

**Village of Fowler
Clinton County, Michigan**

FINANCIAL STATEMENTS

December 31, 2003

Village of Fowler
Clinton County, Michigan

December 31, 2003

VILLAGE COUNCIL AND ADMINISTRATION

| | |
|-----------------------|-------------------------------|
| Mr. Vern Thelen | President |
| Mr. Dennis Simon | President Pro-Tem, Trustee |
| Mr. John Childers | Trustee |
| Mr. Glenn Pung | Trustee |
| Mr. Richard Pline | Trustee |
| Mr. Dave Klein | Trustee |
| Mr. Roy Smith | Trustee |
| Ms. Rhonda Feldpausch | Clerk |
| Mr. John Rademacher | Treasurer |

Village of Fowler

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ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
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INDEPENDENT AUDITOR'S REPORT

To the Honorable President and
Members of the Village Council
Village of Fowler
Fowler, Michigan

We have audited the accompanying combined financial statements of the Village of Fowler, Michigan, as of December 31, 2003, as listed in the Table of Contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Village has not maintained a complete record of its general fixed assets and, accordingly, a statement of General Fixed Assets, required by accounting principles generally accepted in the United States of America, is not included in the financial statements. The amount that should be recorded in the General Fixed Asset Account Group is not known.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Village of Fowler, Michigan as of December 31, 2003, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining and individual fund financial statements listed in the Table of Contents under Supplemental Financial Information are presented for purposes of additional analysis and are not a required part of the combined financial statements of the Village of Fowler, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements, and in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

February 13, 2004

COMBINED FINANCIAL STATEMENTS

Village of Fowler

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP

December 31, 2003

| | Governmental Fund Types | | Proprietary Fund Type |
|---|-------------------------|--------------------|--------------------------|
| | General | Special Revenue | Enterprise |
| ASSETS | | | |
| Cash and cash equivalents | \$ 127,092 | \$ 160,614 | \$ 188,246 |
| Cash and cash equivalents - restricted | - | - | 1,149 |
| Investments | 437,510 | - | 82,280 |
| Investments - restricted | - | - | 17,129 |
| Receivables | | | |
| Taxes | 140 | - | - |
| Accounts | - | - | 41,861 |
| Interest | 690 | - | 310 |
| Special assessments | - | 13,955 | 2,975 |
| Due from other funds | 3,000 | - | 8,000 |
| Due from other governmental units | - | 5,731 | - |
| Unamortized expense | - | - | 3,152 |
| Amount to be provided for retirement of general long-term debt | - | - | - |
| Fixed assets (net of accumulated depreciation) | - | - | 1,015,642 |
| TOTAL ASSETS | \$ 568,432 | \$ 180,300 | \$ 1,360,744 |
| LIABILITIES | | | |
| Payables | | | |
| Accounts | \$ 12,529 | \$ 1,400 | \$ 3,180 |
| Accrued interest | - | - | 1,236 |
| Due to other funds | 8,000 | 3,000 | - |
| Due to others | 1,950 | - | - |
| Deferred revenue | - | 13,955 | - |
| Bonds payable | - | - | 215,000 |
| TOTAL LIABILITIES | 22,479 | 18,355 | 219,416 |
| FUND EQUITY | | | |
| Contributed capital | | | |
| Federal Government | - | - | 271,549 |
| Customers | - | - | 23,174 |
| Developer | - | - | 84,842 |
| Retained earnings | | | |
| Unreserved | - | - | 761,763 |
| Fund balance | | | |
| Unreserved | | | |
| Designated | 10,824 | 1,402 | - |
| Undesignated | 535,129 | 160,543 | - |
| TOTAL FUND EQUITY | 545,953 | 161,945 | 1,141,328 |
| TOTAL LIABILITIES AND FUND EQUITY | \$ 568,432 | \$ 180,300 | \$ 1,360,744 |

See accompanying notes to combined financial statements.

| Account Group | | Totals (Memorandum Only) |
|------------------------------|---------------|--------------------------------|
| General Long-term Debt | | |
| \$ | - | \$ 475,952 |
| | - | 1,149 |
| | - | 519,790 |
| | - | 17,129 |
| | - | 140 |
| | - | 41,861 |
| | - | 1,000 |
| | - | 16,930 |
| | - | 11,000 |
| | - | 5,731 |
| | - | 3,152 |
| | 32,000 | 32,000 |
| | - | 1,015,642 |
| <u>\$</u> | <u>32,000</u> | <u>\$ 2,141,476</u> |
| | | |
| \$ | - | \$ 17,109 |
| | - | 1,236 |
| | - | 11,000 |
| | - | 1,950 |
| | - | 13,955 |
| | 32,000 | 247,000 |
| | 32,000 | 292,250 |
| | - | 271,549 |
| | - | 23,174 |
| | - | 84,842 |
| | - | 761,763 |
| | - | 12,226 |
| | - | 695,672 |
| | -0- | 1,849,226 |
| <u>\$</u> | <u>32,000</u> | <u>\$ 2,141,476</u> |

Village of Fowler

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES

Year Ended December 31, 2003

| | Primary Government | | Totals (Memorandum Only) |
|--|--------------------|--------------------|--------------------------------|
| | General | Special Revenue | |
| REVENUES | | | |
| Taxes | \$ 199,103 | \$ - | \$ 199,103 |
| Intergovernmental | 103,163 | 71,339 | 174,502 |
| Charges for services | 23,872 | - | 23,872 |
| Interest and rents | 14,055 | 1,121 | 15,176 |
| Special assessments | - | 33,656 | 33,656 |
| Other revenue | 29,710 | 1,187 | 30,897 |
| TOTAL REVENUES | 369,903 | 107,303 | 477,206 |
| EXPENDITURES | | | |
| Current | | | |
| General government | 77,261 | - | 77,261 |
| Public safety | 13,708 | - | 13,708 |
| Public works | 151,165 | 90,125 | 241,290 |
| Recreation and cultural | 9,752 | - | 9,752 |
| Health and welfare | 2,840 | - | 2,840 |
| Community and economic development | 3,482 | - | 3,482 |
| Other | 42,257 | - | 42,257 |
| Debt service | - | 18,440 | 18,440 |
| TOTAL EXPENDITURES | 300,465 | 108,565 | 409,030 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 69,438 | (1,262) | 68,176 |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | - | 60,250 | 60,250 |
| Operating transfers out | (50,000) | (10,250) | (60,250) |
| TOTAL OTHER FINANCING SOURCES (USES) | (50,000) | 50,000 | -0- |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | 19,438 | 48,738 | 68,176 |
| Fund balances, beginning of year | 526,515 | 113,207 | 639,722 |
| Fund balances, end of year | \$ 545,953 | \$ 161,945 | \$ 707,898 |

See accompanying notes to combined financial statements.

Village of Fowler

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES

Year Ended December 31, 2003

| | General Fund | | |
|--|-------------------|-----------------|--|
| | Amended Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES | | | |
| Taxes | \$ 190,000 | \$ 199,103 | \$ 9,103 |
| Intergovernmental | 111,800 | 103,163 | (8,637) |
| Charges for services | 15,000 | 23,872 | 8,872 |
| Interest and rents | 15,050 | 14,055 | (995) |
| Special assessments | - | - | -0- |
| Other revenue | 26,550 | 29,710 | 3,160 |
| TOTAL REVENUES | 358,400 | 369,903 | 11,503 |
| EXPENDITURES | | | |
| Current | | | |
| General government | 84,730 | 77,261 | 7,469 |
| Public safety | 15,190 | 13,708 | 1,482 |
| Public works | 153,500 | 151,165 | 2,335 |
| Recreation and cultural | 10,300 | 9,752 | 548 |
| Health and welfare | 2,840 | 2,840 | -0- |
| Community and economic development | 4,000 | 3,482 | 518 |
| Other | 43,135 | 42,257 | 878 |
| Debt service | - | - | -0- |
| TOTAL EXPENDITURES | 313,695 | 300,465 | 13,230 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 44,705 | 69,438 | 24,733 |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | - | - | -0- |
| Operating transfers out | (50,000) | (50,000) | -0- |
| TOTAL OTHER FINANCING SOURCES (USES) | (50,000) | (50,000) | -0- |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | (5,295) | 19,438 | 24,733 |
| Fund balances, beginning of year | 526,515 | 526,515 | -0- |
| Fund balances, end of year | \$ 521,220 | \$ 545,953 | \$ 24,733 |

See accompanying notes to combined financial statements.

Special Revenue Funds

| Amended Budget | Actual | Variance Favorable (Unfavorable) |
|-------------------|-------------------|--|
| \$ - | \$ - | \$ -0- |
| 69,000 | 71,339 | 2,339 |
| - | - | -0- |
| 1,900 | 1,121 | (779) |
| 28,100 | 33,656 | 5,556 |
| 950 | 1,187 | 237 |
| <u>99,950</u> | <u>107,303</u> | <u>7,353</u> |
| - | - | -0- |
| - | - | -0- |
| 103,970 | 90,125 | 13,845 |
| - | - | -0- |
| - | - | -0- |
| - | - | -0- |
| <u>18,440</u> | <u>18,440</u> | <u>-0-</u> |
| <u>122,410</u> | <u>108,565</u> | <u>13,845</u> |
| (22,460) | (1,262) | 21,198 |
| 60,250 | 60,250 | -0- |
| <u>(10,250)</u> | <u>(10,250)</u> | <u>-0-</u> |
| <u>50,000</u> | <u>50,000</u> | <u>-0-</u> |
| 27,540 | 48,738 | 21,198 |
| <u>113,207</u> | <u>113,207</u> | <u>-0-</u> |
| <u>\$ 140,747</u> | <u>\$ 161,945</u> | <u>\$ 21,198</u> |

Village of Fowler

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUND TYPE

Year Ended December 31, 2003

| | <u>Enterprise</u> |
|--|-------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 161,416 |
| Other | 1,928 |
| | <hr/> |
| TOTAL OPERATING REVENUES | 163,344 |
| OPERATING EXPENSES | |
| Labor charges | 20,994 |
| Supplies | 14,887 |
| Contractual services | 18,854 |
| Utilities | 7,097 |
| Telephone | 1,892 |
| Equipment repair | 21,725 |
| Insurance | 2,290 |
| Other | 2,808 |
| Amortization | 175 |
| Depreciation | 59,029 |
| | <hr/> |
| TOTAL OPERATING EXPENSES | 149,751 |
| OPERATING INCOME | 13,593 |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest revenue | 3,353 |
| Interest expense | (11,522) |
| State grant | 11,279 |
| | <hr/> |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 3,110 |
| NET INCOME | 16,703 |
| Add depreciation on contributed fixed assets | 21,497 |
| | <hr/> |
| INCREASE IN RETAINED EARNINGS | 38,200 |
| Retained earnings, beginning of year | 723,563 |
| | <hr/> |
| Retained earnings, end of year | <u>\$ 761,763</u> |

See accompanying notes to combined financial statements.

Village of Fowler

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

Year Ended December 31, 2003

| | <u>Enterprise</u> |
|---|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Operating income | \$ 13,593 |
| Adjustments to reconcile operating income to net cash provided by operating activities | |
| Depreciation | 59,029 |
| (Increase) in usage receivable | (59) |
| Decrease in unamortized expenses | 175 |
| (Decrease) in accounts payable | (3,044) |
| (Decrease) in accrued interest payable | <u>(112)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 69,582 |
| NONCAPITAL FINANCING ACTIVITIES | |
| State grant | 11,279 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Interest expense | (11,522) |
| Payments of borrowing | <u>(30,000)</u> |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | (41,522) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest revenue | 3,353 |
| Purchase of investments | <u>(1,856)</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>1,497</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR | 40,836 |
| Cash and cash equivalents, beginning of year | <u>148,559</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 189,395</u></u> |

See accompanying notes to combined financial statements.

Village of Fowler

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2003

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Fowler is located in Clinton County, Michigan and has a population of approximately 1,000. The Village of Fowler operates with a Village President/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The Village Council is made up of the Village President, Clerk, Treasurer, and six (6) trustees who are selected at large for overlapping four year terms.

The financial statements of the Village have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to Village governments. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Village's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5; these financial statements present all financial activities of the Village of Fowler (primary government). The Village has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the combined financial statements of the Village of Fowler contain all the funds and account groups (except for the general fixed asset account group) controlled by the Village Council.

2. Basis of Presentation

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Village resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into three (3) fund types and one (1) account group as follows:

GOVERNMENTAL FUNDS

- a. General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special Revenue Funds (Major Street, Local Street, Storm Sewer) - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Village of Fowler

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2003

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

PROPRIETARY FUND

- a. Enterprise Funds (Sewer System, Water System) - The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

ACCOUNT GROUP

- a. General Long-Term Debt Account Group - The General Long-Term Debt Account Group is used to record the outstanding long-term obligations not otherwise recorded in the Proprietary Funds.

3. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Balance Sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues which are considered measurable, but not available, are recorded as a receivable and deferred revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

The proprietary fund is accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred.

Village of Fowler

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2003

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown in the financial statements were prepared on a basis consistent with the modified accrual basis used to reflect actual results. The Village employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to January 1, the Village Council prepares the proposed operating budgets for the fiscal year commencing January 1. The operating budget includes proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to January 1, the budgets are legally adopted with passage by Council vote.
- d. The budgets are legally adopted at the activity level; however, they are maintained at the account level for control purposes.
- e. After the budgets are adopted, all transfers of budgeted amounts between accounts within a fund or activity or any revisions that alter the total expenditures of a fund or activity must be approved by the Village Council.
- f. The Village does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at December 31, 2003 are not carried forward to the following fiscal year.
- g. Budgeted amounts are reported as originally adopted or as amended by the Village Council during the year. Individual amendments were appropriately approved by the Village Council in accordance with required procedures.

6. Cash, Cash Equivalents, and Investments

Cash equivalents are temporary investments that consist of various money market checking accounts and savings. The cash and cash equivalents are recorded at market value.

Investments include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. All investments are stated at market value in accordance with GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. All certificates of deposit held by the Village at year-end are classified as investments.

7. Property Tax

The Village of Fowler bills and collects its own property taxes. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the Village of Fowler on July 1 and are payable without penalty through September 1. All real property taxes not paid to the Village by September 15 are turned over to the Clinton County Treasurer for collection. The Clinton County Treasurer remits payments to the Village on any delinquent real property taxes. Delinquent personal property taxes are retained by the Village for subsequent collection. Collections and remittances of all taxes are accounted for in the General Fund. Village property tax revenues are recognized as revenues in the fiscal year levied.

The Village is permitted to levy taxes up to 15 mills (\$15 per \$1,000 of assessed valuation) for general governmental services. For the year ended December 31, 2003, the Village levied 8.25 mills for general governmental services.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2003

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as operating transfers.

The General Fund records charges for equipment rental to various Village departments and funds as revenue. All Village funds record these payments as operating expenditures/expenses.

9. Restricted Cash and Investments

A portion of the cash, cash equivalents, and investments of the Sewer System and Water System Funds are classified as restricted cash and investments because their use is limited. The Sewer System and Water System Fund's restrictions are due to bond resolution requirements to maintain certain balances in separate accounts or debt service and general purpose reserves.

10. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in a General Fixed Assets Account Group rather than in the governmental funds. The general fixed assets are recorded as expenditures at the time of purchase in the governmental fund types. However, a general fixed asset account group has not been reported in these financial statements.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components.

Fixed assets are recorded at cost, or if donated, at fair market value at the date of donation. Expenditures that materially extend the useful life of existing assets are capitalized. Public domain (infrastructure) general fixed assets, which include roads, bridges, curbs and gutters, sidewalks, and drains, are not capitalized.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets.

The estimated useful lives are:

| | |
|---|-------------|
| Building, Lagoon, Water Plant, and improvements | 10-40 years |
| Machinery and Equipment | 10-20 years |

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2003

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

12. Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Village is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, 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 which maintains a principal office or branch office located in this State under the laws of this State but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Village of Fowler

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2003

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

As of December 31, 2003, the carrying amounts and bank balances for each type of bank account are as follows:

| <u>Cash</u> | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|-------------------------|----------------------------|-------------------------|
| Money market checking | \$ 465,091 | \$ 467,206 |
| Money market savings | <u>11,935</u> | <u>11,935</u> |
| | 477,026 | 479,141 |
| <u>Investments</u> | | |
| Certificates of deposit | <u>536,919</u> | <u>536,919</u> |
| | <u>\$ 1,013,945</u> | <u>\$ 1,016,060</u> |

Deposits of the Village are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Village. As of December 31, 2003, the Village accounts were insured by the FDIC for \$217,129, and the amount of \$798,931 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Village held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2003:

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 475,952 |
| Cash and cash equivalents - restricted | 1,149 |
| Investments | 519,790 |
| Investments - restricted | <u>17,129</u> |
| | <u>\$ 1,014,020</u> |

The cash and cash equivalents caption on the combined balance sheet includes \$75 in imprest cash.

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at December 31, 2003, are as follows:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Fund</u> | <u>Interfund Payable</u> |
|----------------------------|---------------------------------|--------------------------------|------------------------------|
| General | | General | |
| Storm Sewer | \$ 3,000 | Enterprise Sewer System | \$ 8,000 |
| Enterprise Sewer System | | Special Revenue Storm Sewer | |
| General | <u>8,000</u> | General | <u>3,000</u> |
| | <u>\$ 11,000</u> | | <u>\$ 11,000</u> |

Village of Fowler

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2003

NOTE D: FIXED ASSETS

A summary of the Enterprise Funds fixed assets at December 31, 2003, follows:

| | |
|--------------------------------|----------------------|
| Land | \$ 38,043 |
| Buildings | 17,967 |
| Water Plant | 1,193,708 |
| Lagoon | 427,419 |
| Improvements | 475,183 |
| Machinery and equipment | <u>28,493</u> |
| Total | 2,180,813 |
| Less: accumulated depreciation | <u>(1,165,171)</u> |
| Net fixed assets | <u>\$ 1,015,642</u> |

NOTE E: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Village for the year ended December 31, 2003.

| | <u>Balance Jan. 1, 2003</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance Dec. 31, 2003</u> |
|------------------------------|---------------------------------|------------------|------------------|----------------------------------|
| PRIMARY GOVERNMENT | | | | |
| General Long-Term Debt | | | | |
| 1995 General Operating Bonds | \$ 48,000 | \$ - | \$ 16,000 | \$ 32,000 |
| Enterprise Funds | | | | |
| Sewer System Fund | | | | |
| Sanitary Sewer Bonds | 75,000 | - | 15,000 | 60,000 |
| Water System Fund | | | | |
| 1997C Refunding Bonds | <u>170,000</u> | <u>-</u> | <u>15,000</u> | <u>155,000</u> |
| | <u>245,000</u> | <u>-0-</u> | <u>30,000</u> | <u>215,000</u> |
| | <u>\$ 293,000</u> | <u>\$ -0-</u> | <u>\$ 36,000</u> | <u>\$ 247,000</u> |

In 1997 the Village entered into an agreement with the Michigan Municipal Bond Authority to refund the 1989 Water Supply System Revenue Bonds and replace them with the 1997C Refunding Bonds. The refunding of the bonds did not change the Village's principal amounts due or the timing or duration of the payments but provided a better interest rate on the outstanding bonds. This resulted in a reduction in future interest payments by \$36,470.

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

1995 General Operating Bonds

\$135,000 1995 General Operating Bonds dated June 30, 1995 due in annual installments ranging from \$15,000 to \$17,000 through May 1, 2005, with interest at 6.10 percent, payable annually.

\$ 32,000

Village of Fowler

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2003

NOTE E: LONG-TERM DEBT - CONTINUED

Sanitary Sewer System Revenue Bonds

\$125,000 1997 Wastewater Treatment System Revenue Bonds dated June 1, 1997, due in annual installments of \$15,000 through June 1, 2007, with interest ranging from 5.05 to 5.30 percent, payable annually. \$ 60,000

Water Supply System Refunding Bonds

\$240,000 1997C Water Supply System Refunding Bonds dated October 30, 1997, due in annual installments ranging from \$15,000 to \$30,000 through November 1, 2010, with interest ranging from 3.9 to 5.1 percent, payable annually. 155,000

TOTAL PRIMARY GOVERNMENT \$ 247,000

The annual requirements to pay the debt principal and interest outstanding for the bonds are as follows:

| <u>Year Ending December 31,</u> | <u>1995 G.O. Bonds</u> | <u>Revenue Bonds</u> | <u>Refunding Bonds</u> | <u>Total</u> |
|-------------------------------------|----------------------------|--------------------------|----------------------------|-------------------|
| 2004 | \$ 18,433 | \$ 17,719 | \$ 22,418 | \$ 58,570 |
| 2005 | 15,458 | 16,958 | 26,745 | 59,161 |
| 2006 | - | 16,185 | 25,805 | 41,990 |
| 2007 | - | 15,397 | 24,865 | 40,262 |
| 2008 | - | - | 33,815 | 33,815 |
| 2009-2010 | <u>-</u> | <u>-</u> | <u>53,725</u> | <u>53,725</u> |
| | 33,891 | 66,259 | 187,373 | 287,523 |
| Less: interest | <u>(1,891)</u> | <u>(6,259)</u> | <u>(32,373)</u> | <u>(40,523)</u> |
| | <u>\$ 32,000</u> | <u>\$ 60,000</u> | <u>\$ 155,000</u> | <u>\$ 247,000</u> |

NOTE F: RETIREMENT PLAN

Plan Description

The Village participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees of the Village. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

Covered employees can contribute between 0% to 10% of their annual salary to the retirement system. Employees hired prior to 1985 may be allowed to contribute 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200. The Village is required to contribute the remaining amounts necessary to fund the system.

Village of Fowler

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2003

NOTE F: RETIREMENT PLAN - CONTINUED

Annual Pension Cost

For year ended December 31, 2003 the Village's annual pension cost of \$1,716 for the plan was equal to the Village's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 5.0 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 4.2% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period.

Three (3) year trend information

| | Year Ended December 31, | | |
|---|-------------------------|-------------|-------------|
| | <u>2000</u> | <u>2001</u> | <u>2002</u> |
| Actuarial value of assets | \$ 244,961 | \$ 250,639 | \$ 245,814 |
| Actuarial accrued liability (AAL) (entry age) | 242,552 | 232,030 | 231,844 |
| Unfunded (overfunded) AAL | (2,409) | (18,609) | (13,970) |
| Funded ratio | 101 % | 108 % | 106 % |
| Covered payroll | \$ 64,465 | \$ 60,666 | \$ 67,237 |
| UAAL as a percentage of covered payroll | N/A | N/A | N/A |
| Annual pension cost | \$ 518 | \$ 3,002 | \$ 1,716 |
| Percentage of APC contributed | 100 % | 100 % | 100 % |
| Net pension obligation | - | - | - |

NOTE G: SEGMENT INFORMATION

The Village operates the Sewer System and Water System utilities providing services to the various Village residents. Segment information for the fiscal year ended December 31, 2003, is as follows:

| | <u>Sewer System</u> | <u>Water System</u> | <u>Total</u> |
|-------------------------|-------------------------|-------------------------|--------------|
| Operating revenues | \$ 66,614 | \$ 96,730 | \$ 163,344 |
| Operating expenses | | | |
| Depreciation | 21,533 | 37,496 | 59,029 |
| Other | 28,106 | 62,616 | 90,722 |
| Operating income (loss) | 16,975 | (3,382) | 13,593 |
| Net income | 14,646 | 2,057 | 16,703 |
| Contributed capital | 93,923 | 285,642 | 379,565 |
| Net working capital | 121,890 | 86,235 | 208,125 |
| Total assets | 535,022 | 825,722 | 1,360,744 |
| Total equity | 474,381 | 666,947 | 1,141,328 |

Village of Fowler

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2003

NOTE H: RISK MANAGEMENT

The Village participates in a pool, the Michigan Municipal Liability and Property Pool, with other municipalities for various risks of loss including employer's liability, errors and omissions, and property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Village has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

The Village also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The Village has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

NOTE I: FUND EQUITY DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance which the Village has set aside for specific purposes.

The following is the fund balance designations as of December 31, 2003:

| | |
|---|------------------|
| Special Revenue | |
| General | \$ 10,824 |
| Local Street | 400 |
| Major Street | <u>1,002</u> |
| Designated for subsequent year's expenditures | <u>\$ 12,226</u> |

NOTE J: GASB STATEMENT NO. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Village's activities, including reporting infrastructure assets (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

The general provisions of GASB No. 34 must be implemented by the Village of Fowler no later than the fiscal year ending December 31, 2004; the retroactive reporting of infrastructures is optional. If the Village elects to retroactively report infrastructure, it must be implemented no later than the year ending December 31, 2008.

SUPPLEMENTAL FINANCIAL INFORMATION

Village of Fowler

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended December 31, 2003

| | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|----------------------------------|-------------------|----------------|--|
| REVENUES | | | |
| Taxes | | | |
| General property taxes | \$ 190,000 | \$ 199,103 | \$ 9,103 |
| Intergovernmental | | | |
| State shared revenue | | | |
| Sales tax | 110,000 | 101,499 | (8,501) |
| Liquor licenses | 1,800 | 1,664 | (136) |
| Total intergovernmental | 111,800 | 103,163 | (8,637) |
| Charges for services | | | |
| Administrative and labor charges | 15,000 | 23,872 | 8,872 |
| Interest and rents | | | |
| Interest | 10,050 | 10,114 | 64 |
| Rent - equipment | 5,000 | 3,941 | (1,059) |
| Total interest and rents | 15,050 | 14,055 | (995) |
| Other revenue | | | |
| Sidewalk reimbursement | 4,300 | 8,809 | 4,509 |
| Sale of assets | 22,250 | 20,901 | (1,349) |
| Total other revenue | 26,550 | 29,710 | 3,160 |
| TOTAL REVENUES | 358,400 | 369,903 | 11,503 |
| EXPENDITURES | | | |
| General government | | | |
| Legislative | | | |
| Salaries and fringes - Council | 7,150 | 6,350 | 800 |
| Fees and memberships | 1,600 | 1,677 | (77) |
| Miscellaneous | 350 | 122 | 228 |
| Total legislative | 9,100 | 8,149 | 951 |
| Executive | | | |
| Salaries and fringes - President | 3,850 | 3,500 | 350 |
| Financial administration | | | |
| Clerk wages and fringes | 14,000 | 13,914 | 86 |
| Treasurer wages and fringes | 3,630 | 3,480 | 150 |
| Supplies | 5,000 | 5,029 | (29) |
| Legal fees and publishing | 8,000 | 6,246 | 1,754 |
| Communications | 4,500 | 3,662 | 838 |

Village of Fowler

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended December 31, 2003

| | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------------------------|-------------------|----------|--|
| EXPENDITURES - CONTINUED | | | |
| General government - continued | | | |
| Financial administration - continued | | | |
| Utilities | \$ 1,400 | \$ 1,464 | \$ (64) |
| Repairs and maintenance | 200 | - | 200 |
| Equipment purchases | 1,000 | - | 1,000 |
| Total financial administration | 37,730 | 33,795 | 3,935 |
| Building and grounds | | | |
| Insurance | 8,300 | 8,063 | 237 |
| Repairs and maintenance | 500 | 75 | 425 |
| Capital outlay | 22,000 | 20,862 | 1,138 |
| Miscellaneous | 250 | 205 | 45 |
| Total hall and grounds | 31,050 | 29,205 | 1,845 |
| Equipment rental | | | |
| Repairs and maintenance | 3,000 | 2,612 | 388 |
| Total general government | 84,730 | 77,261 | 7,469 |
| Public safety | | | |
| Crossing guard | | | |
| Salaries and fringes | 3,190 | 3,222 | (32) |
| Police | | | |
| Contracted services | 12,000 | 10,486 | 1,514 |
| Total public safety | 15,190 | 13,708 | 1,482 |
| Public works | | | |
| Department of Public Works | | | |
| Salaries and fringes | 77,500 | 77,150 | 350 |
| Utilities | 2,000 | 2,171 | (171) |
| Sidewalk construction | 28,000 | 27,834 | 166 |
| Operating supplies | 16,000 | 16,943 | (943) |
| Contractual services | 13,000 | 12,183 | 817 |
| Total Department of Public Works | 136,500 | 136,281 | 219 |
| Street lighting | | | |
| Utilities | 17,000 | 14,884 | 2,116 |
| Total public works | 153,500 | 151,165 | 2,335 |

Village of Fowler

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended December 31, 2003

| | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|---|-------------------|------------|--|
| EXPENDITURES - CONTINUED | | | |
| Recreation and cultural | | | |
| Parks and recreation | | | |
| Utilities | \$ 300 | \$ 226 | \$ 74 |
| Miscellaneous | 10,000 | 9,526 | 474 |
| Total parks and recreation | 10,300 | 9,752 | 548 |
| Health and welfare | | | |
| Ambulance | | | |
| Contracted services | 2,840 | 2,840 | -0- |
| Community and economic development | | | |
| Planning commission | | | |
| Salaries and fringes | 1,000 | 600 | 400 |
| Community promotion | | | |
| Community benefits | 3,000 | 2,882 | 118 |
| Total community and economic development | 4,000 | 3,482 | 518 |
| Other | | | |
| Payroll expenses | 40,000 | 38,853 | 1,147 |
| Miscellaneous | 3,135 | 3,404 | (269) |
| Total other | 43,135 | 42,257 | 878 |
| TOTAL EXPENDITURES | 313,695 | 300,465 | 13,230 |
| EXCESS OF REVENUES OVER EXPENDITURES | 44,705 | 69,438 | 24,733 |
| OTHER FINANCING USES | | | |
| Operating transfers out | (50,000) | (50,000) | -0- |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | (5,295) | 19,438 | 24,733 |
| Fund balance, beginning of year | 526,515 | 526,515 | -0- |
| Fund balance, end of year | \$ 521,220 | \$ 545,953 | \$ 24,733 |

Village of Fowler

Special Revenue Funds

COMBINING BALANCE SHEET

December 31, 2003

| | Major Street | Local Street | Storm Sewer | Total |
|--|-------------------------|-------------------------|-------------------------|--------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 78,388 | \$ 19,262 | \$ 62,964 | \$ 160,614 |
| Special assessment receivable | - | - | 13,955 | 13,955 |
| Due from other governmental units - State | 3,824 | 1,907 | - | 5,731 |
| TOTAL ASSETS | <u>\$ 82,212</u> | <u>\$ 21,169</u> | <u>\$ 76,919</u> | <u>\$ 180,300</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 1,400 | \$ - | \$ - | \$ 1,400 |
| Deferred revenue | - | - | 13,955 | 13,955 |
| Due to other funds | - | - | 3,000 | 3,000 |
| TOTAL LIABILITIES | 1,400 | -0- | 16,955 | 18,355 |
| FUND BALANCES | | | | |
| Unreserved | | | | |
| Designated | 1,002 | 400 | - | 1,402 |
| Undesignated | 79,810 | 20,769 | 59,964 | 160,543 |
| TOTAL FUND BALANCES | <u>80,812</u> | <u>21,169</u> | <u>59,964</u> | <u>161,945</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 82,212</u> | <u>\$ 21,169</u> | <u>\$ 76,919</u> | <u>\$ 180,300</u> |

Village of Fowler

Special Revenue Funds

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

Year Ended December 31, 2003

| | Major Street | Local Street | Storm Sewer | Total |
|--|------------------|------------------|------------------|-------------------|
| REVENUES | | | | |
| Intergovernmental - State | \$ 47,812 | \$ 23,527 | \$ - | \$ 71,339 |
| Interest | 652 | 117 | 352 | 1,121 |
| Special assessments | - | - | 33,656 | 33,656 |
| Miscellaneous | 741 | - | 446 | 1,187 |
| | <u>49,205</u> | <u>23,644</u> | <u>34,454</u> | <u>107,303</u> |
| TOTAL REVENUES | | | | |
| EXPENDITURES | | | | |
| Current | | | | |
| Public works | | | | |
| Highways and streets | 19,886 | 48,225 | 22,014 | 90,125 |
| Debt service | 18,440 | - | - | 18,440 |
| | <u>38,326</u> | <u>48,225</u> | <u>22,014</u> | <u>108,565</u> |
| TOTAL EXPENDITURES | | | | |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | 10,879 | (24,581) | 12,440 | (1,262) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | - | 20,250 | 40,000 | 60,250 |
| Operating transfers out | (10,250) | - | - | (10,250) |
| | <u>(10,250)</u> | <u>20,250</u> | <u>40,000</u> | <u>50,000</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | | | | |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | | | | |
| | 629 | (4,331) | 52,440 | 48,738 |
| Fund balances, beginning of year | <u>80,183</u> | <u>25,500</u> | <u>7,524</u> | <u>113,207</u> |
| Fund balances, end of year | <u>\$ 80,812</u> | <u>\$ 21,169</u> | <u>\$ 59,964</u> | <u>\$ 161,945</u> |

Village of Fowler

Major Street Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended December 31, 2003

| | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|--|-------------------|------------------|--|
| REVENUES | | | |
| Intergovernmental - State | | | |
| Gas and weight tax | \$ 48,000 | \$ 47,812 | \$ (188) |
| Interest | 1,500 | 652 | (848) |
| Miscellaneous | 750 | 741 | (9) |
| | <u>50,250</u> | <u>49,205</u> | <u>(1,045)</u> |
| TOTAL REVENUES | | | |
| EXPENDITURES | | | |
| Current | | | |
| Public works | | | |
| Street maintenance | | | |
| Labor charges | 4,510 | 1,447 | 3,063 |
| Supplies | 2,350 | 2,861 | (511) |
| Routine maintenance | 13,000 | 12,643 | 357 |
| Insurance | 300 | 276 | 24 |
| Equipment rental | 2,500 | 1,958 | 542 |
| Miscellaneous | 750 | 701 | 49 |
| Total street maintenance | <u>23,410</u> | <u>19,886</u> | <u>3,524</u> |
| Debt service | | | |
| Principal retirement | 16,000 | 16,000 | -0- |
| Interest and fiscal charges | 2,440 | 2,440 | -0- |
| Total debt service | <u>18,440</u> | <u>18,440</u> | <u>-0-</u> |
| | <u>41,850</u> | <u>38,326</u> | <u>3,524</u> |
| TOTAL EXPENDITURES | | | |
| EXCESS OF REVENUES OVER EXPENDITURES | | | |
| | 8,400 | 10,879 | 2,479 |
| OTHER FINANCING USES | | | |
| Operating transfers out | <u>(10,250)</u> | <u>(10,250)</u> | <u>-0-</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | | | |
| | (1,850) | 629 | 2,479 |
| Fund balance, beginning of year | <u>80,183</u> | <u>80,183</u> | <u>-0-</u> |
| Fund balance, end of year | <u>\$ 78,333</u> | <u>\$ 80,812</u> | <u>\$ 2,479</u> |

Village of Fowler

Local Street Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended December 31, 2003

| | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|--|-------------------|------------------|--|
| REVENUES | | | |
| Intergovernmental - State | | | |
| Gas and weight tax | \$ 21,000 | \$ 23,527 | \$ 2,527 |
| Interest | 150 | 117 | (33) |
| Miscellaneous | 100 | - | (100) |
| | <u>21,250</u> | <u>23,644</u> | <u>2,394</u> |
| TOTAL REVENUES | 21,250 | 23,644 | 2,394 |
| EXPENDITURES | | | |
| Current | | | |
| Public works | | | |
| Street maintenance | | | |
| Labor charges | 5,060 | 1,432 | 3,628 |
| Routine maintenance | 45,000 | 43,528 | 1,472 |
| Supplies | 2,100 | 1,283 | 817 |
| Equipment rental | 2,000 | 1,982 | 18 |
| | <u>54,160</u> | <u>48,225</u> | <u>5,935</u> |
| TOTAL EXPENDITURES | 54,160 | 48,225 | 5,935 |
| EXCESS OF REVENUES (UNDER) EXPENDITURES | (32,910) | (24,581) | 8,329 |
| OTHER FINANCING SOURCES | | | |
| Operating transfers in | 20,250 | 20,250 | -0- |
| | <u>20,250</u> | <u>20,250</u> | <u>-0-</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES | (12,660) | (4,331) | 8,329 |
| Fund balance, beginning of year | 25,500 | 25,500 | -0- |
| | <u>25,500</u> | <u>25,500</u> | <u>-0-</u> |
| Fund balance, end of year | <u>\$ 12,840</u> | <u>\$ 21,169</u> | <u>\$ 8,329</u> |

Village of Fowler

Storm Sewer Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended December 31, 2003

| | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|---|-------------------|------------------|--|
| REVENUES | | | |
| Interest | \$ 250 | \$ 352 | \$ 102 |
| Special assessments | 28,100 | 33,656 | 5,556 |
| Miscellaneous | 100 | 446 | 346 |
| TOTAL REVENUES | 28,450 | 34,454 | 6,004 |
| EXPENDITURES | | | |
| Current | | | |
| Public works | | | |
| Construction | | | |
| Drains at large | 22,000 | 21,517 | 483 |
| Street maintenance | | | |
| Labor charges | 2,500 | - | 2,500 |
| Supplies | 1,500 | 493 | 1,007 |
| Miscellaneous | 400 | 4 | 396 |
| Total street maintenance | 4,400 | 497 | 3,903 |
| TOTAL EXPENDITURES | 26,400 | 22,014 | 4,386 |
| EXCESS OF REVENUES OVER EXPENDITURES | 2,050 | 12,440 | 10,390 |
| OTHER FINANCING SOURCES | | | |
| Operating transfers in | 40,000 | 40,000 | -0- |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES | 42,050 | 52,440 | 10,390 |
| Fund balance, beginning of year | 7,524 | 7,524 | -0- |
| Fund balance, end of year | <u>\$ 49,574</u> | <u>\$ 59,964</u> | <u>\$ 10,390</u> |

Village of Fowler

Enterprise Funds

COMBINING BALANCE SHEET

December 31, 2003

| | Sewer System | Water System | Total |
|--|-------------------|-------------------|---------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 111,404 | \$ 76,842 | \$ 188,246 |
| Cash and cash equivalents - restricted | 993 | 156 | 1,149 |
| Receivables | | | |
| Interest | - | 310 | 310 |
| Usage | 17,134 | 24,727 | 41,861 |
| Special assessment | - | 2,975 | 2,975 |
| Due from other funds | 8,000 | - | 8,000 |
| | <u>137,531</u> | <u>105,010</u> | <u>242,541</u> |
| Total current assets | | | |
| Other assets | | | |
| Investments | 12,613 | 69,667 | 82,280 |
| Investments - restricted | - | 17,129 | 17,129 |
| Unamortized expense | 3,152 | - | 3,152 |
| | <u>15,765</u> | <u>86,796</u> | <u>102,561</u> |
| Total other assets | | | |
| Fixed assets | | | |
| Land | 31,043 | 7,000 | 38,043 |
| Buildings | - | 17,967 | 17,967 |
| Water plant | - | 1,193,708 | 1,193,708 |
| Lagoon | 427,419 | - | 427,419 |
| Improvements | 243,307 | 231,876 | 475,183 |
| Machinery and equipment | 28,493 | - | 28,493 |
| Accumulated depreciation | (348,536) | (816,635) | (1,165,171) |
| | <u>381,726</u> | <u>633,916</u> | <u>1,015,642</u> |
| Net fixed assets | | | |
| | <u>\$ 535,022</u> | <u>\$ 825,722</u> | <u>\$ 1,360,744</u> |
| TOTAL ASSETS | | | |

Village of Fowler

Enterprise Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2003

| | <u>Sewer System</u> | <u>Water System</u> | <u>Total</u> |
|--------------------------------------|-------------------------|-------------------------|---------------------|
| LIABILITIES AND FUND EQUITY | | | |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | \$ 641 | \$ 2,539 | \$ 3,180 |
| Accrued interest payable | - | 1,236 | 1,236 |
| Current portion of long-term debt | <u>15,000</u> | <u>15,000</u> | <u>30,000</u> |
| Total current liabilities | 15,641 | 18,775 | 34,416 |
| Noncurrent liabilities | | | |
| Bonds payable | <u>45,000</u> | <u>140,000</u> | <u>185,000</u> |
| TOTAL LIABILITIES | 60,641 | 158,775 | 219,416 |
| FUND EQUITY | | | |
| Contributed Capital | | | |
| Federal Government | 10,174 | 261,375 | 271,549 |
| Customers | 16,457 | 6,717 | 23,174 |
| Developer | 67,292 | 17,550 | 84,842 |
| Retained earnings - unreserved | <u>380,458</u> | <u>381,305</u> | <u>761,763</u> |
| TOTAL FUND EQUITY | <u>474,381</u> | <u>666,947</u> | <u>1,141,328</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 535,022</u> | <u>\$ 825,722</u> | <u>\$ 1,360,744</u> |

Village of Fowler

Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS

Year Ended December 31, 2003

| | Sewer System | Water System | Total |
|--|-------------------|-------------------|-------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 66,284 | \$ 95,132 | \$ 161,416 |
| Other | 330 | 1,598 | 1,928 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL OPERATING REVENUES | 66,614 | 96,730 | 163,344 |
| OPERATING EXPENSES | | | |
| Labor charges | 10,347 | 10,647 | 20,994 |
| Supplies | 5,357 | 9,530 | 14,887 |
| Contractual services | 603 | 18,251 | 18,854 |
| Utilities | 2,334 | 4,763 | 7,097 |
| Telephone | 946 | 946 | 1,892 |
| Equipment repair | 6,286 | 15,439 | 21,725 |
| Insurance | 1,028 | 1,262 | 2,290 |
| Other | 1,030 | 1,778 | 2,808 |
| Amortization | 175 | - | 175 |
| Depreciation | 21,533 | 37,496 | 59,029 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL OPERATING EXPENSES | 49,639 | 100,112 | 149,751 |
| OPERATING INCOME (LOSS) | 16,975 | (3,382) | 13,593 |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest revenue | 1,219 | 2,134 | 3,353 |
| Interest expense | (3,548) | (7,974) | (11,522) |
| State grant | - | 11,279 | 11,279 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (2,329) | 5,439 | 3,110 |
| NET INCOME | 14,646 | 2,057 | 16,703 |
| Add depreciation on contributed fixed assets | 5,224 | 16,273 | 21,497 |
| | <hr/> | <hr/> | <hr/> |
| INCREASE IN RETAINED EARNINGS | 19,870 | 18,330 | 38,200 |
| Retained earnings, beginning of year | 360,588 | 362,975 | 723,563 |
| | <hr/> | <hr/> | <hr/> |
| Retained earnings, end of year | <u>\$ 380,458</u> | <u>\$ 381,305</u> | <u>\$ 761,763</u> |

Village of Fowler

Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2003

| | Sewer System | Water System | Total |
|--|-------------------|------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating income | \$ 16,975 | \$ (3,382) | \$ 13,593 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | |
| Depreciation | 21,533 | 37,496 | 59,029 |
| (Increase) decrease in usage receivable | (134) | 75 | (59) |
| Decrease in unamortized expenses | 175 | - | 175 |
| Increase (decrease) in accounts payable | (5,007) | 1,963 | (3,044) |
| (Decrease) in accrued interest payable | - | (112) | (112) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 33,542 | 36,040 | 69,582 |
| NONCAPITAL FINANCING ACTIVITIES | | | |
| State grant | - | 11,279 | 11,279 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Interest expense | (3,548) | (7,974) | (11,522) |
| Payment of borrowing | (15,000) | (15,000) | (30,000) |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | (18,548) | (22,974) | (41,522) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest revenue | 1,219 | 2,134 | 3,353 |
| Purchases of investments | (268) | (1,588) | (1,856) |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 951 | 546 | 1,497 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR | 15,945 | 24,891 | 40,836 |
| Cash and cash equivalents, beginning of year | 96,452 | 52,107 | 148,559 |
| Cash and cash equivalents, end of year | <u>\$ 112,397</u> | <u>\$ 76,998</u> | <u>\$ 189,395</u> |