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LOCAL AUDIT & FINANCE DIV.

Village of Otter Lake

Lapeer & Genesee Counties, Michigan

Audited Financial Report
February 29, 2004

Lehn L. King
Certified Public Accountant
Marlette, Michigan

Michigan Dept. of Treasury, Local Government Audit Division
L-3147 (Rev. 3-96)

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Name (Specify) ☐ City ☐ Township ☒ Village ☐ Other Village of Otter Lake			County Lapeer & Genesee
Audit Date February 29, 2004	Opinion Date May 4, 2004	Date Accountant Report Submitted to State: May 4, 2004	

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.

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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).

We have enclosed the following:

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

Certified Public Accountant (Firm Name) Lehn L. King, C.P.A.			
Street Address 3078 S. Main Street	City Marlette	State MI	ZIP 48453
Accountant Signature Lehn L. King			

Village of Otter Lake

Annual Financial Report
For The Fiscal Year Ended February 29, 2004

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LEHN L. KING
Certified Public Accountant

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Members of the Village Council
Village of Otter Lake
Lapeer County, Michigan

Independent Auditor's Report

I have examined the General Purpose Financial Statements of the Village of Otter Lake as of February 29, 2004, and for the year then ended, as listed in the Table of Contents. These financial statements are the responsibility of the Village's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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 statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the General Purpose Financial Statement referred to above present fairly, in all material respects, the financial position of the Village of Otter Lake, at February 29, 2004, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

The accompanying financial information listed as supporting schedules in the Table of Contents is presented for purposes of additional analysis and is not required part of the General Purpose Financial Statements of the Village of Otter Lake. The information has been subjected to the auditing procedures applied in the examination of the General Purpose Financial Statements, in my opinion, is fairly stated in all material respects in relation to the General Purpose Financial Statements taken as a whole.

Lehn King
Certified Public Accountant

May 4, 2004

Combined Statements -
Overview
(General Purpose Financial Statements)

Exhibit 1

Village of Otter Lake

Combined Balance Sheet - All Fund Types and Account Groups
February 29, 2004

	Governmental Fund Types		Account Groups		Totals (Memorandum Only) 2/29/2004
	General Fund	Special Revenue Funds	General Fixed Assets	General Long Term Debt	
Assets					
Cash in Checking	$ 35,312	$ 7,267	$ 0	$ 0	$ 42,579
Savings & Certificates of Deposit	46,039	0	0	0	46,039
Taxes & Other Receivables	32,383	7,200	0	0	39,583
Fixed Assets	0	0	627,767	0	627,767
Amount to be Provided for Repayment of General Long Term Debt	0	0	0	342,249	342,249
Total Assets	$ 113,734	$ 14,467	$ 627,767	$ 342,249	$ 1,098,217
Liabilities & Fund Equity					
Liabilities					
Accounts Payable	$ 5,094	$ 0	$ 0	$ 0	$ 5,094
Notes Payable	0	0	0	342,249	342,249
Total Liabilities	5,094	0	0	342,249	347,343
Fund Equity					
Investment in General Fixed Assets	0	0	627,767	0	627,767
Fund Balances:					
Unreserved & Undesignated	52,215	14,467	0	0	66,682
Reserved for Donor Specified Expenditures	386	0	0	0	386
Reserved for Class D Engineering	46,039	0	0	0	46,039
Total Fund Equity	98,640	14,467	627,767	0	740,874
Total Liabilities & Fund Equity	$ 103,734	$ 14,467	$ 627,767	$ 342,249	$ 1,088,217

The notes are an integral part of the statements.

Exhibit 2

Village of Otter Lake

Combined Statement of Revenues, Expenditures &
Changes in Fund Balances
All Governmental Fund Types
For The Year Ended February 29, 2004

Revenues	General Fund	Special Revenue Funds	Totals (Memorandum Only)
Current Property Taxes	$ 77,856	$ 0	$ 77,856
State Shared Revenue	49,390	45,001	94,391
Charges for Services	17,601	0	17,601
Interest Earnings	850	64	914
Miscellaneous Revenues			
Park & Recreation	45,403	0	45,403
Equipment Rental	32,432	0	32,432
Grants	1,725	0	1,725
Miscellaneous	22,190	0	22,190
Total Miscellaneous Revenues	101,750	0	101,750
Total Revenues	247,447	45,065	292,512

The notes are an integral part of the statements.

Exhibit 2

Village of Otter Lake

Combined Statement of Revenues, Expenditures &
Changes in Fund Balances
All Governmental Fund Types
For The Year Ended February 29, 2004

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
Expenditures			
General Government			
Legislative	$ 7,765	$ 0	$ 7,765
Clerk	12,261	0	12,261
Treasurer	11,080	0	11,080
Village Hall & Grounds	54,541	0	54,541
Elections	2,074	0	2,074
Community Promotion / Hist. Preservation	2,014	0	2,014
Cemetery	33	0	33
Parks & Recreation	31,228	0	31,228
Total General Government	120,996	0	120,996
Public Safety			
Fire Protection	1,797	0	1,797
Police	7,200	0	7,200
Street Lights	6,889	0	6,889
Sanitation	18,018		18,018
Total Public Safety	33,904	0	33,904
Public Works	70,092	0	70,092
Highways, Streets, & Bridges	0	49,061	49,061
Capital Outlay	24,436	0	24,436
Debt Service - Principal	20,138	0	20,138
- Interest	14,109	0	14,109
Total Expenditures	283,675	49,061	224,992
Excess of Revenues Over (Under) Expenditures	(36,228)	(3,996)	67,520
Operating Transfers In (Out)	(1,021)	1,021	0
Excess of Revenues & Operating Transfers In Over Expenditures & Operating Transfers Out	(37,249)	(2,975)	(40,224)
Fund Balances - March 1, 2003	135,889	17,442	153,331
Fund Balances - February 29, 2004	$ 98,640	$ 14,467	$ 113,107

The notes are an integral part of the statements.

Exhibit 3

Village of Otter Lake

Combined Statement of Revenues, Expenditures &
Changes in Fund Balances
Actual Compared to Budget - All Governmental Fund Types
For The Year Ended February 29, 2004

	General Fund			Special Revenue Funds			Totals (Memorandum Only)		
Revenues	**Budget**	**Actual**	**Over (Under) Budget**	**Budget**	**Actual**	**Over (Under) Budget**	**Budget**	**Actual**	**Over (Under) Budget**
Current Property Taxes	$ 74,600	$ 77,856	$ 3,256	$ 0	$ 0	$ 0	$ 74,600	$ 77,856	$ 3,256
State Shared Revenue	52,800	49,390	(3,410)	44,400	45,001	601	97,200	94,391	(2,809)
Charges for Services	17,089	17,601	512	0	0	0	17,089	17,601	512
Interest Earnings	250	850	600	0	64	64	250	914	664
Miscellaneous Revenues									
Police Fines	400	62	(338)	0	0	0	400	62	(338)
Grants	7,500	1,725	(5,775)	0	0	0	7,500	1,725	(5,775)
Cemetery Revenues	1,000	1,400	400	0	0	0	1,000	1,400	400
Park & Recreation Revenues	40,500	45,403	4,903	0	0	0	40,500	45,403	4,903
Equipment Rental	0	32,432	32,432	0	0	0	0	32,432	32,432
Donations & Other Revenues	0	20,728	20,728	0	0	0	0	20,728	20,728
Total Miscellaneous Revenues	49,400	101,750	52,350	0	0	0	49,400	101,750	52,350
Total Revenues	$ 194,139	$ 247,447	$ 53,308	$ 44,400	$ 45,065	$ 665	$ 238,539	$ 292,512	$ 53,973

The notes are an integral part of the statements.

Exhibit 3

Village of Otter Lake

Combined Statement of Revenues, Expenditures &
Changes in Fund Balances
Actual Compared to Budget - All Governmental Fund Types
For The Year Ended February 29, 2004

	General Fund			Special Revenue Funds			Totals (Memorandum Only)		
Expenditures	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
General Government									
Legislative	$	$ 7,765	$	$	$ 0	$	$	$ 7,765	$
Clerk		12,261			0			12,261	
Treasurer		11,080			0			11,080	
Village Hall & Grounds		54,541			0			54,541	
Elections		2,074			0			2,074	
Community Promotion / Hist. Preservation		2,014			0			2,014	
Cemetery		33			0			33	
Parks & Recreation		31,228			0			31,228	
Total General Government	133,674	120,996	12,678	0	0	0	133,674	120,996	12,678
Public Safety									
Fire Protection	1,353	1,797	(444)	0	0	0	1,353	1,797	(444)
Police	7,200	7,200	0	0	0	0	7,200	7,200	0
Street Lights	7,200	6,889	311	0	0	0	7,200	6,889	311
Sanitation	16,900	18,018	(1,118)	0	0	0	16,900	18,018	(1,118)
Total Public Safety	32,653	33,904	(1,251)	0	0	0	32,653	33,904	(133)
Public Works	56,500	70,092	(13,592)	0	0	0	56,500	70,092	(13,592)
Highways, Streets, & Bridges	5,200	0	5,200	47,700	49,061	(1,361)	52,900	49,061	3,839
Capital Outlay	14,000	24,436	(10,436)	0	0	0	14,000	24,436	(10,436)
Debt Service - Principal	0	20,138	(20,138)	0	0	0	0	20,138	(20,138)
- Interest	0	14,109	(14,109)	0	0	0	0	14,109	(14,109)
Total Expenditures	242,027	283,675	(41,648)	47,700	49,061	(1,361)	289,727	332,736	(43,009)
Excess of Revenues Over (Under) Expenditures	(47,888)	(36,228)	11,660	(3,300)	(3,996)	(696)	(51,188)	(40,224)	10,964
Operating Transfers In (Out)	0	(1,021)	(1,021)	0	1,021	1,021	0	0	0
Excess of Revenues & Operating Transfers In Over Expenditures & Operating Transfers Out	(47,888)	(37,249)	10,639	(3,300)	(2,975)	325	(51,188)	(40,224)	10,964
Fund Balances - March 1, 2003	51,188	135,889	84,701	0	17,442	17,442	51,188	153,331	102,143
Fund Balances - February 29, 2004	$ 3,300	$ 98,640	$ 95,340	$ (3,300)	$ 14,467	$ 17,767	$ 0	$ 113,107	$ 113,107

The notes are an integral part of the statements.

Village of Otter Lake

Notes To Financial Statements
For Year Ended February 29, 2004

The accounting methods and procedures adopted by the Village of Otter Lake, Lapeer & Genesee Counties, Michigan, conform to Generally Accepted Accounting Principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Village's Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Village was incorporated under the laws of the State of Michigan in 1883 and operates under a council form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Village (the primary government) and its component units. The component units discussed below are included in the Village reporting entity because of the significance of their operational or financial relationships with the Village.

Component Units - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

Basis of Presentation - Fund Accounting - The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The Village has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

The funds are grouped into fund types and generic funds as described below:

Governmental Fund Types - These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

> **General fund:** This fund is established to account for resources devoted to financing the general services that the Village performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Village are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.
>
> **Special Revenue funds:** The Special Revenue Funds are used to account for the proceeds of specific revenue resources (other than assessments or expendable trusts) that are legally restricted to expenditures for specified purposes. These funds include: Major Streets and Local Streets.

Proprietary Fund Types - These funds account for operations that are organized to be self-supporting through user charges. The funds included in this category are the Enterprise Funds.

> **Enterprise Funds:** These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Account Groups - In addition to the broad types of governmental funds, the Village also maintains one account group as described below:

> **General Fixed Assets Account Group:** This is not a fund but rather an account group that is used to account for general fixed assets acquired principally for general purposes.

General Long-Term Debt Account Group: This account group is established to account for the Village's long-term debt that will be financed from general governmental resources.

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

The General Fund and Special Revenue Fund use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Agency Funds also use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

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

1. Prior to March 1, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing March 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior March 1, the budget is legally enacted.

4. The budget is used by the Village Council as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level.

5. Budget amounts are as originally adopted, or as amended by the Village Council. Individual amendments were not material in relation to the original appropriations which were amended.

Cash - The Village does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Village's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the Village to hold such investments until they mature.

Due To and Due From Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory - Inventories and supplies are immaterial in amount and have not been recognized.

Other Assets - Other assets held are recorded and accounted for at cost.

Fund Equity - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes.

Revenues and Expenditures/Expenses - Revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees, and nontax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Proper allowances are made for estimated uncollectible accounts and delinquent accounts.

Vacation, Sick Leave, and Other Compensated Absences - The Village does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official.

Total Columns - The Combined Financial Statements include total columns that are described as memoranda only. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Interfund transactions have not been eliminated from the total column of each financial statement.

2. Stewardship, Compliance, and Accountability

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

3. Cash and Investments

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the Local Unit's cash deposits are as follows:

	Carrying Amount	Bank Balances
Insured (FDIC)	$ 78,618	$ 78,618
Uninsured and Uncollateralized	0	0
Total Deposits	$ 78,618	$ 78,618

All cash deposits and investments of the Village are held by the Village in the Village's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

Investment Type	(1)	(2)	(3)	Carrying Amount	Market Value
Risk Categorized		NONE			
Operating Funds					
US Treasury Bonds					
Investment in Deferred Compensation Plans					
Total Risk-Categorized Investments					

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1	Insured or registered, or securities held by the Village or its agent in the Village's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Village's name.

4. Property Taxes

The Village is responsible for collecting and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of July of the levy year and may be paid by the following October 1.

Property taxes are not recognized in compliance with NCGAI-3 which states that such revenue is recorded when it becomes measurable and available. Property taxes are recorded as revenue when collected.

The Village levied the following taxes:

General Governmental Services	12.3586	mills
Streets	1.5000	mills
Total	13.8586	

Special Assessments:

Sanitation - Parcel with House	$98.88
Fire Authority - Genesee County	
Vacant Parcel	$30.00
Parcel with Building	$60.00

5. Deficit Fund Balance of Individual Funds

None

6. Comparative Data

Comparative total data for the prior year has not been presented.

7. Excess of Expenditures over Appropriations in Budgetary Funds

P.A. 621 of 1978, section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Village for these budgetary funds were adopted at an activity level.

During the year ended February 29, 2004, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund			
Fire Protection	$ 1,353	$ 1,797	$ 444
Sanitation	16,900	18,018	1,118
Public Works	56,500	70,092	13,592
Capital Outlay	14,000	24,436	10,436
Debt Service - Principal	0	20,138	20,138
Debt Service - Interest	0	14,109	14,109
Local Streets Fund	13,700	21,888	8,188

8. Post Employment Benefits

The Village does not provide any post employment benefits other than the pension benefits.

9. Operating Transfers

During the year ended February 29, 2004 the Village's interfund transfers were as follows:

	Operating Transfers In		Operating Transfers Out
Local Street Fund	$ 1,021	General Fund	$ 1,021
Local Street Fund	$ 7,721	Major Street Fund	$ 7,721

10. Retirement Plan

The Village has a defined contribution pension plan through Municipal Employee's Retirement Systems (MERS), a state administered multi-employer agent pension plan, established by Act 427, Public Acts of 1984. The Village's contribution for the year ended February 29, 2004, was $2,328.62, which was entirely paid during the year.

11. Property, Plant, and Equipment

Activity for general fixed assets that are capitalized by the Village is summarized below:

Assets	Balance March 1, 2003	Addition	Deduction	Balance February 29, 2004
Land	$ 6,230	$ 2,500	$ 0	$ 8,730
Restricted Donated Land	57,700	0	0	57,700
Buildings	91,297	0	0	91,297
Equipment	178,535	0	0	178,535
Vehicles	158,931	0	0	158,931
Improvements	128,605	0	0	128,605
Capital Lease Assets	3,969	0	0	3,969
Total	$ 625,267	$ 2,500	$ 0	$ 627,767

12. Restricted Donated Property

In December of 2001, individuals donated land to the Village with the restriction that it always be used for both municipal park and municipal utility purposes. If for any reason it is not used for those purposes the land reverts back to the donors and/or their heirs. The value placed on the land at the time of donation was $57,700.

13. Fund Balance Reserved for Donor Restrictions

During the fiscal year ended February 29, 2002, various known and anonymous individuals donated money to the Village with various restrictions totaling $10,800. As of February 29, 2004, the Village had not met all the restrictions of all the donors. The following details each donation that has not been satisfied as of February 29, 2004.

Purpose	Original Amount of Donation	Restrictions Released	Restricted Balance
Creamery Cleanup	$ 2,800	$ 2,460	$ 340
Park Improvements	4,000	4,000	0
Museum Improvements	1,000	954	46
Total	$ 7,800	$ 7,414	$ 386

14. Long-Term Debt

The general long-term debt of the Village and the changes therein, are summarized as follows:

General Long-Term Debt Account Group

Village of Otter Lake

Notes To Financial Statements
For Year Ended February 29, 2004

Primary Government	Balance March 1, 2003	Additions	Reductions	Balance February 29, 2004
General Obligation Bonds				
Otter Lake Sewage Disposal System - Series 2002				
Dated February 12, 1998, principal and interest at 2.47% due August 1, 2004	$ 200,000	$ 0	$ 0	$ 200,000
MDOT State Infrastructure Bank Program				
Dated July 1, 1999, payment of $16,244, including interest at 4% due annually on September 1, through the year 2013	142,536	0	10,543	131,993
Total General Obligation Bonds	$ 342,536	$ 0	$ 10,543	$ 331,993
Installment Notes Payable				
Bank One - 1997 Ford F350 Pickup				
Dated September 30, 2000, payment of $3,837.50 and interest at 5.51% due annually on September 30	$ 7,674	$ 0	$ 3,837	$ 3,837
Midwest Bankers Group, Inc. - John Deere Backhoe				
Dated August 6, 1997, principal of $6,657 and interest at 7.56% due annually through August 1, 2004	12,156	0	5,737	6,419
Total Installment Notes Payable	$ 19,830	$ 0	$ 9,574	$ 10,256
Total General Long-Term Debt Account Group	$ 362,366	$ 0	$ 20,117	$ 342,249

The following are payment schedules for the general obligation bonds:

Otter Lake Sewage Disposal System - Series 2002

Due Date	Principal	Interest	Total
8/1/2004	$ 200,000	$ 4,940	$ 204,940
Balance as of February 29, 2004	$ 200,000	$ 4,940	$ 204,940

MDOT - State Infrastructure Bank Program

Due Date	Principal	Interest	Total
9/1/2004	$ 10,964	$ 5,280	$ 16,244
9/1/2005	11,403	4,841	16,244
9/1/2006	11,859	4,385	16,244
9/1/2007	12,333	3,911	16,244
9/1/2008	12,827	3,417	16,244
9/1/2009	13,340	2,904	16,244
9/1/2010	13,873	2,371	16,244
9/1/2011	14,428	1,816	16,244
9/1/2012	15,006	1,239	16,245
9/1/2013	15,606	638	16,244
9/1/2014	354	14	368
Balance as of February 29, 2004	$ 131,993	$ 30,816	$ 162,809

The following are payment schedules for the installment notes payable:

Bank One - 1997 Ford F350 Pickup

Due Date	Principal	Interest	Total
9/30/2004	$ 3,837	$ 211	$ 4,048
Balance as of February 29, 2004	$ 3,837	$ 211	$ 4,048

Midwest Bankers Group, Inc. - John Deere Backhoe

Due Date	Principal	Interest	Total
8/1/2004	$ 6,304	$ 353	$ 6,657
Balance as of February 29, 2004	$ 6,304	$ 353	$ 6,657

The annual principal and interest requirements for the years ending February 29, 2005 through 2009 for all debts outstanding as of February 29, 2004 are as follows:

	2005	2006	2007	2008	2009
General Obligation Bonds	$ 221,184	$ 16,244	$ 16,244	$ 16,244	$ 16,244
Installment Notes Payable	10,705	0	0	0	0
Total for Village	$ 231,889	$ 16,244	$ 16,244	$ 16,244	$ 16,244

Total interest expense for the Village for the year ended February, 29, 2004, was $14,109.

15. Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Village has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

Supporting Schedules

Village of Otter Lake

Combining Balance Sheet
All Special Revenue Funds
February 29, 2004

	Major Street Fund	Local Street Fund	Totals February 29, 2004
Assets			
Cash	$ 2,911	$ 4,356	$ 7,267
A/R - State of Michigan	5,173	2,027	7,200
Total Assets	$ 8,084	$ 6,383	$ 14,467
Fund Balance			
Fund Balances - Unreserved	$ 8,084	$ 6,383	$ 14,467
Total Fund Balance	$ 8,084	$ 6,383	$ 14,467

The notes are an integral part of the statements.

Village of Otter Lake

Combined Statement of Revenues, Expenditures &
Changes in Fund Balances
All Special Revenue Funds
For The Year Ended February 29, 2004

	Major Street Fund	Local Street Fund	Totals February 29, 2004
Revenues			
State Shared Revenues	$ 32,236	$ 12,765	$ 45,001
Interest Earnings	37	27	64
Miscellaneous Revenues	0	0	0
Total Revenues	32,273	12,792	45,065
Expenditures			
Highway & Street Maintenance	27,173	21,888	49,061
Miscellaneous	0	0	0
Total Expenditures	27,173	21,888	49,061
Excess of Revenues Over (Under) Expenditures	5,100	(9,096)	(3,996)
Other Financing Sources (Uses)			
Net Operating Transfers In (Out)	(7,721)	8,742	1,021
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	(2,621)	(354)	(2,975)
Fund Balance - March 1, 2003	10,705	6,737	17,442
Fund Balance - February 29, 2004	$ 8,084	$ 6,383	$ 14,467

The notes are an integral part of the statements.

Village of Otter Lake

Combined Statement of Revenues, Expenditures &
Changes in Fund Balances
All Governmental Fund Types
For The Year Ended February 29, 2004

	Major Street Fund			Local Street Fund		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
Revenues						
State Shared Revenues	$ 31,200	$ 32,236	$ 1,036	$ 13,200	$ 12,765	$ (435)
Interest Earnings	0	37	37	0	27	27
Miscellaneous Revenues	0	0	0	0	0	0
Total Revenues	31,200	32,273	1,073	13,200	12,792	(408)
Expenditures						
Supplies		6,808			4,375	
Routine Maintenance		4,050			1,395	
Equipment Rental		12,150			10,949	
Winter Maintenance		4,165			5,169	
Total Expenditures	34,000	27,173	6,827	13,700	21,888	(8,188)
Excess of Revenues Over (Under) Expenditures	(2,800)	5,100	7,900	(500)	(9,096)	(8,596)
Other Financing Sources (Uses)						
Local Street Fund	0	(7,721)	(7,721)	0	0	0
Major Street Fund	0	0	0	0	7,721	7,721
General Fund	0	0	0	0	1,021	1,021
Total Other Financing Sources	0	(7,721)	(7,721)	0	8,742	8,742
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	(2,800)	(2,621)	179	(500)	(354)	146
Fund Balances - March 1, 2003	0	10,705	10,705	0	6,737	6,737
Fund Balances - February 29, 2004	$ (2,800)	$ 8,084	$ 10,884	$ (500)	$ 6,383	$ 6,883

The notes are an integral part of the statements.

LEHN L. KING
CERTIFIED PUBLIC ACCOUNTANT

3078 S. MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

May 4, 2004

To the Village Council
Village of Otter Lake
Lapeer County, Michigan

In accordance with your request, I have made an examination of the financial statements of the Village of Otter Lake for the fiscal year ended February 29, 2004. During the course of my examination the following items came to my attention:

1. The Minutes need to be signed by the Clerk at the time they are approved at the following meeting.

2. All paid bills must be approved for payment in the Minutes. Thus, a person should be able to trace paid bills to the Minutes. To do this, the bills should be listed in the Minutes or identified in such a manner as, "Paid bills in the amount of $(Amount) from Check #_____ to Check #_____."

3. Per P.A. 621 of 1968, the board does not have authorization to spend monies that exceed the budget. The budget must be amended prior to it being exceeded. Amendments to the budget must be detailed as to the increase and decrease amount of each line item being changed.

4. The Internal Revenue Service requires 1099's to be distributed to all recipients of $600.00 or more for services rendered to the Township. It had come to our attention that the Park Manager had not been given a 1099. In order to comply with the IRS Code, the Township should issue him a 1099 along with any other person that received $600.00 or more for personal services.

5. We recommend that the "Weekly Finance Report" match the deposits and the posting to "Park Income" in the general ledger to strengthen internal control and provide for a better accounting system. A person should be able trace from the "Weekly Finance Report" to the general ledger account and then to the deposit recorded on the bank statement.

6. Labor and equipment hours for Major and Local Streets need to be kept on a timelier basis. These hours are to be used to compute the expenses charged to the Major and Local Streets. It is the Village's responsibility to keep accurate records to verify the amount charged for expenses in the Major and Local Streets.

7. Equipment rents, maintenance, and fuel are being charged to the Major and Local Streets. If the General Fund is collecting rent from the Major and Local Streets for the use of the equipment it is the responsibility of the General Fund to pay for the maintenance and fuel.

From an overall viewpoint, the Village of Otter Lake is in good financial condition. The financial records maintained by the clerk and treasurer are in good order.

I thank the Village for the cooperation I received in the completion of this examination. Should you have any questions in connection with the above comments, please contact me at your convenience.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant