

VILLAGE OF FIFE LAKE, MICHIGAN

FEBRUARY 29, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Fife Lake</b>	County <b>Kalkaska</b>
Audit Date <b>2/29/04</b>	Opinion Date <b>1/4/05</b>	Date Accountant Report Submitted to State: <b>1/31/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- Yes  No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- Yes  No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- Yes  No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- Yes  No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- Yes  No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- Yes  No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- Yes  No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- Yes  No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- Yes  No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Baird, Cotter &amp; Bishop, P.C.</b>			
Street Address <b>134 W. Harris Street</b>		City <b>Cadillac</b>	State <b>MI</b>
Accountant Signature <i>[Signature]</i>		ZIP <b>49601</b>	Date <b>1/31/05</b>

VILLAGE OF FIFE LAKE, MICHIGAN  
FEBRUARY 29, 2004

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CERTIFIED PUBLIC ACCOUNTANTS

January 4, 2005

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 29, 2004, 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 29, 2004.

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 29, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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 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, MICHIGAN

COMBINED BALANCE SHEET  
ALL FUND TYPES

FEBRUARY 29, 2004

	<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	\$ 128,347	\$ 18,920	\$ 94,021	\$ 241,288
Taxes Receivable	542	0	0	542
Due from Other Governments	0	13,299	0	13,299
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	0	0	36,538	36,538
<b>TOTAL ASSETS</b>	<b>\$ 128,889</b>	<b>\$ 32,219</b>	<b>\$ 130,559</b>	<b>\$ 291,667</b>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES</u>				
Current Portion of Equipment Contract	\$ 0	\$ 0	\$ 9,375	\$ 9,375
Equipment Contract (Net of Current Portion)	0	0	4,110	4,110
Accrued Liabilities	1,707	0	0	1,707
<b>Total Liabilities</b>	<b>\$ 1,707</b>	<b>\$ 0</b>	<b>\$ 13,485</b>	<b>\$ 15,192</b>
<u>FUND EQUITY</u>				
Retained Earnings	\$ 0	\$ 0	\$ 117,074	\$ 117,074
Fund Balance Unreserved	127,182	32,219	0	159,401
<b>Total Fund Equity</b>	<b>\$ 127,182</b>	<b>\$ 32,219</b>	<b>\$ 117,074</b>	<b>\$ 276,475</b>
<b>TOTAL LIABILITIES, AND FUND EQUITY</b>	<b>\$ 128,889</b>	<b>\$ 32,219</b>	<b>\$ 130,559</b>	<b>\$ 291,667</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 BALANCES  
ALL GOVERNMENTAL FUND TYPES

YEAR ENDED FEBRUARY 29, 2004

	GENERAL	SPECIAL REVENUE	TOTAL (MEMORANDUM ONLY)
<u>REVENUES</u>			
Taxes	\$ 86,042	\$ 0	\$ 86,042
Licenses and Permits	3,844	0	3,844
State Grants	46,123	50,535	96,658
Contributions from Local Units	825	0	825
Interest and Rents	2,611	480	3,091
Other Revenue	18	0	18
Total Revenues	<u>\$ 139,463</u>	<u>\$ 51,015</u>	<u>\$ 190,478</u>
<u>EXPENDITURES</u>			
Legislative	\$ 15,851	\$ 0	\$ 15,851
General Government	38,097	0	38,097
Public Works	21,710	55,625	77,335
Community and Economic Development	11,682	0	11,682
Recreation and Cultural	7,603	0	7,603
Other Functions	3,907	0	3,907
Total Expenditures	<u>\$ 98,850</u>	<u>\$ 55,625</u>	<u>\$ 154,475</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 40,613</u>	<u>\$ (4,610)</u>	<u>\$ 36,003</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	\$ 0	\$ 4,100	\$ 4,100
Operating Transfers Out	(4,100)	0	(4,100)
Total Other Financing Sources (Uses)	<u>\$ (4,100)</u>	<u>\$ 4,100</u>	<u>\$ 0</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ 36,513</u>	<u>\$ (510)</u>	<u>\$ 36,003</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>90,669</u>	<u>32,729</u>	<u>123,398</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 127,182</u>	<u>\$ 32,219</u>	<u>\$ 159,401</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 29, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Taxes	\$ 82,700	\$ 86,042	\$ 3,342
Licenses and Permits	3,150	3,844	694
State Grants	50,000	46,123	(3,877)
Contributions from Local Units	2,200	825	(1,375)
Interest and Rents	2,500	2,611	111
Other Revenue	120	18	(102)
Total Revenues	\$ 140,670	\$ 139,463	\$ (1,207)
<u>EXPENDITURES</u>			
Legislative	\$ 16,665	\$ 15,851	\$ 814
General Government	35,523	38,097	(2,574)
Public Works	25,324	21,710	3,614
Community and Economic Development	10,240	11,682	(1,442)
Recreation and Cultural	12,385	7,603	4,782
Other Functions	3,170	3,907	(737)
Total Expenditures	\$ 103,307	\$ 98,850	\$ 4,457
Excess (Deficiency) of Revenues Over Expenditures	\$ 37,363	\$ 40,613	\$ 3,250
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	\$ 0	\$ 0	\$ 0
Operating Transfers Out	(11,861)	(4,100)	7,761
Total Other Financing Sources (Uses)	\$ (11,861)	\$ (4,100)	\$ 7,761
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 25,502	\$ 36,513	\$ 11,011
<u>FUND BALANCE</u> - Beginning of Year	90,669	90,669	0
<u>FUND BALANCE</u> - End of Year	\$ 116,171	\$ 127,182	\$ 11,011

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

EXHIBIT 3

SPECIAL REVENUE FUND TYPES			
BUDGET	ACTUAL		VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 0	\$ 0	\$	0
0	0		0
45,800	50,535		4,735
0	0		0
325	480		155
0	0		
<u>\$ 46,125</u>	<u>\$ 51,015</u>	<u>\$</u>	<u>4,890</u>
\$ 0	\$ 0	\$	0
0	0		0
81,320	55,625		25,695
0	0		0
0	0		0
0	0		0
<u>\$ 81,320</u>	<u>\$ 55,625</u>	<u>\$</u>	<u>25,695</u>
<u>\$ (35,195)</u>	<u>\$ (4,610)</u>	<u>\$</u>	<u>30,585</u>
\$ 11,861	\$ 4,100	\$	(7,761)
0	0		0
<u>\$ 11,861</u>	<u>\$ 4,100</u>	<u>\$</u>	<u>(7,761)</u>
\$ (23,334)	\$ (510)	\$	22,824
32,729	32,729		0
<u>\$ 9,395</u>	<u>\$ 32,219</u>	<u>\$</u>	<u>22,824</u>

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

VILLAGE OF FIFE LAKE, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES - EQUIPMENT FUND

YEAR ENDED FEBRUARY 29, 2004

OPERATING REVENUES

Charges for Services	\$ 22,815
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OPERATING EXPENSES

Salaries and Wages	\$ 5,473
Social Security and Medicare	225
Gasoline and Oil	1,762
Operating Supplies	977
Office Supplies	78
Communications	86
Insurance	1,251
Utilities	2,091
Repairs and Maintenance	2,867
Depreciation	5,694

Total Operating Expenses	\$ 20,504
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Operating Income (Loss)	\$ 2,311
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NONOPERATING REVENUES (EXPENSES)

Interest Income	\$ 1,328
Interest Expense	(1,325)

Total Nonoperating Revenues (Expenses)	\$ 3
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Net Income (Loss)	\$ 2,314
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<u>RETAINED EARNINGS</u> - Beginning of Year	114,760
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<u>RETAINED EARNINGS</u> - End of Year	\$ 117,074
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF FIFE LAKE, MICHIGAN

STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES - EQUIPMENT FUND

YEAR ENDED FEBRUARY 29, 2004

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	\$ 2,311
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	\$ 8,005
	8,005
<u>CASH FLOWS FROM CAPITAL AND</u>	
<u>RELATED FINANCING ACTIVITIES:</u>	
Principal Payments on Equipment Contract	\$ (8,720)
	(8,720)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Interest Income	\$ 1,328
Interest Expense	(1,325)
	(1,325)
Net Cash Provided (Used) by Investing Activities	\$ 3
	3
Net Increase (Decrease) in	
Cash and Cash Equivalents	\$ (712)
	(712)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	94,733
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	\$ 94,021
	94,021
<u>SUPPLEMENTAL DISCLOSURE</u>	
Cash Payments During Year	
Interest Paid	\$ 1,325
	1,325

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

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2004

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.

VILLAGE OF FIFE LAKE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2004

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.

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.

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2004

- d. In repurchase agreements consisting of instruments listed in subdivision (a).
  - e. In bankers' acceptances of United States banks.
  - 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.

VILLAGE OF FIFE LAKE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2004

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.



VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2004

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.

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 29, 2004

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 \$241,288 and the bank balance was \$246,374. Of the bank balance, \$141,187 was covered by federal depository insurance and \$105,187 was uninsured and uncollateralized.

**B. Due from Other Governments**

The \$13,299 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 29, 2004:

	EQUIPMENT NOTES PAYABLE
Long-Term Debt Payable at March 1, 2003	\$ 22,205
Additions to Long-Term Debt	0
Long-Term Debt Retired	(8,720)
Long-Term Debt Payable at February 29, 2004	\$ 13,485

Long-Term debts at February 29, 2004, 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%	\$ 13,485
--	-----------

The annual payments to amortize all debt outstanding as of February 29, 2004, including interest payments of \$746, are as follows:

<u>YEAR ENDING</u> <u>FEBRUARY 28,</u>	EQUIPMENT NOTES PAYABLE
2005	\$ 10,045
2006	4,186
	\$ 14,231

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2004

IV. OTHER INFORMATION

**A. Property Taxes**

The Village levied 9.4400 mills on a taxable value of \$9,094,192 on the 2003 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 Grand Traverse County.

**B. Interest Income and Expense**

For the year ended February 29, 2004, interest income on deposits and investments, and interest expense is summarized as follows:

	INTEREST	
	INCOME	EXPENSE
General Fund	\$ 2,611	\$ 0
Major Street Fund	438	0
Local Street Fund	42	0
Equipment Fund	1,328	1,325
	<u>\$ 4,419</u>	<u>\$ 1,325</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 29, 2004

<u>ASSETS</u>		
Cash		
Checking Account		\$ 92,986
Savings Account		33,652
Certificates of Deposit		1,709
Taxes Recievable		542
		<hr/>
TOTAL ASSETS		\$ 128,889
		<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Payroll Deductions Payable		\$ 827
Accrued Taxes Payable		880
		<hr/>
Total Liabilities		\$ 1,707
<u>FUND BALANCE</u>		
Unreserved		127,182
		<hr/>
TOTAL LIABILITIES AND FUND BALANCE		\$ 128,889
		<hr/> <hr/>

VILLAGE OF FIFE LAKE, MICHIGANGENERAL FUNDSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEYEAR ENDED FEBRUARY 29, 2004REVENUES

Taxes	\$ 86,042
Licenses and Permits	3,844
State Grants	46,123
Contributions from Local Units	825
Interest and Rents	2,611
Other Revenues	18
	<hr/>
Total Revenues	\$ 139,463

EXPENDITURES

Legislative	\$ 15,851
General Government	38,097
Public Works	21,710
Community and Economic Development	11,682
Recreation and Cultural	7,603
Other Functions	3,907
	<hr/>
Total Expenditures	\$ 98,850

Excess (Deficiency) of Revenues Over Expenditures	\$ 40,613
---	-----------

OTHER FINANCING SOURCES (USES)

Operating Transfers Out	<hr/> (4,100)
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Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ 36,513
---	-----------

<u>FUND BALANCE</u> - Beginning of Year	<hr/> 90,669
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<u>FUND BALANCE</u> - End of Year	<hr/> <hr/> \$ 127,182
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VILLAGE OF FIFE LAKE, MICHIGANGENERAL FUND  
ANALYSIS OF REVENUESYEAR ENDED FEBRUARY 29, 2004TAXES

Current Property Tax	\$ 85,849	
Penalties and Interest	193	
Total Taxes	<u>          </u>	\$ 86,042

LICENSES AND PERMITS

Land Use Permits	\$ 380	
Planning and Zoning Fees	250	
Cable T.V. Franchise	3,214	
Total Licenses and Permits	<u>          </u>	3,844

STATE GRANTS

Sales Tax	\$ 45,126	
Liquor Licenses	997	
Total State Grants	<u>          </u>	46,123

CONTRIBUTIONS FROM LOCAL UNITS

Parks and Recreation		825
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INTEREST AND RENTS

Interest		2,611
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OTHER REVENUE

Refunds and Miscellaneous		<u>18</u>
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TOTAL REVENUES		<u>\$ 139,463</u>
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VILLAGE OF FIFE LAKE, MICHIGANGENERAL FUND  
ANALYSIS OF EXPENDITURESYEAR ENDED FEBRUARY 29, 2004LEGISLATIVE

## Village Council

Salaries and Wages

Council

\$ 4,750

Aquatic Nuisance

1,392

Memberships and Dues

586

Community Promotion

1,025

Insurance

3,920

Professional Services

2,552

Printing and Publishing

915

Miscellaneous

711

Total Legislative

\$ 15,851

GENERAL GOVERNMENT

## Elections

Office Supplies

\$ 69

Miscellaneous

167

\$ 236

## Clerk

Salaries and Wages

1,080

## Village Office

Salaries and Wages

\$ 5,552

Office Supplies

900

Postage

368

Contracted Services

645

Transportation

19

Insurance

218

Repairs and Maintenance

85

Capital Outlay

1,456

9,243

## Treasurer's Office

Salaries and Wages

3,000

## Building and Grounds - Village Hall

Supplies

\$ 2,941

Insurance

497

Communications

535

Utilities

10,731

Garbage Removal

2,677

Repairs and Maintenance

4,450

Equipment Rental

2,707

24,538

Total General Government

38,097

VILLAGE OF FIFE LAKE, MICHIGANGENERAL FUND  
ANALYSIS OF EXPENDITURESYEAR ENDED FEBRUARY 29, 2004

<u>PUBLIC WORKS</u>		
Department of Public Works		
Salaries and Wages	\$ 20,687	
Operating Supplies	490	
Insurance	370	
Transportation	163	
	<hr/>	
Total Public Works		21,710
<u>COMMUNITY AND ECONOMIC DEVELOPMENT</u>		
Planning and Zoning Board		
Salaries and Wages	\$ 5,495	
Printing and Publishing	703	
Insurance	13	
Supplies	78	
Education	75	
Professional Services	5,288	
Transportation	18	
Miscellaneous	12	
	<hr/>	
Total Community and Economic Development		11,682
<u>RECREATION AND CULTURAL</u>		
Parks and Recreation		
Operating Supplies	\$ 2,659	
Insurance	38	
Contracted Services	700	
Repairs and Maintenance	593	
Equipment Rental	3,406	
Miscellaneous	207	
	<hr/>	
Total Recreation and Cultural		7,603
<u>OTHER FUNCTIONS</u>		
Fringe Benefits		
Social Security and Medicare		<hr/> 3,907
TOTAL EXPENDITURES		\$ 98,850
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers Out		
Local Street Fund		<hr/> 4,100
TOTAL EXPENDITURES AND OTHER FINANCING USES		<hr/> <hr/> \$102,950



VILLAGE OF FIFE LAKE, MICHIGAN

SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET

FEBRUARY 29, 2004

	<u>MAJOR STREET FUND</u>	<u>LOCAL STREET FUND</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
<u>ASSETS</u>			
Cash	\$ 18,890	\$ 30	\$ 18,920
Due from Other Governments	6,906	6,393	13,299
TOTAL ASSETS	<u>\$ 25,796</u>	<u>\$ 6,423</u>	<u>\$ 32,219</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u>			
Unreserved	<u>25,796</u>	<u>6,423</u>	<u>32,219</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 25,796</u>	<u>\$ 6,423</u>	<u>\$ 32,219</u>

## VILLAGE OF FIFE LAKE, MICHIGAN

## SPECIAL REVENUE FUNDS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED FEBRUARY 29, 2004

	MAJOR STREET FUND	LOCAL STREET FUND	TOTALS (MEMORANDUM ONLY)
<u>REVENUES</u>			
State Grants	\$ 31,501	\$ 19,034	\$ 50,535
Interest and Rents	438	42	480
Total Revenues	\$ 31,939	\$ 19,076	\$ 51,015
<u>EXPENDITURES</u>			
Public Works	33,721	21,904	55,625
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,782)	\$ (2,828)	\$ (4,610)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In General Fund	0	4,100	4,100
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (1,782)	\$ 1,272	\$ (510)
<u>FUND BALANCE - Beginning of Year</u>	27,578	5,151	32,729
<u>FUND BALANCE - End of Year</u>	\$ 25,796	\$ 6,423	\$ 32,219

VILLAGE OF FIFE LAKE, MICHIGANMAJOR STREET FUND  
BALANCE SHEETFEBRUARY 29, 2004ASSETS

Cash	\$	18,890
Money Market Account		6,906
Due from Other Governments		<u>        </u>
TOTAL ASSETS	\$	<u>25,796</u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$	0
<u>FUND BALANCE</u>		<u>25,796</u>
Unreserved		<u>        </u>
TOTAL LIABILITIES AND FUND BALANCE	\$	<u>25,796</u>

## VILLAGE OF FIFE LAKE, MICHIGAN

## MAJOR STREET FUND

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

## BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 29, 2004

<u>REVENUES</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
State Grants			
Michigan Transportation Fund (Act 51)	\$ 28,000	\$ 30,204	\$ 2,204
Winter Maintenance (Act 51)	0	1,297	1,297
Interest and Rents			
Interest	300	438	138
Total Revenues	<u>\$ 28,300</u>	<u>\$ 31,939</u>	<u>\$ 3,639</u>
<u>EXPENDITURES</u>			
Public Works			
Routine Maintenance			
Salaries and Wages	\$ 3,227	\$ 1,769	\$ 1,458
Social Security and Medicare	247	114	133
Deferred Compensation	78	43	35
Materials and Supplies	5,500	1,068	4,432
Repairs and Maintenance	750	333	417
Equipment Rental	6,000	3,805	2,195
Winter Maintenance			
Salaries and Wages	2,500	1,619	881
Social Security and Medicare	191	124	67
Deferred Compensation	66	45	21
Materials and Supplies	3,000	2,854	146
Equipment Rental	4,000	4,506	(506)
Contracted Services	1,500	0	1,500
Administration and General			
Professional Services	15,000	17,441	(2,441)
Insurance	60	0	60
Total Expenditures	<u>\$ 42,119</u>	<u>\$ 33,721</u>	<u>\$ 8,398</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (13,819)	\$ (1,782)	\$ 12,037
<u>FUND BALANCE - Beginning of Year</u>	<u>27,578</u>	<u>27,578</u>	<u>0</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 13,759</u>	<u>\$ 25,796</u>	<u>\$ 12,037</u>

VILLAGE OF FIFE LAKE, MICHIGANLOCAL STREET FUND  
BALANCE SHEETFEBRUARY 29, 2004

<u>ASSETS</u>	
Cash	
Money Market Account	\$ 30
Due from Other Governments	<u>6,393</u>
 TOTAL ASSETS	 <u>\$ 6,423</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
 <u>LIABILITIES</u>	 \$ 0
 <u>FUND BALANCE</u>	
Unreserved	 <u>6,423</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 6,423</u>

## VILLAGE OF FIFE LAKE, MICHIGAN

LOCAL STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED FEBRUARY 29, 2004

<u>REVENUES</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
State Grants			
Michigan Transportation Fund (Act 51)	\$ 17,800	\$ 15,535	\$ (2,265)
Winter Maintenance (Act 51)	0	3,499	3,499
Interest and Rents			
Interest	25	42	17
<b>Total Revenues</b>	<b>\$ 17,825</b>	<b>\$ 19,076</b>	<b>\$ 1,251</b>
<u>EXPENDITURES</u>			
Public Works			
Routine Maintenance			
Salaries and Wages	\$ 4,374	\$ 1,979	\$ 2,395
Social Security and Medicare	335	173	162
Deferred Compensation	110	54	56
Materials and Supplies	9,300	4,781	4,519
Repairs and Maintenance	800	333	467
Equipment Rental	9,000	3,685	5,315
Winter Maintenance			
Salaries and Wages	3,333	1,731	1,602
Social Security and Medicare	255	132	123
Deferred Compensation	84	49	35
Materials and Supplies	4,000	4,281	(281)
Repairs and Maintenance	1,500	0	1,500
Equipment Rental	6,000	4,706	1,294
Administration and General			
Professional Services	50	0	50
Insurance	60	0	60
<b>Total Expenditures</b>	<b>\$ 39,201</b>	<b>\$ 21,904</b>	<b>\$ 17,297</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (21,376)	\$ (2,828)	\$ 18,548

VILLAGE OF FIFE LAKE, MICHIGANLOCAL STREET FUNDSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEBUDGET AND ACTUALYEAR ENDED FEBRUARY 29, 2004OTHER FINANCING SOURCES

Operating Transfers In General Fund	11,861	4,100	(7,761)
Excess (Deficiency) of Revenues Over Expenditures and Other Sources	\$ (9,515)	\$ 1,272	\$ 10,787
<u>FUND BALANCE</u> - Beginning of Year	5,151	5,151	0
<u>FUND BALANCE</u> - End of Year	\$ (4,364)	\$ 6,423	\$ 10,787

VILLAGE OF FIFE LAKE, MICHIGANEQUIPMENT FUND  
BALANCE SHEETFEBRUARY 29, 2004

<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash		
Money Market Account		\$ 52,356
Certificate of Deposit		41,665
		<u>          </u>
Total Current Assets		\$ 94,021
		<u>          </u>
<u>PROPERTY, PLANT AND EQUIPMENT</u>		
Machinery and Equipment		\$ 127,863
Accumulated Depreciation		91,325
		<u>          </u>
Total Property, Plant and Equipment		\$ 36,538
		<u>          </u>
		<u>          </u>
TOTAL ASSETS		<u>\$ 130,559</u>
		<u>          </u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Current Portion of Equipment Contract		\$ 9,375
<u>LONG-TERM LIABILITIES</u>		
Equipment - Contract (Net of Current Portion)		4,110
		<u>          </u>
Total Liabilities		\$ 13,485
<u>FUND EQUITY</u>		
Retained Earnings		117,074
		<u>          </u>
TOTAL LIABILITIES AND FUND EQUITY		<u>\$ 130,559</u>



VILLAGE OF FIFE LAKE, MICHIGANEQUIPMENT FUNDSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGSYEAR ENDED FEBRUARY 29, 2004OPERATING REVENUES

Charges for Services	
Equipment Rental	\$ 22,815

OPERATING EXPENSES

Salaries and Wages	\$ 5,473
Social Security and Medicare	225
Gasoline and Oil	1,762
Operating Supplies	977
Office Supplies	78
Communications	86
Insurance	1,251
Utilities	2,091
Repairs and Maintenance	2,867
Depreciation	5,694

Total Operating Expenses	<u>\$ 20,504</u>
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Operating Income (Loss)	<u>\$ 2,311</u>
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NONOPERATING REVENUES (EXPENSES)

Interest Income	\$ 1,328
Interest Expense	<u>(1,325)</u>

Total Nonoperating Revenues (Expenses)	<u>\$ 3</u>
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Net Income (Loss)	\$ 2,314
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<u>RETAINED EARNINGS</u> - Beginning of Year	<u>114,760</u>
--	----------------

<u>RETAINED EARNINGS</u> - End of Year	<u><u>\$ 117,074</u></u>
--	--------------------------

VILLAGE OF FIFE LAKE, MICHIGANEQUIPMENT FUND  
STATEMENT OF CASH FLOWSYEAR ENDED FEBRUARY 29, 2004

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	\$ 2,311
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	5,694
	<u>5,694</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 8,005</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Principal Payments on Equipment Contract	<u>\$ (8,720)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Interest Income	\$ 1,328
Interest Expense	(1,325)
	<u>3</u>
Net Cash Provided By (Used for) Investing Activities	<u>\$ 3</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (712)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>94,733</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 94,021</u>
<u>SUPPLEMENTAL DISCLOSURE</u>	
Cash Payments During Year	
Interest Paid	<u>\$ 1,325</u>

VILLAGE OF FIFE LAKE, MICHIGAN  
STATEMENT OF 2003 PROPERTY TAX ROLL  
YEAR ENDED FEBRUARY 29, 2004

<u>TAXES ASSESSED</u> (Taxable Valuation \$9,094,192)	
General Fund (9.4400 Mills)	\$ 85,849
<u>TAXES COLLECTED</u>	
General Fund	<u>85,307</u>
<u>TAXES RETURNED DELINQUENT</u>	
General Fund	<u>\$ 542</u>

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

CERTIFIED PUBLIC ACCOUNTANTS

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CADILLAC, MICHIGAN 49601  
231-775-9789  
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JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

January 4, 2005

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 29, 2004, 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) Three 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 ending February 28, 2005.

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.

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.

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.

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

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DALE D. COTTER, C.P.A.

January 4, 2005

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 29, 2004, 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.

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.*