

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 Village of Fife Lake	County Kalkaska
Audit Date 2/28/06	Opinion Date 4/27/06	Date Accountant Report Submitted to State: 5/25/06	

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) Baird, Cotter and Bishop, P.C.			
Street Address 134 West Harris Street		City Cadillac	State MI
		ZIP 49601	
Accountant Signature <i>[Signature]</i>		Date 5/25/06	

VILLAGE OF FIFE LAKE, MICHIGAN

FEBRUARY 28, 2006

VILLAGE OF FIFE LAKE, MICHIGAN

FEBRUARY 28, 2006

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditors' Report	i-ii
Management's Discussion and Analysis	iii-viii
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	1
Statements of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balances	5-6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	7
Proprietary Fund	
Statement of Net Assets	8
Statement of Revenues, Expenses, and Changes in Fund Net Assets	9
Statement of Cash Flows	10
Notes to Financial Statements	11-20
Required Supplementary Information	
Budgetary Comparison Schedule - Major Governmental Funds	21
Financial Statements of Individual Funds	
Major Governmental Funds	
<u>General Fund</u>	
Balance Sheet	22
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	23
Analysis of Revenues	24
Analysis of Expenditures	25-27
<u>Major Street Fund</u>	
Balance Sheet	28
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	29

VILLAGE OF FIFE LAKE, MICHIGAN

FEBRUARY 28, 2006

TABLE OF CONTENTS

	<u>PAGES</u>
<u>Local Street Fund</u>	
Balance Sheet	30
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	31-32
Major Proprietary Funds	
<u>Internal Service Fund</u>	
<u>Equipment Fund</u>	
Statement of Net Assets	33
Schedule of Revenues, Expenses and Changes in Fund Net Assets	34
Statement of Cash Flows	35
Other Information	
Statement of 2005 Tax Roll	36
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37-38
Letter of Reportable Conditions	39-40
Letter of Comments and Recommendations	41-42

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CERTIFIED PUBLIC ACCOUNTANTS

April 27, 2006

INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Fife Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Village of Fife Lake, Michigan, as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Fife Lake, Michigan's, management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

The financial statements referred to above do not include the complete financial data of the Village's component unit, the Downtown Development Authority, which should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the basic financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position, of the governmental activities, the business-type activities and each major fund of the Village of Fife Lake, Michigan, as of February 28, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as of March 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2006 on our consideration of the Village of Fife Lake’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management’s discussion and analysis and budgetary comparison information on pages iii through ix and 21, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepting in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Village of Fife Lake, Michigan, basic financial statements. The individual fund financial statements and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

VILLAGE OF FIFE LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

Management's Discussion and Analysis

The management of the Village of Fife Lake, Michigan ("the Village") offers this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2006 for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Village's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

Government-Wide

- ❖ The assets of the Village exceeded its liabilities at the close of this fiscal year by \$433,732 (shown as *Net Assets*), representing an increase of \$39,314 over the previous fiscal year. Governmental Funds represented all of this increase.

Fund Level Financial Highlights

- ❖ As of February 28, 2006, the governmental funds of the Village of Fife Lake reported combined ending fund balances of \$193,684, of which \$193,684 is unreserved.
- ❖ The unreserved fund balance of the Village's General Fund increased this year to \$146,151, or 62.40% of total general fund expenditures.

Long-Term Debt

- ❖ The Village of Fife Lake's total debt decreased by \$4,111 during the fiscal year leaving a balance of \$0 at February 28, 2006.

Overview of the Financial Statements

The Village of Fife Lake's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide a broad overview of the Village's financial position. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the Village as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

The *Statement of Net Assets* (Page 1) presents information on all of the Village's assets and liabilities, the difference between the two being reported as the Net Assets of the Village. Over

VILLAGE OF FIFE LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* (Page 2) gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the Village that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the Village include general government, major and local streets, public works, recreation and culture.

Focus on Funds

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. The Village's major Governmental Funds include the General Fund, Major Street Fund and Local Street Fund. The major Proprietary Fund is the Equipment Fund. Presentation of major funds can be found on pages 22-35 of this document.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Village of Fife Lake uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds Many of the Village's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Schedule of Revenues, Expenditures and Changes in Fund Balance as an expenditure. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. Governmental funds for the Village include the General Fund as well as the special revenue funds.

VILLAGE OF FIFE LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

Proprietary Funds Proprietary funds account for services for which the Village charges its customers for the services they are provided. These charges can be to external customers or other agencies within the Village. Internal Service funds are one type of proprietary funds:

- These Funds provide services to other departments within the village. This fund allows the Village to allocate costs of centralized services such as the Village's vehicles and equipment. The Village has one internal service fund, which is the Equipment Fund.

Component Units The Village's Comprehensive Annual Financial Report includes reporting on separate legal entities for which the Village has some level of financial responsibility. The Village's only component unit is the Downtown Development Authority. The Downtown Development Authority is not included in this report.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found beginning on Page 11 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements. This information can be found beginning on Page 21 of this report.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Village's financial position over time. The Net Assets of the Village are \$433,732 at February 28, 2006, meaning that the Village's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A useful comparative analysis will be presented in future years when the information is available.

Village of Fife Lake
Net Assets
As of February 28, 2006

	<u>Governmental Activities</u>
Current assets	301,491
Capital Assets	133,921
Total Assets	<u>435,412</u>

VILLAGE OF FIFE LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

Current liabilities	<u>1,680</u>
Net Assets	
Invested in capital assets, net of related debt	133,921
Unrestricted	<u>299,811</u>
Total Net Assets	<u>433,732</u>

The Village's Net Assets comprises \$133,921 invested in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Village used to acquire or construct the asset. The Village has \$299,811 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Village policies regarding their use.

The total net assets of the Village increased \$39,314 in this fiscal year, which is a good indicator that the Village experienced positive financial growth during the year. As a result, the Village ended the fiscal year in better condition than when the year started.

The following table illustrates and summarizes the results of the changes in the Net Assets for the Village. The condensed information was derived from the Government-wide Statement of Activities.

Village of Fife Lake
Change in Net Assets
For the Fiscal Year Ended February 28, 2006

	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 4,625
Operating Grants and Contributions	159,413
General Revenues	
Property Taxes and Assessments	92,852
State Shared Revenue	44,728
Unrestricted Investment Earnings	2,996
Other	73
Total Revenues	<u>\$ 304,687</u>
<u>Expenses</u>	
Legislative	\$ 15,171
General Government	32,075
Public Works	196,601
Community and Economic Development	6,479
Recreation and Culture	8,437

VILLAGE OF FIFE LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

Other Function	3,924
Unallocated Depreciation	2,686
Total Expenses	<u>\$ 265,373</u>
Increase (Decrease) in Net Assets	\$ 39,314
Beginning Net Assets	394,418
Ending Net Assets	<u><u>\$ 433,732</u></u>

Governmental Activities

One significant portion of the revenue for all governmental activities of the Village of Fife Lake comes from Property Taxes (30.47%). The Village's operating millage was 10.0817 mills. The Village's charter allows the Village to levy up to 15.00 mills for operations.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. In 2006, the amount of state shared revenue received by the Village once again trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Village's governmental activities expenses are dominated by the Public Works expenses that total 74.08% of total expenses. The Village spent \$196,601 in FY2006 on Public Works. General Government Administrative represented the next largest expense at \$32,075 or 12.09% of total expenses within the governmental activities.

Financial Analysis of the Government's Funds

Governmental Activities At the completion of the Village's fiscal year ended February 28, 2006, its governmental funds reported fund balances of \$193,684, all of which is unreserved.

General Fund – The General Fund is the main operating fund of the Village. The General Fund increased its fund balance in this fiscal year by \$18,219, bringing the balance to \$146,151. Unreserved fund balance increased by \$18,219. All of the General Fund's major functions with the exception of Public Works ended the year with expenditures below appropriated amounts. In the Public Works, the street lighting project accounted for much of the overage.

Major Street Fund – The fund balance of the Major Street Fund ended the year at \$44,583. This was an increase of \$16,320 from the previous year.

Local Street Fund – The fund balance of this fund is at \$2,950, a decrease of \$2,281, during this fiscal year.

VILLAGE OF FIFE LAKE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

Proprietary Funds The Village's proprietary fund provides virtually the same information as the government-wide statements; however more detail may be found in the fund financial statements.

Equipment Fund – The Equipment Fund ended this fiscal year with \$131,277 in unrestricted net assets. The net assets of the fund increased by \$9,742 in 2006. This fund remains in sound fiscal condition moving forward.

Capital Asset and Debt Administration

Capital Assets. The Village's investment in capital assets for the governmental and business-type activities as of February 28, 2006 amounted to \$133,921 (net of accumulated depreciation). Capital assets of the Village include any items purchased that cost in excess of \$5,000 and have an expected useful life of over one year. The Village has invested in a broad range of capital assets, as detailed below:

Village of Fife Lake
Capital Assets as of February 28, 2006

	Governmental Activities
Land	\$ 40,279
Buildings	134,250
Machinery and Equipment	<u>127,863</u>
Subtotal	\$ 302,392
Accumulated Depreciation	<u>168,471</u>
Net Capital Assets	<u>\$ 133,921</u>

Additional information regarding the Village's capital assets can be found in the Notes to Financial Statements section on pages 11-20.

Long-Term Debt. As of February 28, 2006, the Village had no long-term debt.

Contacting the Village's Finance Department

This financial report is designed to provide the wide variety of users of this document with a general overview of the Village's finances and demonstrate the Village's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the Village of Fife Lake, P.O. Box 298, Fife Lake, Michigan 49663, or call us at (231) 879-4291.

VILLAGE OF FIFE LAKE, MICHIGAN

STATEMENT OF NET ASSETS

FEBRUARY 28, 2006

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
<u>CURRENT ASSETS</u>	
Cash	\$ 284,803
Taxes Receivables	1,141
Due from Other Governmental Units	15,547
	<hr/>
Total Current Assets	\$ 301,491
	<hr/>
<u>CAPITAL ASSETS</u>	
Land	\$ 40,279
Buildings	134,250
Machinery and Equipment	127,863
	<hr/>
	\$ 302,392
Less Accumulated Depreciation	168,471
Net Capital Assets	\$ 133,921
	<hr/>
TOTAL ASSETS	\$ 435,412
	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Payroll Withholdings Payable	\$ 1,230
Accrued Taxes Payable	450
	<hr/>
Total Current Liabilities	\$ 1,680
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 133,921
Unrestricted	299,811
	<hr/>
TOTAL NET ASSETS	\$ 433,732
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 435,412
	<hr/> <hr/>

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

VILLAGE OF FIFE LAKE, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
<u>PRIMARY GOVERNMENT</u>					
<u>GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 15,171	\$ 0	\$ 0	\$ 0	\$ (15,171)
General Government	32,075	4,475	0	0	(27,600)
Public Works	196,601	0	158,274	0	(38,327)
Community and Economic Development	6,479	0	0	0	(6,479)
Recreation and Cultural	8,437	0	1,139	0	(7,298)
Other Functions	3,924	150	0	0	(3,774)
Unallocated Depreciation	2,686	0	0	0	(2,686)
	\$ 265,373	\$ 4,625	\$ 159,413	\$ 0	(101,335)
 <u>GENERAL REVENUES</u>					
Property Taxes					92,852
State Shared Revenue					44,728
Unrestricted Investment Earnings					2,996
Other					73
Total General Revenues					140,649
Change in Net Assets					39,314
NET ASSETS - Beginning of Year					394,418
NET ASSETS - End of Year					\$ 433,732

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

VILLAGE OF FIFE LAKE, MICHIGAN
GOVERNMENTAL FUNDS

BALANCE SHEET
FEBRUARY 28, 2006

	<u>GENERAL</u> <u>FUND</u>	<u>MAJOR</u> <u>STREET</u> <u>FUND</u>	<u>LOCAL</u> <u>STREET</u> <u>FUND</u>	<u>TOTALS</u>
<u>ASSETS</u>				
Cash				
Petty Cash	\$ 100	\$ 0	\$ 0	\$ 100
Checking	95,857	0	0	95,857
Money Market Account	36,720	38,816	155	75,691
Certificates of Deposit	7,028	0	0	7,028
Taxes Receivable	1,141	0	0	1,141
Due from Other Governmental Units	6,985	5,767	2,795	15,547
TOTAL ASSETS	\$ 147,831	\$ 44,583	\$ 2,950	\$ 195,364
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Payroll Withholdings Payable	\$ 1,230	\$ 0	\$ 0	\$ 1,230
Accrued Taxes Payable	450	0	0	450
Total Liabilities	\$ 1,680	\$ 0	\$ 0	\$ 1,680
 <u>FUND BALANCE</u>				
Unreserved:				
Undesignated	146,151	44,583	2,950	193,684
TOTAL LIABILITIES AND FUND BALANCE	\$ 147,831	\$ 44,583	\$ 2,950	\$ 195,364

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

VILLAGE OF FIFE LAKE, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2006

Total Fund Balances for Governmental Funds \$ 193,684

Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$ 40,279	
Buildings	134,250	
Accumulated Depreciation	<u>(65,758)</u>	108,771

Internal service funds are used by management to charge costs of
certain activities, such as equipment use, to individual funds.
The assets and liabilities of the internal service funds are
included in governmental activities in the Statement of
Net Assets.

131,277

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 433,732

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

VILLAGE OF FIFE LAKE, MICHIGAN
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED FEBRUARY 28, 2006

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	TOTALS
<u>REVENUES</u>				
Taxes	\$ 92,852	\$ 0	\$ 0	\$ 92,852
Licenses and Permits	4,475	0	0	4,475
Federal Grants	112,454	0	0	112,454
State Grants	44,728	30,331	15,489	90,548
Contributions from Local Units	1,139	0	0	1,139
Interest and Rents	2,620	500	26	3,146
Other Revenue	73	0	0	73
	<hr/>			
Total Revenues	\$ 258,341	\$ 30,831	\$ 15,515	\$ 304,687
<hr/>				
<u>EXPENDITURES</u>				
Legislative	\$ 15,171	\$ 0	\$ 0	\$ 15,171
General Government	33,498	0	0	33,498
Public Works	164,323	14,511	23,696	202,530
Community and Economic Development	6,479	0	0	6,479
Recreation and Cultural	10,827	0	0	10,827
Other Functions	3,924	0	0	3,924
	<hr/>			
Total Expenditures	\$ 234,222	\$ 14,511	\$ 23,696	\$ 272,429
<hr/>				
Excess (Deficiency) of Revenues Over Expenditures	\$ 24,119	\$ 16,320	\$ (8,181)	\$ 32,258

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

VILLAGE OF FIFE LAKE, MICHIGAN
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED FEBRUARY 28, 2006

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	TOTALS
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In	\$ 0	\$ 0	\$ 5,900	\$ 5,900
Operating Transfers Out	(5,900)	0	0	(5,900)
Total Other Financing Sources (Uses)	\$ (5,900)	\$ 0	\$ 5,900	\$ 0
Net Change in Fund Balances	\$ 18,219	\$ 16,320	\$ (2,281)	\$ 32,258
<u>FUND BALANCES</u> - Beginning of Year	127,932	28,263	5,231	161,426
<u>FUND BALANCES</u> - End of Year	\$ 146,151	\$ 44,583	\$ 2,950	\$ 193,684

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

VILLAGE OF FIFE LAKE, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2006

Net change in Fund Balances - Total Governmental Funds	\$ 32,258
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation in the statement of activities.	
Depreciation Expense	(2,686)
Internal service funds are used by management to charge costs of equipment use to individual funds. The net revenue (expense) of the internal service fund is reported within the governmental activities.	
	<u>9,742</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 39,314</u></u>

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

VILLAGE OF FIFE LAKE, MICHIGAN
PROPRIETARY FUND
STATEMENT OF NET ASSETS
FEBRUARY 28, 2006

	<u>EQUIPMENT FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	
Money Market	\$ 28,721
Certificate of Deposit	77,406
	<hr/>
Total Current Assets	\$ 106,127
	<hr/>
<u>CAPITAL ASSETS</u>	
Machinery and Equipment	\$ 127,863
Less Accumulated Depreciation	(102,713)
	<hr/>
Net Capital Assets	\$ 25,150
	<hr/>
TOTAL ASSETS	\$ 131,277
	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	\$ 0
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 25,150
Unrestricted	106,127
	<hr/>
Total Net Assets	\$ 131,277
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 131,277
	<hr/> <hr/>

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

VILLAGE OF FIFE LAKE, MICHIGAN
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED FEBRUARY 28, 2006

	<u>EQUIPMENT FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	\$ 29,250
<u>OPERATING EXPENSES</u>	
Administrative and General	\$ 3,998
Plant	17,297
Total Operating Expenses	\$ 21,295
Operating Income (Loss)	\$ 7,955
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	\$ 1,859
Interest Expense	(72)
Total Nonoperating Revenues (Expenses)	\$ 1,787
Change in Net Assets	\$ 9,742
<u>TOTAL NET ASSETS</u> - Beginning of Year	121,535
<u>TOTAL NET ASSETS</u> -End of Year	\$ 131,277

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

VILLAGE OF FIFE LAKE, MICHIGAN
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
YEAR ENDED FEBRUARY 28, 2006

	<u>EQUIPMENT FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	\$ 29,250
Cash Payments to Suppliers for Goods and Services	(11,273)
Cash Payments to Employees for Services	(4,328)
	\$ 13,649
Cash Flows from Capital and Related Financing Activities:	
Interest Payments	(72)
Cash Flows from Investing Activities:	
Interest on Investments	1,859
	\$ 15,436
	Net Increase in Cash and Cash Equivalents
	\$ 15,436
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	90,691
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 106,127
 <u>RECONCILIATION OF OPERATING INCOME</u>	
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	\$ 7,955
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation	5,694
	\$ 13,649
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 13,649

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

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of Fife Lake, Michigan, was organized in 1889 and covers an area of approximately one square mile. As required by generally accepted accounting principles, these financial statements present all activities of the Village. Entities for which the Village is considered to be financially accountable are called component units. These financial statements do not include the financial data of the Village's Downtown Development Authority.

B. Government-wide and Fund Financial Statements

During fiscal year 2006, the Village adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

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.

The accounts of the Village are organized on the basis of funds. 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.

VILLAGE OF FIFE LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

The Village of Fife Lake reports the following major governmental funds:

The *General Fund* is the government'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 *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares.

The *Local Street Fund* receives all local street money paid to the Village by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The Village of Fife Lake reports the following major proprietary fund:

The *Equipment Fund* accounts for operations that provide equipment use to other departments of the government on a cost-reimbursement basis.

Additionally the Village of Fife Lake reports the following fund types:

The *proprietary funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Equipment Fund are charges to other departments for equipment use. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

When both restricted and unrestricted resources are available for use, it is the Village's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The government'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 the date of acquisition.

The investment policy adopted by this Village states that the Village Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- a. Bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States. This subdivision shall include securities issued or guaranteed by the Government National Mortgage Association.
- b. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- c. In commercial paper rated prime at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. 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. In mutual funds composed of investment vehicles which are legal for direct investment of local units of government in Michigan.
- g. Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686.54789, 15 U.S.C.80a-1 to U.S.C.80a-3 and 80e-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the village treasurer. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

- h. Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.11 to 129.118.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (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." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. Village taxes are levied and due July 1, and become delinquent after September 14. Village property tax revenues are recognized when they become both measurable and available for use to finance Village operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2006 taxable valuation of the Village of Fife Lake totaled \$10,457,740, on which ad valorem taxes levied consisted of 10.0817 mills for the Village of Fife Lake. This levy raised \$105,430 in tax of which \$12,684 was captured by the Downtown Development Authority leaving \$92,746 for Village operating purposes.

3. *Inventories and Prepaid Items*

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital 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 of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	20-50
Building improvements	20
Land Improvements	20
Public domain infrastructure	50
System infrastructure	30
Equipment	5-10

5. *Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *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

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act." A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end.

The appropriated budget is prepared by fund and activity. The Village Council exercises budgetary control over expenditures.

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

1. Prior to March 1, the clerk submits, to the Village Council, proposed operating budgets for all funds of the Village for the fiscal year
2. The Village Council 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. Budget amounts as presented are as originally adopted on February 7, 2005, or as amended by the Village Council from time to time throughout the year.
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 it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Major funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund	\$ 109,450	\$ 234,222

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Village's deposits and investments are held separately by several of the Village's funds. At year-end, the carrying amount of the Village's deposits was \$284,803 and the bank balance was \$281,581. Of the bank balance, \$277,061 was covered by federal depository insurance and \$4,520 was uninsured and uncollateralized.

B. Receivables

Receivables as of year end for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
Receivables				
Taxes	\$ 1,141	\$ 0	\$ 0	\$ 1,141
Intergovernmental	6,985	5,767	2,795	15,547
Receivables	<u>\$ 8,126</u>	<u>\$ 5,767</u>	<u>\$ 2,795</u>	<u>\$ 16,688</u>

By ordinance, the Village can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

C. Capital Assets

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 40,279	\$ 0	\$ 0	\$ 40,279

VILLAGE OF FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

Capital assets, being depreciated					
Buildings	\$ 134,250	\$ 0	\$ 0	\$ 134,250	
Machinery and Equipment	127,863	0	0	127,863	
Total capital assets, being depreciated	\$ 262,113	\$ 0	\$ 0	\$ 262,113	
Less accumulated depreciation for:					
Buildings	\$ 63,072	\$ 2,686	\$ 0	\$ 65,758	
Machinery and Equipment	97,019	5,694	0	102,713	
Total accumulated depreciation	\$ 160,091	\$ 8,380	\$ 0	\$ 168,471	
Total capital assets, being depreciated, net	\$ 102,022	\$ (8,380)	\$ 0	\$ 93,642	
Governmental activities capital assets, net	\$ 142,301	\$ (8,380)	\$ 0	\$ 133,921	

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

 General Government

 Public Works

 Unallocated

\$ 5,694

2,686

\$ 8,380

Construction Commitments:

None.

D. Interfund Receivables, Payables and Transfers

There are no individual fund interfund receivable and payable balances at February 28, 2006.

Interfund Transfers as of February 28, 2006, were:

	TRANSFERS	
	IN	OUT
<u>Primary Government</u>		
General Fund	\$ 0	\$ 5,900
Local Street Fund	5,900	0
	\$ 5,900	\$ 5,900

VILLAGE OF FIFE LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

E. Long-Term Debt

1. Primary Government

The following is a summary of debt transactions of the Village of Fife Lake for the year ended February 28, 2006:

Governmental Activities:

	EQUIPMENT NOTES PAYABLE
Debt Payable at March 1, 2005	\$ 4,111
New Debt Incurred	0
Debt Retired	(4,111)
Debt Payable at February 28, 2006	\$ 0

IV. OTHER INFORMATION

A. 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; injuries to employees, and natural disasters. The Village participates in a pool of municipalities with the State of Michigan for self-insuring worker's compensation insurance through Michigan Municipal Worker's Compensation Fund. The Village pays annual premiums to the pool for the respective insurance coverage. In the event a 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 the three prior years.

In addition, the Village carries commercial insurance to cover property and casualty, crime, general liability, errors and omissions, and fidelity bonds.

B. Interest Income and Expense

For the year ended February 28, 2006, total interest/investment income was \$4,855 and total interest expense was \$72.

VILLAGE OF FIFE LAKE, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED FEBRUARY 28, 2006

	GENERAL FUND				MAJOR STREET FUND				LOCAL STREET FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES												
Taxes	\$ 88,500	\$ 88,500	\$ 92,852	\$ 4,352	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits	3,300	3,300	4,475	1,175	0	0	0	0	0	0	0	0
Federal Grants	0	0	112,454	112,454	0	0	0	0	0	0	0	0
State Grants	45,500	45,500	44,728	(772)	28,000	28,000	30,331	2,331	16,500	16,500	15,489	(1,011)
Contributions from Local Units	1,000	1,000	1,139	139	0	0	0	0	0	0	0	0
Interest and Rents	2,500	2,500	2,620	120	350	350	500	150	50	50	26	(24)
Other Revenues	270	270	73	(197)	0	0	0	0	0	0	0	0
Total Revenues	\$ 141,070	\$ 141,070	\$ 258,341	\$ 117,271	\$ 28,350	\$ 28,350	\$ 30,831	\$ 2,481	\$ 16,550	\$ 16,550	\$ 15,515	\$ (1,035)
EXPENDITURES												
Legislative	\$ 16,050	\$ 16,050	\$ 15,171	\$ 879	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Government	36,378	36,378	33,498	2,880	0	0	0	0	0	0	0	0
Public Works	30,882	30,882	164,323	(133,441)	41,194	41,194	14,511	26,683	33,737	33,737	23,696	10,041
Community and Economic Development	10,740	10,740	6,479	4,261	0	0	0	0	0	0	0	0
Recreation and Culture	11,475	11,475	10,827	648	0	0	0	0	0	0	0	0
Other Functions	3,925	3,925	3,924	1	0	0	0	0	0	0	0	0
Total Expenditures	\$ 109,450	\$ 109,450	\$ 234,222	\$ (124,772)	\$ 41,194	\$ 41,194	\$ 14,511	\$ 26,683	\$ 33,737	\$ 33,737	\$ 23,696	\$ 10,041
Excess (Deficiency) of Revenues Over Expenditures	\$ 31,620	\$ 31,620	\$ 24,119	\$ (7,501)	\$ (12,844)	\$ (12,844)	\$ 16,320	\$ 29,164	\$ (17,187)	\$ (17,187)	\$ (8,181)	\$ 9,006
OTHER FINANCING SOURCES (USES)												
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,000	\$ 3,000	\$ 5,900	\$ 2,900
Transfers Out	(5,900)	(5,900)	(5,900)	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ (5,900)	\$ (5,900)	\$ (5,900)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,000	\$ 3,000	\$ 5,900	\$ 2,900
Net Change in Fund Balance	\$ 25,720	\$ 25,720	\$ 18,219	\$ (7,501)	\$ (12,844)	\$ (12,844)	\$ 16,320	\$ 29,164	\$ (14,187)	\$ (14,187)	\$ (2,281)	\$ 11,906
FUND BALANCE - Beginning of Year	127,932	127,932	127,932	0	28,263	28,263	28,263	0	5,231	5,231	5,231	0
FUND BALANCE - End of Year	\$ 153,652	\$ 153,652	\$ 146,151	\$ (7,501)	\$ 15,419	\$ 15,419	\$ 44,583	\$ 29,164	\$ (8,956)	\$ (8,956)	\$ 2,950	\$ 11,906

VILLAGE OF FIFE LAKE, MICHIGAN

GENERAL FUND
BALANCE SHEET

FEBRUARY 28, 2006

ASSETS

Cash	
Petty Cash	\$ 100
Checking	95,857
Money Market Account	36,720
Certificates of Deposit	7,028
Taxes Receivable	1,141
Due From Other Governmental Units	6,985
	<hr/>
TOTAL ASSETS	\$ 147,831
	<hr/> <hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Payroll Withholdings Payable	\$ 1,230
Accrued Taxes Payable	450
	<hr/>
Total Liabilities	\$ 1,680

FUND BALANCE

Unreserved	146,151
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 147,831
	<hr/> <hr/>

VILLAGE OF FIFE LAKE, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Taxes	\$ 88,500	\$ 92,852
Licenses and Permits	3,300	4,475
Federal Grant	0	112,454
State Grants	45,500	44,728
Contributions From Local Units	1,000	1,139
Interest and Rents	2,500	2,620
Other Revenues	270	73
Total Revenues	<u>\$ 141,070</u>	<u>\$ 258,341</u>
 <u>EXPENDITURES</u>		
Legislative	\$ 16,050	\$ 15,171
General Government	36,378	33,498
Public Works	30,882	164,323
Community and Economic Development	10,740	6,479
Recreation and Cultural	11,475	10,827
Other Functions	3,925	3,924
Total Expenditures	<u>\$ 109,450</u>	<u>\$ 234,222</u>
 Excess of Revenues Over (Under) Expenditures	 \$ 31,620	 \$ 24,119
 <u>OTHER FINANCING SOURCES (USES)</u>		
Transfers Out	<u>(5,900)</u>	<u>(5,900)</u>
 Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	 \$ 25,720	 \$ 18,219
 <u>FUND BALANCE</u> - Beginning of Year	 <u>127,932</u>	 <u>127,932</u>
 <u>FUND BALANCE</u> - End of Year	 <u>\$ 153,652</u>	 <u>\$ 146,151</u>

VILLAGE OF FIFE LAKE, MICHIGAN

GENERAL FUND
ANALYSIS OF REVENUES

YEAR ENDED FEBRUARY 28, 2006

REVENUES

Taxes

Current Taxes	\$ 92,746	
Penalties and Interest	106	
	<hr/>	

Total Taxes		\$ 92,852
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Licenses and Permits

Land Use Permits	\$ 240	
Planning and Zoning Fees	750	
Cable T.V. Franchise	3,485	
	<hr/>	

Total Licenses and Permits		4,475
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Federal Grant

Transportation Grant		112,454
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State Grants

Sales Tax	\$ 41,459	
Telecommunications Right of Way	2,243	
Liquor Licenses	1,026	
	<hr/>	

Total State Grants		44,728
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Contributions From Local Units

Parks and Recreation		1,139
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Interest and Rents

Interest	\$ 2,470	
Room Rental	150	
	<hr/>	

Total Interest and Rents		2,620
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Other Revenue

Donations from Private Sources	\$ 25	
Miscellaneous	48	
	<hr/>	

Total Other Revenues		<hr/> 73
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TOTAL REVENUES		<hr/> <hr/> \$ 258,341
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VILLAGE OF FIFE LAKE, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28, 2006

EXPENDITURES

Legislative

Village Council

Personal Services

Salaries and Wages \$ 5,255

Other Services and Charges

Aquatic Nuisance 1,499

Professional Services 948

Printing and Publishing 630

Community Promotion 2,000

Insurance 4,228

Miscellaneous 611

Total Legislative \$ 15,171

General Government

Clerk's Office

Personal Services

Salaries and Wages 1,170

Village Office

Personal Services

Salaries and Wages \$ 4,949

Supplies

Office Supplies 992

Other Services and Charges

Insurance 44

Repairs and Maintenance 639

Contracted Services 860

Travel 14

Capital Outlay 1,845 9,343

Treasurer's Office

Personal Services

Salaries and Wages 3,000

VILLAGE OF FIFE LAKE, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28, 2006

Building and Grounds			
Supplies			
Operating Supplies	1,125		
Other Services and Charges			
Insurance	939		
Communication	564		
Utilities	10,704		
Garbage Removal	2,378		
Equipment Rental	4,275	19,985	
		<hr/>	
Total General Government			33,498
Public Works			
Department of Public Works			
Personal Services			
Salaries and Wages		32,104	
Supplies			
Operating Supplies		726	
Other Services and Charges			
Insurance		496	
Contracted Services		130,997	
		<hr/>	
Total Public Works			164,323
Community and Economic Development			
Planning and Zoning Board			
Personal Services			
Salaries and Wages		5,355	
Supplies			
Operating Supplies		201	
Other Services and Charges			
Insurance		52	
Professional Services		68	
Contracted Services		577	
Printing and Publishing		226	
		<hr/>	
Total Community and Economic Development			6,479

VILLAGE OF FIFE LAKE, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28, 2006

Recreation and Cultural

Parks

Supplies

Operating Supplies 2,216

Other Services and Charges

Insurance 79

Repair and Maintenance 233

Contracted Services 1,025

Equipment Rental 7,174

Miscellaneous - Other 100

Total Recreation and Cultural

10,827

Other Functions

Fringe Benefits

Social Security and Medicare 3,924

TOTAL EXPENDITURES

\$ 234,222

OTHER FINANCING USES

Transfers Out

Local Street Fund 5,900

TOTAL EXPENDITURES AND
OTHER FINANCING USES

\$ 240,122

VILLAGE OF FIFE LAKE, MICHIGAN

MAJOR STREET FUND
BALANCE SHEET

FEBRUARY 28, 2006

ASSETS

Cash	
Money Market Account	\$ 38,816
Due from Other Governmental Units	<u>5,767</u>
 TOTAL ASSETS	 <u><u>\$ 44,583</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Unreserved	<u>44,583</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 44,583</u></u>

VILLAGE OF FIFE LAKE, MICHIGAN

MAJOR STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
State Grants		
Act 51 Distributions	\$ 28,000	\$ 30,331
Interest and Rents		
Interest	350	500
	<hr/>	<hr/>
Total Revenues	\$ 28,350	\$ 30,831
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Public Works		
Routine Maintenance		
Personal Services		
Salaries and Wages	\$ 3,687	\$ 1,494
Employee Benefits	276	112
Supplies		
Materials and Supplies	3,700	1,383
Other Services and Charges		
Equipment Rentals	4,000	2,888
Winter Maintenance		
Personal Services		
Salaries and Wages	2,867	1,647
Employee Benefits	214	122
Supplies		
Materials and Supplies	3,200	2,491
Other Services and Charges		
Contract Labor and Services	250	0
Equipment Rentals	3,000	4,306
Administration		
Other Services and Charges		
Contracted Services	20,000	68
	<hr/>	<hr/>
Total Expenditures	\$ 41,194	\$ 14,511
	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenditures	\$ (12,844)	\$ 16,320
	<hr/>	<hr/>
<u>FUND BALANCE</u> - Beginning of Year	28,263	28,263
	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 15,419	\$ 44,583
	<hr/>	<hr/>

VILLAGE OF FIFE LAKE, MICHIGAN

LOCAL STREET FUND
BALANCE SHEET

FEBRUARY 28, 2006

ASSETS

Cash	
Money Market Account	\$ 155
Due from Other Governmental Units	<u>2,795</u>
 TOTAL ASSETS	 <u>\$ 2,950</u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Unreserved	<u>2,950</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 2,950</u>

VILLAGE OF FIFE LAKE, MICHIGAN

LOCAL STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
State Grants		
Act 51 Distributions	\$ 16,500	\$ 15,489
Interest and Rents		
Interest	50	26
	<hr/>	<hr/>
Total Revenues	\$ 16,550	\$ 15,515
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Public Works		
Routine Maintenance		
Personal Services		
Salaries and Wages	\$ 4,888	\$ 2,611
Fringe Benefits	143	196
Supplies		
Operating Supplies	8,200	4,672
Other Services and Charges		
Equipment Rental	8,000	5,917
Winter Maintenance		
Personal Services		
Salaries and Wages	3,774	1,744
Fringe Benefits	282	130
Supplies		
Operating Supplies	4,200	3,737
Other Services and Charges		
Equipment Rental	4,000	4,689
Contracted Services	250	0
	<hr/>	<hr/>
Total Expenditures	\$ 33,737	\$ 23,696
	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenditures	\$ (17,187)	\$ (8,181)

VILLAGE OF FIFE LAKE, MICHIGAN

LOCAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>OTHER FINANCING SOURCES</u>		
Transfers In		
General Fund	<u>3,000</u>	<u>5,900</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ (14,187)	\$ (2,281)
<u>FUND BALANCE</u> - Beginning of Year	<u>5,231</u>	<u>5,231</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ (8,956)</u>	<u>\$ 2,950</u>

VILLAGE OF FIFE LAKE, MICHIGAN

EQUIPMENT FUND
STATEMENT OF NET ASSETS

FEBRUARY 28, 2006

ASSETS

CURRENT ASSETS

Cash	
Money Market	\$ 28,721
Certificate of Deposit	77,406
	<hr/>
Total Current Assets	\$ 106,127

CAPITAL ASSETS

Machinery and Equipment	\$ 127,863
Less Accumulated Depreciation	(102,713)
	<hr/>
Net Capital Assets	\$ 25,150

TOTAL ASSETS \$ 131,277

LIABILITIES AND NET ASSETS

LIABILITIES \$ 0

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$ 25,150
Unrestricted	106,127
	<hr/>

Total Net Assets \$ 131,277

TOTAL LIABILITIES AND NET ASSETS \$ 131,277

VILLAGE OF FIFE LAKE, MICHIGAN

EQUIPMENT FUND

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS

YEAR ENDED FEBRUARY 28, 2006

OPERATING REVENUES

Charges for Services	
Equipment Rental	<u>\$ 29,250</u>

OPERATING EXPENSES

Administration and General	
Personal Services	
Salaries and Wages	\$ 3,573
Fringe Benefits	325
Other Services and Charges	
Telephone	100
Plant	
Personal Services	
Salaries and Wages	430
Other Services and Charges	
Operating Supplies and Repairs	4,392
Insurance	932
Utilities	2,845
Gasoline and Oil	2,982
Miscellaneous	22
Depreciation	<u>5,694</u>
Total Operating Expenses	<u>\$ 21,295</u>
Operating Income (Loss)	<u>\$ 7,955</u>

NONOPERATING REVENUES (EXPENSES)

Interest Income	\$ 1,859
Interest Expense	<u>(72)</u>

Total Nonoperating Revenues (Expenses) \$ 1,787

Change in Net Assets \$ 9,742

NET ASSETS - Beginning of Year 121,535

NET ASSETS - End of Year \$ 131,277

VILLAGE OF FIFE LAKE, MICHIGAN

EQUIPMENT FUND
STATEMENT OF CASH FLOWS

YEAR ENDED FEBRUARY 28, 2006

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

Cash Received from Interfund Services Provided	\$ 29,250
Cash Payments to Suppliers for Goods and Services	(11,273)
Cash Payments to Employees for Services	<u>(4,328)</u>

Net Cash Provided by Operating Activities \$ 13,649

Cash Flows from Capital and Related Financing Activities:

Interest Payments	(72)
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Cash Flows from Investing Activities:

Interest on Investments	<u>1,859</u>
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Net Increase in Cash and Cash Equivalents \$ 15,436

CASH AND CASH EQUIVALENTS - Beginning of Year 90,691

CASH AND CASH EQUIVALENTS - End of Year \$ 106,127

RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income (Loss) \$ 7,955

Adjustments to Reconcile Operating Income to

Net Cash Provided by Operating Activities:

Depreciation	<u>5,694</u>
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Net Cash Provided by Operating Activities \$ 13,649

VILLAGE OF FIFE LAKE, MICHIGAN

STATEMENT OF 2005 TAX ROLL
YEAR ENDED FEBRUARY 28, 2006

TAXES ASSESSED (State Taxable Valuation \$10,457,740)

General Fund - 10.0817 Mills	\$ 105,430
Less: Taxes Captured by DDA	<u>(12,684)</u>
Adjusted Levy	\$ 92,746

TAXES COLLECTED

General Fund	<u>77,435</u>
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TAXES RETURNED DELINQUENT

General Fund	<u><u>\$ 15,311</u></u>
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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

April 27, 2006

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

To the Village Council
Village of Fife Lake, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Fife Lake, Michigan, as of and for the year ended February 28, 2006, which collectively comprise the Village of Fife Lake's basic financial statements and have issued our report thereon dated April 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Fife Lake's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village of Fife Lake's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Letter of Reportable Conditions.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the 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 over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the accompanying Letter of Reportable Conditions is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Fife Lake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

April 27, 2006

LETTER OF REPORTABLE CONDITIONS

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

In planning and performing our audit of the basic financial statements of the Village of Fife Lake, Michigan for the year ended February 28, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic 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 basic financial statements.

The relatively small number of people involved in the accounting functions of the Village and the design of the accounting system as developed by the state 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 basic 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 weakness.

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.

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CERTIFIED PUBLIC ACCOUNTANTS

April 27, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

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

As a result of our audit of the financial statements of the Village of Fife Lake, Michigan, for the year ended February 28, 2006, we would like to take this opportunity to comment on the following items relative to the management and accounting procedures of the Village:

Budgeting

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

1. One activity in the General Fund exceeded the budgeted amount. The Village should always amend budgets prior to incurring expenditures in excess of budgeted amounts.
2. The Major Street Fund and Local Street Fund budgeted a current year loss.

New Accounting Pronouncement

The Governmental Accounting Standards Board has issued Statement 34 that provides for changes in reporting requirements for Village financial statements. For the Village of Fife Lake, these changes were implemented in the February 28, 2006 financial audit.

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

- a. Management's discussion and analysis is a new section in the financial report. This includes the administration's narrative overview of the information contained in the financial statements.
- b. Several new types of financial statements are now included that report financial information on a Village-wide basis and incorporate capital assets and a provision for depreciation on those assets.

Reportable Condition in Internal Controls

In planning and performing our audit of the basic financial statements of the Village of Fife Lake for the year ended February 28, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

Certain matters considered to be reportable conditions in internal control were noted. We have included a separate letter (letter of reportable conditions) which addresses those items noted.

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 would like to thank the Council for its continued confidence in our firm by awarding us the audit assignment of the Village. We would also like to thank the Village Secretary for her cooperation in helping us fulfill the audit of the Village records.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.