30,316</u>
--	------------------

The annual payments to amortize all debt outstanding as of February 28, 2002, including interest payments of \$4,005, are as follows:

<u>YEAR ENDING FEBRUARY 28,</u>	<u>EQUIPMENT NOTES PAYABLE</u>
2003	\$ 10,045
2004	10,045
2005	10,045
2006	<u>4,186</u>
	<u>\$ 34,321</u>

Continued



VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
FEBRUARY 28, 2002

IV. OTHER INFORMATION

**A. Property Taxes**

The Village levied 10.0000 mills on a taxable value of \$7,861,760 on the 2001 tax roll. Property taxes attach as an enforceable lien on property as of January 1. The Village bills its property taxes in July of each year and collects them through September 14, at which time they are returned delinquent to Kalkaska County.

**B. Interest Income and Expense**

For the year ended February 28, 2002, interest income on deposits and investments, and interest expense is summarized as follows:

	INTEREST	
	INCOME	EXPENSE
General Fund	\$ 3,566	\$ 0
Major Street Fund	396	0
Local Street Fund	33	0
Equipment Fund	1,755	2,500
	<u>\$ 5,750</u>	<u>\$ 2,500</u>

**C. Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Village participates in a pool of municipalities with the State of Michigan for self-insuring insurance through Michigan Municipal League. The Village pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Village has not been informed of any special assessments being required for the current year or prior three years.

In addition, the Village carries commercial insurance to cover fidelity bonds.

VILLAGE OF FIFE LAKE, MICHIGANGENERAL FUND  
BALANCE SHEETFEBRUARY 28, 2002ASSETS

Cash		
Checking Account	\$	61,681
Savings Account		33,222
Certificates of Deposit		<u>10,405</u>
 TOTAL ASSETS	\$	<u><u>105,308</u></u>

LIABILITIES AND FUND BALANCELIABILITIES

Payroll Deductions Payable	\$	1,175
Accrued Taxes Payable		<u>405</u>
 Total Liabilities	\$	1,580

FUND BALANCE

Unreserved		<u>103,728</u>
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TOTAL LIABILITIES AND FUND BALANCE	\$	<u><u>105,308</u></u>
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VILLAGE OF FIFE LAKE, MICHIGANGENERAL FUNDSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEYEAR ENDED FEBRUARY 28, 2002REVENUES

Taxes	\$	78,866
Licenses and Permits		3,576
State Grants		54,459
Contributions from Local Units		3,573
Interest and Rents		3,566
Other Revenues		<u>10,530</u>
Total Revenues	\$	<u>154,570</u>

EXPENDITURES

Legislative	\$	14,128
General Government		28,083
Public Works		19,671
Public Safety		8,257
Recreation and Cultural		9,578
Other Functions		<u>4,815</u>
Total Expenditures	\$	<u>84,532</u>

Excess (Deficiency) of Revenues Over Expenditures	\$	70,038
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OTHER FINANCING SOURCES (USES)

Operating Transfers Out		<u>(13,500)</u>
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Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$	56,538
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<u>FUND BALANCE</u> - Beginning of Year		<u>47,190</u>
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<u>FUND BALANCE</u> - End of Year	\$	<u><u>103,728</u></u>
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VILLAGE OF FIFE LAKE, MICHIGANGENERAL FUND  
ANALYSIS OF REVENUESYEAR ENDED FEBRUARY 28, 2002TAXES

Current Property Tax	\$	78,814	
Penalties and Interest		52	
Total Taxes			\$ 78,866

LICENSES AND PERMITS

Land Use Permits	\$	385	
Planning and Zoning Fees		625	
Cable T.V. Franchise		2,566	
Total Licenses and Permits			3,576

STATE GRANTS

Sales Tax	\$	53,025	
Liquor Licenses		1,434	
Total State Grants			54,459

CONTRIBUTIONS FROM LOCAL UNITS

Parks and Recreation			3,573
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INTEREST AND RENTS

Interest			3,566
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OTHER REVENUE

Private Grant	\$	10,000	
Contributions from Private Sources		500	
Refunds and Miscellaneous		30	
Total Other Revenue			10,530

TOTAL REVENUES	\$		<u>154,570</u>
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VILLAGE OF FIFE LAKE, MICHIGANGENERAL FUND  
ANALYSIS OF EXPENDITURESYEAR ENDED FEBRUARY 28, 2002LEGISLATIVE

## Village Council

Salaries and Wages

Council

\$ 4,100

Aquatic Nuisance

3,700

Memberships and Dues

477

Community Promotion

1,000

Insurance

2,351

Professional Services

2,092

Printing and Publishing

321

Miscellaneous

87

Total Legislative

\$ 14,128

GENERAL GOVERNMENT

## Elections

Office Supplies

\$ 326

## Clerk

Salaries and Wages

1,080

## Village Office

Salaries and Wages

\$ 3,851

Office Supplies

832

Postage

272

Contracted Services

1,390

Transportation

106

Insurance

223

Repairs and Maintenance

75

Capital Outlay

189

6,938

## Treasurer's Office

Salaries and Wages

3,000

## Building and Grounds - Village Hall

Supplies

\$ 228

Insurance

779

Communications

1,025

Utilities

10,165

Garbage Removal

3,963

Repairs and Maintenance

563

Equipment Rental

16

16,739

Total General Government

28,083

Continued

VILLAGE OF FIFE LAKE, MICHIGANGENERAL FUND  
ANALYSIS OF EXPENDITURES - CONTINUEDYEAR ENDED FEBRUARY 28, 2002PUBLIC WORKS

## Department of Public Works

Wages	\$	16,521	
Operating Supplies		2,369	
Insurance		610	
Transportation		171	

Total Public Works			19,671
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PUBLIC SAFETY

## Planning and Zoning Board

Salaries and Wages	\$	6,015	
Printing and Publishing		419	
Insurance		25	
Supplies		478	
Postage		211	
Communications		25	
Professional Services		529	
Transportation		490	
Miscellaneous		65	

Total Public Safety			8,257
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RECREATION AND CULTURAL

## Parks and Recreation

Operating Supplies	\$	2,545	
Insurance		256	
Contracted Services		1,150	
Repairs and Maintenance		30	
Equipment Rental		4,881	
Miscellaneous		136	
Capital Outlay		580	

Total Recreation and Cultural			9,578
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OTHER FUNCTIONS

## Fringe Benefits

Social Security	\$	4,272	
Medicare		543	

Total Other Functions			4,815
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TOTAL EXPENDITURES			\$ 84,532
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VILLAGE OF FIFE LAKE, MICHIGAN

GENERAL FUND  
ANALYSIS OF OTHER FINANCING SOURCES (USES)

YEAR ENDED FEBRUARY 28, 2002

OPERATING TRANSFERS OUT

Local Street Fund

\$ 13,500

VILLAGE OF FIFE LAKE, MICHIGANSPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEETFEBRUARY 28, 2002

	<u>MAJOR STREET FUND</u>	<u>LOCAL STREET FUND</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
<u>ASSETS</u>			
Cash	\$ 11,138	\$ 60	\$ 11,198
Due from Other Governments	9,133	6,593	15,726
<b>TOTAL ASSETS</b>	<b>\$ 20,271</b>	<b>\$ 6,653</b>	<b>\$ 26,924</b>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u>			
Unreserved	20,271	6,653	26,924
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 20,271</b>	<b>\$ 6,653</b>	<b>\$ 26,924</b>



VILLAGE OF FIFE LAKE, MICHIGANSPECIAL REVENUE FUNDSCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCESYEAR ENDED FEBRUARY 28, 2002

	MAJOR STREET FUND	LOCAL STREET FUND	TOTALS (MEMORANDUM ONLY)
<u>REVENUES</u>			
State Grants	\$ 32,185	\$ 18,590	\$ 50,775
Interest and Rents	396	33	429
Total Revenues	\$ 32,581	\$ 18,623	\$ 51,204
<u>EXPENDITURES</u>			
Public Works	27,755	30,576	58,331
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,826	\$ (11,953)	\$ (7,127)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In General Fund	0	13,500	13,500
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ 4,826	\$ 1,547	\$ 6,373
<u>FUND BALANCE</u> - Beginning of Year	15,445	5,106	20,551
<u>FUND BALANCE</u> - End of Year	\$ 20,271	\$ 6,653	\$ 26,924

VILLAGE OF FIFE LAKE, MICHIGANMAJOR STREET FUND  
BALANCE SHEETFEBRUARY 28, 2002ASSETS

Cash		
Checking Account	\$	27
Money Market Account		11,111
Due from Other Governments		<u>9,133</u>
 TOTAL ASSETS	\$	<u><u>20,271</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$	0
 <u>FUND BALANCE</u>		
Unreserved		<u>20,271</u>
 TOTAL LIABILITIES AND FUND BALANCE	\$	<u><u>20,271</u></u>

VILLAGE OF FIFE LAKE, MICHIGANMAJOR STREET FUNDSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEBUDGET AND ACTUALYEAR ENDED FEBRUARY 28, 2002

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
State Grants			
Michigan Transportation Fund (Act 51)	\$ 29,000	\$ 28,277	\$ (723)
Winter Maintenance (Act 51)	0	3,908	3,908
Interest and Rents			
Interest	60	396	336
Total Revenues	\$ 29,060	\$ 32,581	\$ 3,521
<u>EXPENDITURES</u>			
Public Works			
Routine Maintenance			
Salaries and Wages	\$ 2,700	\$ 3,152	\$ (452)
Social Security and Medicare	250	66	184
Materials and Supplies	7,000	5,852	1,148
Repairs and Maintenance	500	1,820	(1,320)
Equipment Rental	7,000	7,868	(868)
Winter Maintenance			
Salaries and Wages	3,300	1,447	1,853
Social Security and Medicare	225	196	29
Materials and Supplies	5,000	3,481	1,519
Equipment Rental	8,000	3,823	4,177
Administration and General			
Office Supplies	50	0	50
Professional Services	70	0	70
Insurance	50	50	0
Total Expenditures	\$ 34,145	\$ 27,755	\$ 6,390
Excess (Deficiency) of Revenues Over Expenditures	\$ (5,085)	\$ 4,826	\$ 9,911
<u>FUND BALANCE - Beginning of Year</u>	9,058	15,445	6,387
<u>FUND BALANCE - End of Year</u>	\$ 3,973	\$ 20,271	\$ 16,298

VILLAGE OF FIFE LAKE, MICHIGANLOCAL STREET FUND  
BALANCE SHEETFEBRUARY 28, 2002ASSETS

Cash		
Checking Account	\$	26
Money Market Account		34
Due from Other Governments		<u>6,593</u>
 TOTAL ASSETS	\$	<u><u>6,653</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$	0
 <u>FUND BALANCE</u>		
Unreserved		<u>6,653</u>
 TOTAL LIABILITIES AND FUND BALANCE	\$	<u><u>6,653</u></u>

VILLAGE OF FIFE LAKE, MICHIGANLOCAL STREET FUNDSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEBUDGET AND ACTUALYEAR ENDED FEBRUARY 28, 2002

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
State Grants			
Michigan Transportation Fund (Act 51)	\$ 17,500	\$ 14,678	\$ (2,822)
Winter Maintenance (Act 51)	0	3,912	3,912
Interest and Rents			
Interest	15	33	18
Total Revenues	\$ 17,515	\$ 18,623	\$ 1,108
<u>EXPENDITURES</u>			
Public Works			
Routine Maintenance			
Salaries and Wages	\$ 3,700	\$ 4,049	\$ (349)
Social Security and Medicare	400	305	95
Materials and Supplies	10,000	7,882	2,118
Repairs and Maintenance	500	780	(280)
Equipment Rental	10,000	8,016	1,984
Winter Maintenance			
Salaries and Wages	4,000	2,135	1,865
Social Security and Medicare	310	163	147
Materials and Supplies	3,000	1,310	1,690
Repairs and Maintenance	2,000	0	2,000
Equipment Rental	9,000	5,886	3,114
Administration and General			
Office Supplies	25	0	25
Professional Services	70	0	70
Insurance	50	50	0
Total Expenditures	\$ 43,055	\$ 30,576	\$ 12,479
Excess (Deficiency) of Revenues Over Expenditures	\$ (25,540)	\$ (11,953)	\$ 13,587

Continued

VLLAGE OF FIFE LAKE, MICHIGANLOCAL STREET FUNDSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CONTINUEDBUDGET AND ACTUALYEAR ENDED FEBRUARY 28, 2002

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>OTHER FINANCING SOURCES</u>			
Operating Transfers In General Fund	25,454	13,500	(11,954)
Excess (Deficiency) of Revenues Over Expenditures and Other Sources	\$ (86)	\$ 1,547	\$ 1,633
<u>FUND BALANCE</u> - Beginning of Year	86	5,106	5,020
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 6,653	\$ 6,653

VILLAGE OF FIFE LAKE, MICHIGANEQUIPMENT FUND  
BALANCE SHEETFEBRUARY 28, 2002ASSETSCURRENT ASSETS

Cash

Money Market Account

\$ 30,440

Certificate of Deposit

55,912

Total Current Assets

\$ 86,352PROPERTY, PLANT AND EQUIPMENT

Machinery and Equipment

\$ 127,863

Accumulated Depreciation

(79,937)

Total Property, Plant and Equipment

\$ 47,926

TOTAL ASSETS

\$ 134,278LIABILITIES AND FUND EQUITYCURRENT LIABILITIES

Current Portion of Equipment Contract

\$ 8,111

LONG-TERM LIABILITIES

Equipment - Contract (Net of Current Portion)

22,205

Total Liabilities

\$ 30,316

FUND EQUITY

Retained Earnings

103,962

TOTAL LIABILITIES AND FUND EQUITY

\$ 134,278

VILLAGE OF FIFE LAKE, MICHIGANEQUIPMENT FUNDSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGSYEAR ENDED FEBRUARY 28, 2002OPERATING REVENUES

Charges for Services	
Equipment Rental	\$ 29,644

OPERATING EXPENSES

Salaries and Wages	\$ 7,241
Social Security and Medicare	351
Office Supplies	4
Operating Supplies	5,496
Communications	173
Utilities	2,736
Transportation	214
Gasoline and Oil	1,427
Fleet Insurance	1,726
Repairs and Maintenance	12,444
Depreciation	5,694

Total Operating Expenses	\$ 37,506
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Operating Income (Loss)	\$ (7,862)
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NONOPERATING REVENUES (EXPENSES)

Interest Income	\$ 1,755
Interest Expense	(2,500)
Gain on Sale of Equipment	400

Total Nonoperating Revenues (Expenses)	\$ (345)
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Net Income (Loss)	\$ (8,207)
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<u>RETAINED EARNINGS</u> - Beginning of Year	112,169
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<u>RETAINED EARNINGS</u> - End of Year	\$ 103,962
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VILLAGE OF FIFE LAKE, MICHIGANEQUIPMENT FUND  
STATEMENT OF CASH FLOWSYEAR ENDED FEBRUARY 28, 2002CASH FLOWS FROM OPERATING ACTIVITIES:

Operating Income (Loss)	\$ (7,862)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	5,694
	<u>          </u>
Net Cash Provided by (Used for) Operating Activities	\$ <u>(2,168)</u>

CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES:

Gain on Sale of Equipment	\$ 400
Principal Payments on Equipment Contract	<u>(7,545)</u>
	<u>          </u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	\$ <u>(7,145)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Income	\$ 1,755
Interest Expense	<u>(2,500)</u>
	<u>          </u>
Net Cash Provided By (Used for) Investing Activities	\$ <u>(745)</u>
	<u>          </u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (10,058)

CASH AND CASH EQUIVALENTS - Beginning of Year 96,410CASH AND CASH EQUIVALENTS - End of Year \$ 86,352SUPPLEMENTAL DISCLOSURE

Cash Payments During Year	
Interest Paid	\$ <u><u>2,500</u></u>

VILLAGE OF FIFE LAKE, MICHIGAN  
STATEMENT OF 2001 PROPERTY TAX ROLL  
YEAR ENDED FEBRUARY 28, 2002

<u>TAXES ASSESSED</u> (Taxable Valuation \$7,861,760) General Fund (10.0000 Mills)	\$ 78,814
<u>TAXES COLLECTED</u> General Fund	<u>66,291</u>
<u>TAXES RETURNED DELINQUENT</u> General Fund	\$ <u>12,523</u>

# *Baird, Cotter and Bishop, P.C.*

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SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

October 16, 2002

## LETTER OF COMMENTS AND RECOMMENDATIONS

To the President and Village Council  
Village of Fife Lake  
Fife Lake, Michigan

During the course of our examination of the financial statements and records of the Village of Fife Lake, Michigan, for the year ended February 28, 2002, we noted the following items which we would like to bring to your attention:

### Budgeting

Pertaining to the Village's compliance with Public Act 621 of 1978 the following items are noted:

- (1) Two activities in the General Fund exceeded budgeted amounts. However, the overall budget preparation, adoption and monitoring is being handled very efficiently.

### Government Accounting Standards Board (GASB) Statement 34

The Government Accounting Standards Board has issued a new pronouncement that will dramatically change the way governmental entities report their financial information. For the Village GASB 34 will become effective for the year beginning March 1, 2004.

Some of the changes required by GASB 34 are as follows:

- a) Management's discussion and analysis will be the first thing in a financial report. This will be the administration's narrative overview of the information contained in the financial statements.
- b) The budgetary comparison information must report the original adopted budget and the final amended budget.
- c) Capital assets and long-term liabilities will be required to be reported in the balance sheet. The depreciation on the capital assets will then be reported as an expense in the statement of revenues and expenses. With this change, the financial statements of a government entity will look similar to a for-profit business financial statements.

We are available to advise you and offer assistance on how to proceed with steps needed to meet GASB 34 requirements.

Continued

### Check Numbers/Voucher Numbers

During our audit we noted that the serial sequence of numbers on the checks did not agree with the numbers being used on the vouchers. We recommend that the Village establish a system where the numbers being used agree with one another. This would make the tracing of accounting transactions much easier.

### Reportable Condition in Internal Controls

As part of our audit of the Village we considered the internal control structure in order to determine our auditing procedures. We are issuing a separate letter which addresses reportable conditions.

### Downtown Development Authority (DDA)

As reported in the financial statements the Downtown Development Authority is not reported in the Village Audit. We recommend that the Village Council take the necessary steps to insure the DDA is meeting state audit requirements. Also, we recommend that future audits of the Village include audited financial information of the DDA.

### INVESTMENT POLICY

Public Act 196 of 1997 became effective on December 30, 1997. It required local units of government to adopt an investment policy within 180 days of the end of the fiscal year they were in on the day the act took effect. The new law requires the policy to provide a statement of purpose, a delegation of authority to make investments, a list of authorized investment instruments, and to provide procedures for safekeeping of assets. We suggest that the Village review the requirements of Act 196 and adopt an investment policy as soon as possible.

### EQUIPMENT FUND LOAN

Currently, the Village is making a monthly loan payment on a tractor loader to Forest Area Federal Credit Union. The interest rate on the loan is 7.25%, while the interest being earned on Village investments ranges from 1.75% to 4.13%. We recommend the Village consider paying off the loan early to save funds due to the difference in interest rates.

We wish to express our appreciation for the cooperation and courtesy extended to our staff by the municipal employees during the course of our examination. In addition, we would like to thank the Village Council for giving us this opportunity to serve you. If you have any questions relative to the preceding comments and recommendations, or other areas of your annual audit, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.



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CERTIFIED PUBLIC ACCOUNTANTS

October 16, 2002

## LETTER OF REPORTABLE CONDITIONS

To the Village Council  
Village of Fife Lake, Michigan

In planning and performing our audit of the general-purpose financial statements of the Village of Fife Lake, Michigan for the year ended February 28, 2002, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

The relatively small number of people involved in the accounting functions of the Village make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Council must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weaknesses.

Continued

This report is intended solely for the information and use of the Council and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Very truly yours,

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

