

Village of Powers
Annual Financial Report
February 28, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Powers	County Menominee
Fiscal Year End 02-28-07	Opinion Date 5-5--07	Date Audit Report Submitted to State June 15, 2007	

We affirm that

We are certified public accountants licensed to practice in Michigan.

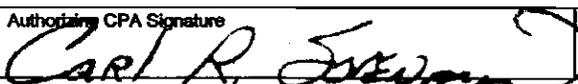
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts Issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	NONE TO REPORT		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) CARL R. SORENSEN		Telephone Number (715) 735-9021		
Street Address 844 PIERCE AVENUE		City MARINETTE	State WI	Zip 54143
Authorizing CPA Signature 		Printed Name CARL R. SORENSEN		License Number 1101012650

Village of Powers

February 28, 2007

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Carl R. Sorensen

Certified Public Accountant

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Independent Auditor's Report

To the Board of Directors
Village of Powers
Powers, MI 49874

I have audited the accompanying basic financial statements of the Governmental activities, the business type activities and each major fund of the Village of Powers as of February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. My responsibility is to express an opinion on these financial statements based on my audit.

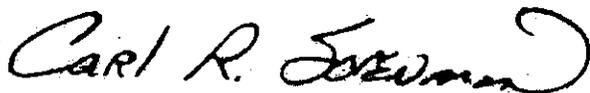
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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 estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental activities, the business type activities and each major fund of the Village of Powers as of February 28, 2007, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Village has not presented management's discussion and analysis which is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report letter dated May 5, 2007, on my consideration of the Village's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information nor express an opinion on it.



Carl R. Sorensen
Certified Public Accountant
May 5, 2007

Village of Powers
Statement of Net Assets as of
February 28, 2007

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and investments	\$ 768,170	\$ 310,741	\$ 1,078,911
Receivables:			
Taxes	216	-	216
Accounts	-	12,451	12,451
Due from other Governments	10,697	518	11,215
Restricted cash and investments	-	24,279	24,279
Capital Assets:			
Capital assets not being depreciated	326,287	16,000	342,287
Other capital assets, net of depreciation	<u>92,082</u>	<u>1,711,926</u>	<u>1,804,008</u>
Total Assets	<u>\$ 1,197,452</u>	<u>\$ 2,075,915</u>	<u>\$ 3,273,367</u>
 LIABILITIES:			
Accounts payable	\$ 1,115	\$ 2,902	\$ 4,017
Accrued interest	-	3,840	3,840
Long-Term Obligations:			
Due within one year	-	8,000	8,000
Due in more than one year	<u>-</u>	<u>504,000</u>	<u>504,000</u>
Total Liabilities	<u>1,115</u>	<u>518,742</u>	<u>519,857</u>
 NET ASSETS:			
Invested in capital assets, net of related debt	418,369	1,215,926	1,634,295
Restricted For:			
Debt service/replacement	-	24,279	24,279
Unrestricted	<u>777,968</u>	<u>316,968</u>	<u>1,094,936</u>
Total Net Assets	<u>\$ 1,196,337</u>	<u>\$ 1,557,173</u>	<u>\$ 2,753,510</u>

Village of Powers
Statement of Net Assets as of
February 28, 2007

Program Revenues

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
FUNCTIONS/PROGRAMS:				
Governmental Activities:				
General Government	\$ 56,525	\$ -	\$ -	\$ -
Public works	22,799	-	368,138	-
Community enrichment services	<u>2,542</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Government Activities	<u>81,866</u>	<u>-</u>	<u>368,138</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES:				
Sewer	<u>127,040</u>	<u>123,408</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>127,040</u>	<u>123,408</u>	<u>-</u>	<u>-</u>
TOTAL	<u><u>\$ 208,906</u></u>	<u><u>\$ 123,408</u></u>	<u><u>\$ 368,138</u></u>	<u><u>\$ -</u></u>

GENERAL REVENUES:

Taxes:
 Property taxes
Intergovernmental revenues not restricted to
 Specific programs
Investment income
 Total General Revenues

CHANGE IN NET ASSETS

NET ASSETS - beginning of year

NET ASSETS - end of year

*Net (Expenses) Revenues and
Changes in Net Assets*

Governmental Activities	Business-Type Activities	Total
\$(56,525)	\$ —	\$(56,525)
345,339	—	345,339
<u>(2,542)</u>	<u>—</u>	<u>(2,542)</u>
<u>286,272</u>	<u>—</u>	<u>286,272</u>
<u>—</u>	<u>(3,632)</u>	<u>(3,632)</u>
<u>—</u>	<u>(3,632)</u>	<u>(3,632)</u>
286,272	(3,632)	282,640
10,965	—	10,965
36,577	—	36,577
<u>24,561</u>	<u>8,408</u>	<u>32,969</u>
<u>72,103</u>	<u>8,408</u>	<u>80,511</u>
358,375	4,776	363,151
<u>837,962</u>	<u>1,552,397</u>	<u>2,390,359</u>
<u>\$ 1,196,337</u>	<u>\$ 1,557,173</u>	<u>\$ 2,753,510</u>

Village of Powers
Statement of Net Assets as of
February 28, 2007

	<i>Governmental Fund Types</i>				<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Water Tower</u>	
ASSETS:					
Cash and investments	\$ 192,094	\$ 305,617	\$ 244,664	\$ 25,795	\$ 768,170
Receivables - taxes	216	-	-	-	216
Due from other Governmental units	<u>6,100</u>	<u>3,637</u>	<u>960</u>	<u>-</u>	<u>10,697</u>
Total Assets	<u><u>198,410</u></u>	<u><u>309,254</u></u>	<u><u>245,624</u></u>	<u><u>25,795</u></u>	<u><u>779,083</u></u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	<u>1,113</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>1,115</u>
Total Liabilities	<u><u>1,113</u></u>	<u><u>2</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,115</u></u>
FUND BALANCES:					
Unreserved/undesignated	<u>197,297</u>	<u>309,252</u>	<u>245,624</u>	<u>25,795</u>	<u>777,968</u>
	<u>197,297</u>	<u>309,252</u>	<u>245,624</u>	<u>25,795</u>	<u>777,968</u>
Total Liabilities & Fund Balances	<u><u>\$ 198,410</u></u>	<u><u>\$ 309,254</u></u>	<u><u>\$ 245,624</u></u>	<u><u>\$ 25,795</u></u>	

Amounts reported for Governmental activities in the statement of net assets are different because:
Capital assets used in Governmental funds are not financial
resources and therefore are not reported in the funds

418,369
\$ 1,196,337

Village of Powers
Schedule of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended February 28, 2007

	<i>Governmental Fund Types</i>				Total Governmental Funds
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Water Tower</u>	
REVENUES:					
Taxes	\$ 10,965	\$ -	\$ -	\$ -	\$ 10,965
Intergovernmental	36,577	38,791	10,031	319,316	404,715
Interest income	<u>5,895</u>	<u>8,977</u>	<u>8,226</u>	<u>1,463</u>	<u>24,561</u>
Total Revenues	53,437	47,768	18,257	320,779	440,241
EXPENDITURES:					
Current:					
General Government	41,329	-	-	13,363	54,692
Highways, streets & public works	12,272	5,224	991	-	18,487
Community services	2,542	-	-	-	2,542
Capital outlay	<u>-</u>	<u>28,891</u>	<u>-</u>	<u>312,316</u>	<u>341,207</u>
Total Expenditures	<u>56,143</u>	<u>34,115</u>	<u>991</u>	<u>325,679</u>	<u>416,928</u>
NET CHANGE IN FUND BALANCES	(2,706)	13,653	17,266	(4,900)	23,313
FUND BALANCES - beginning	<u>200,003</u>	<u>295,599</u>	<u>228,358</u>	<u>30,695</u>	<u>754,655</u>
FUND BALANCES - ending	<u>\$ 197,297</u>	<u>\$ 309,252</u>	<u>\$ 245,624</u>	<u>\$ 25,795</u>	<u>\$ 777,968</u>

Village of Powers
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended February 28, 2007

Net Change in Fund Balances - Total Governmental Funds \$ 23,313

Amounts reported for Governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, however, in the statement of net assets the cost of these assets are capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities. This is the amount by which Village capital outlays plus capital contributions \$341,207 exceeded depreciation \$6,145 in the current period.

335,062

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES -
STATEMENT OF ACTIVITIES**

\$ 358,375

Village of Powers
Statement of Net Assets as of
Proprietary Funds
February 28, 2007

	<u>Sewer Fund</u>
CURRENT ASSETS:	
Cash and investments	\$ 310,741
Customer accounts receivable	12,451
Due from other Governmental units	<u>518</u>
Total Current Assets	<u>323,710</u>
NON-CURRENT ASSETS:	
Restricted Assets	
Bond reserve fund	3,435
Bond redemption fund	992
Replacement fund	19,852
Capital Assets:	
Sewer	
Plant in service	2,768,629
Accumulated depreciation	<u>(1,040,703)</u>
Total Non-Current Assets	<u>1,752,205</u>
TOTAL ASSETS	<u>\$ 2,075,915</u>
CURRENT LIABILITIES:	
Current portion of general obligation debt	\$ 8,000
Accounts payable	2,902
Accrued interest	<u>3,840</u>
Total Current Liabilities	<u>14,742</u>
NON-CURRENT LIABILITIES:	
General obligation debt	<u>504,000</u>
Total Liabilities	<u>518,742</u>
NET ASSETS:	
Invested in capital assets, net of related debt	1,215,926
Restricted	24,279
Unrestricted	<u>316,968</u>
TOTAL NET ASSETS	<u>\$ 1,557,173</u>

Village of Powers
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended February 28, 2007

	<u>Sewer Fund</u>
OPERATING REVENUES:	\$ <u>123,408</u>
OPERATING EXPENSES:	
Operation and maintenance	46,290
Depreciation	58,173
Taxes	<u>484</u>
Total Operating Expenses	<u>104,947</u>
OPERATING INCOME	<u>18,461</u>
NON-OPERATING REVENUES (EXPENSES):	
Investment income	8,408
Interest expense	(22,093)
Total Non-Operating Revenue	<u>(13,685)</u>
CHANGES IN NET ASSETS	4,776
TOTAL NET ASSETS - beginning	<u>1,552,397</u>
TOTAL NET ASSETS - ending	<u>\$ 1,557,173</u>

Village of Powers
Statement of Cash Flows - Proprietary Fund
For the Year Ended February 28, 2007

	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 121,296
Cash paid to suppliers for goods and services	(34,705)
Cash paid to employees for services	<u>(10,957)</u>
Net Cash Flows from Operating Activities	<u>75,634</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	<u>8,408</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(8,221)
Principal paid	(8,000)
Interest paid	<u>(23,220)</u>
Net Cash from Capital and Related Financing Activities	<u>(39,441)</u>
NET INCREASE AND CASH EQUIVALENTS	44,601
CASH AND CASH EQUIVALENTS - beginning	<u>290,419</u>
CASH AND CASH EQUIVALENTS - ending	<u>\$ 335,020</u>

Village of Powers
Statement of Cash Flows - Proprietary Fund - Continued
for the Year Ended February 28, 2007

	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income	\$ 18,461
Adjustments to Reconcile Operating Income to Net Cash Flows	
From Operating Activities:	
Non-Cash Items Included in Income	
Depreciation	58,173
Change in Non-Cash Components of Working Capital:	
Accounts receivable	(1,694)
Due to other Governmental units	(418)
Accounts payable	<u>1,112</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ <u>75,634</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER	
STATEMENT OF NET ASSETS TO STATEMENT OF CASH FLOWS:	
Amounts Per Statement of Net Assets - Proprietary Funds:	
Unrestricted cash and investments	\$ 310,741
Restricted cash and investments	<u>24,279</u>
CASH AND CASH EQUIVALENTS PER COMBINED	
STATEMENT OF CASH FLOWS	\$ <u>335,020</u>

Village of Powers
Notes to Financial Statements
February 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

INTRODUCTION

The financial statements of the Village of Powers have been prepared in conformity with accounting principals generally accepted in the United States of America (GAAP) as applied to Governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing Governmental Accounting and financial reporting principals. The significant accounting principals and policies utilized by the Village are described in the following paragraphs.

REPORTING ENTITY

This report includes all of the funds of the Village of Powers. The reporting entity for the Village consists of (a) the primary Government, (b) organizations for which the primary Government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary Government are such that their exclusion would cause the reporting entity's financial statements to be misleading or complete. Component units are legally separate organizations for which the elected officials of the primary Government are financially accountable. The primary Government is financially accountable if it appoints a voting majority of the organizations governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary Government. On this basis, the financial statements of a related organization listed below is not included in the financial statements of the Village.

Water services are provided through a related organization with the Powers Spalding Water Authority which is a separate Government entity.

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting Government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between Governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Village does not allocate indirect expenses to functions in the statement of activities. Program revenues include, (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included as program revenues are reported instead as general revenues.

Separate financial statements are provided for Governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from Government-wide financial statements. Major individual Governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

As a general rule, the effect of interfund activity has been eliminated from the Government-wide financial statements.

Village of Powers
Notes to Financial Statements
February 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Government-Wide Financial Statements (continued)

Proprietary fund distinguishes *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenues of the sewer utility enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Fund Financial Statements

Fund financial statements of the reporting entity are organized into individual funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses.

Funds are organized as major funds or non-major funds within the Governmental, proprietary and fiduciary statements. An emphasis is placed on major funds within the Governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual Governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type and —
- b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all Governmental and enterprise funds combined.
- c. In addition, any other Governmental or proprietary fund that the Village believes is particularly important to financial statement users may be reported as a major fund.

Village of Powers
Notes to Financial Statements
February 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):
Fund Financial Statements (continued)

Governmental Funds

Governmental Funds are identified as either general, special revenue, debt service and capital projects based upon the following guidelines:

General Fund

The general fund is the primary operating fund of the Village and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of general long-term principle, interest and related costs.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Business-Type Activities

Proprietary Funds:

Enterprise Funds

Enterprise funds may be used to account for activities where a fee is charged to external users for goods and services. Enterprises activities must include operations (a) that are financed with debt that is secured solely by the pledge of the net revenues of the fund, or (b) where laws or regulations require that the costs of the activity be recovered with fees and charges or (c) where the fees and charges are priced in a way designed to recover the costs of the activity.

Fiduciary Funds (not included in Government-wide statements):

Agency Funds

Agency funds are used to account for assets held by the Village as an agent for individual, private organizations and/or other Governmental units.

Major Funds

The Village reports the following major Governmental funds:

- The *general fund* which accounts for the Villages primary operating activities
- The *major street fund* which accounts for major street activities designated by the state
- The *local street fund* which accounts for local street activities designated by the state
- The *water tower fund* which accounts for construction of a new water tower with funds provided by the state

The Village reports the following major proprietary fund:

- The *sewer fund* which operates the sewage treatment plant, sewage pumping stations and collection systems

Village of Powers
Notes to Financial Statements
February 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Measurement Focus and Basis of Accounting

The Government-wide and proprietary fund financial statements report using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions in which the Village gives or receives without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental fund statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Village considers all revenues reported in the Governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgements and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in Governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Village may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the Villages policy to first apply cost-reimbursement grant resources to such programs followed by general revenues.

The proprietary funds are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

Budgetary Control

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

- During the year, Village management submits to the Village Board a proposed operating budget for the calendar year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the Governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions is legally enacted by Village Board action.
- Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Budget is defined as the originally approved budget plus or minus approved amendments. Budget appropriations not expended during the year are closed to fund balance unless authorized by the Governing body to be forwarded into the succeeding year's budget.
- During the year, formal budgetary integration is employed as a management control device for the general fund.
- Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the Village. There were no amendments to the budget during the year. A budget was not adopted for the Water Tower Fund.

Village of Powers
Notes to Financial Statements
February 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Cash and Investments

For purposes of the statement of cash flows, cash deposits and highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

Restricted Cash

Enterprise Fund - Cash has been set aside to provide for debt retirement and replacement of certain sewer utility plant equipment.

Accounts Receivable

Accounts receivable in the Governmental funds are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material.

Inventories

Inventories of Governmental fund types are expensed when purchased.

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are reported in the Government-wide or fund financial statements and used in Governmental fund operations.

Government-Wide Statements

In the Government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual cost is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. The Village has a capitalization threshold of \$500. For the year ended February 28, 2007, the Village has reported infrastructure acquired by its Governmental fund types since March 1, 2003.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with all accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset as follows:

Buildings	50 years
Machinery & equipment	5 - 10 years
Utility system	50 years

Fund Financial Statements

In the fund financial statements, capital assets used in Governmental fund operations are accounted for as capital outlay expenditures of the Governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the Government-wide statements.

Additions to and replacement of utility plant are recorded at original cost, which includes labor, materials, overhead and an allowance for the cost of funds used during construction when significant. For tax exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No net interest was capitalized during the current year. The cost renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Village of Powers
Notes to Financial Statements
February 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Long-Term Obligations

The accounting treatment of long-term debt depends on whether they are reported in the Government-wide or fund financial statements.

All long-term debt to be repaid from Governmental and business-type resources are reported as liabilities in the Government-wide statements. The long-term debt consists primarily of bonds payable.

Long-term debt for Governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. In Governmental funds, debt issuance costs are reported as expenditures. The accounting in proprietary funds is the same in the fund statements as it is in the Government-wide statements.

Claims and Judgements

Claims and judgements are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgements that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the Governmental fund types. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the Governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgements are recorded in the Government-wide and proprietary funds statements as expenses when the related liabilities are incurred. There were no significant claims or judgements at year end.

Encumbrances

Encumbrances outstanding represent the estimated amount of expenditures ultimately to result if unperformed contracts and open purchase orders at year end are fulfilled. Encumbrances outstanding at year end are reported as reservations of fund balance and do not represent liabilities or expenditures. Encumbrance accounting applies only to Governmental fund types. There were no encumbrances outstanding at year end.

Equity Classifications

Equity is classified as net assets and displayed in three components:

- *Invested in capital assets, net of related debt* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- *Restricted net assets* - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other Governments or, (2) law through constitutional provisions or enabling legislation.
- *Unrestricted net assets* - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the Government-wide statements.

Use of Estimates

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

Village of Powers
Notes to Financial Statements
February 28, 2007

NOTE 2 - CASH AND INVESTMENTS:

At year end the Village's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 768,170	\$ 335,020	\$ 1,103,190
Investments	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 768,170</u>	<u>\$ 335,020</u>	<u>\$ 1,103,190</u>

The breakdown between deposits and investments for the Village is as follows:

Deposits	\$ 1,103,190
Investments in securities	—
Petty cash and cash on hand	—
Total	<u>\$ 1,103,190</u>

As required by Governmental Accounting Standards Board Statement No. 40, *Deposits and Investment Risk Disclosures*, the following represents a summary of deposits as of February 28, 2007.

Fully insured deposits	\$ 200,000
Collateralized with securities held by the pledging financial institution in the school name	—
Collateralized with securities held by the pledging financial institutions trust department	—
Uncollateralized	<u>904,728</u>
	<u>\$ 1,104,728</u>

State statutes and the Village's investment policy authorize the Unit to make deposits in the accounts of federally insured banks, credit unions and savings and loan associations which have an office in Michigan; the District is allowed to invest in U.S. Treasury or Agency obligation, U.S. Government repurchases agreements, bankers' acceptances, commercial paper rated prime at the time of purchases which mature not more than 270 days after the date of purchases, mutual funds and investment pools that are composed of authorized investment vehicles. The Village's deposits are in accordance with statutory authority.

The Village had no investments at February 28, 2007.

Village of Powers
Notes to Financial Statements
February 28, 2007

NOTE 3 - PROPERTY TAXES:

The Village bills and collects its own property taxes.

Property taxes consist of taxes on real estate. They are levied during August and are due on October 15. Delinquent property taxes are turned over to the county and collected.

NOTE 4 - RESTRICTED ASSETS:

Bond Reserve Fund

The Village has established a bond reserve to report resources set aside to cover potential future deficiencies in the redemption account. The balance in this account as of February 28, 2007 was \$3,435.

Bond Redemption Fund

The Village has established a bond redemption fund to report resources accumulated for debt service payments over the next twelve months. The balance in this account as of February 28, 2007 was \$992.

Replacement Fund

The Village has established a replacement fund to report resources set aside to fund plant renewals and replacement or cover potential future deficiencies in the redemption account. The balance in this account as of February 28, 2007 was \$19,852.

NOTE 5 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended February 28, 2007 were as follows:

	<u>Balance</u> <u>3-1-06</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>2-28-07</u>
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 13,971	\$ -	\$ -	\$ 13,971
Water tank (construction in progress)	<u>-</u>	<u>312,316</u>	<u>-</u>	<u>312,316</u>
Total Capital Assets Not being Depreciated	<u>13,971</u>	<u>312,316</u>	<u>-</u>	<u>326,287</u>
Other Capital Assets:				
Buildings	54,000	-	-	54,000
Machinery and equipment	38,920	-	-	38,920
Infrastructure	<u>22,862</u>	<u>28,891</u>	<u>-</u>	<u>51,753</u>
Total Capital Assets being depreciated	<u>115,782</u>	<u>28,891</u>	<u>-</u>	<u>144,673</u>
Total Capital Assets	<u>129,753</u>	<u>341,207</u>	<u>-</u>	<u>470,960</u>
Less: Accumulated Depreciation for:				
Building	25,220	1,080	-	26,300
Machinery and equipment	20,997	4,318	-	25,315
Infrastructure	<u>229</u>	<u>747</u>	<u>-</u>	<u>976</u>
Total Accumulated Depreciation	<u>46,446</u>	<u>6,145</u>	<u>-</u>	<u>52,591</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 83,307</u>	<u>\$ 335,062</u>	<u>\$ -</u>	<u>\$ 418,369</u>

Village of Powers
Notes to Financial Statements
February 28, 2007

NOTE 5 - CAPITAL ASSETS (continued):

Business Type Activities

	<u>Balance 3-1-06</u>	<u>Additions/ Reclassifications</u>	<u>Deletions Reclassifications</u>	<u>Balance 2-28-07</u>
Capital Assets Not Being Depreciated:				
Land	\$ 16,000	\$ -	\$ -	\$ 16,000
Capital Assets Being Depreciated:				
Machinery and equipment	79,191	-	-	79,191
Improvements other than buildings	<u>2,665,217</u>	<u>8,221</u>	<u>-</u>	<u>2,673,438</u>
Total Capital Assets being depreciated	<u>2,744,408</u>	<u>8,221</u>	<u>-</u>	<u>2,752,629</u>
Total Capital Assets	<u>2,760,408</u>	<u>8,221</u>	<u>-</u>	<u>2,768,629</u>
Less: Accumulated Depreciation For:				
Machinery and equipment	64,481	3,069	-	67,550
Improvements other than buildings	<u>918,049</u>	<u>55,104</u>	<u>-</u>	<u>973,153</u>
Total Accumulated Depreciation	<u>982,530</u>	<u>58,173</u>	<u>-</u>	<u>1,040,703</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$1,777,878</u>	<u>\$(49,952)</u>	<u>\$ -</u>	<u>\$1,727,926</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 1,833
Public works	<u>4,312</u>
Total Governmental Activities Depreciation Expense	<u>\$ 6,145</u>
Business-Type Activities:	
Sewer	<u>\$ 58,173</u>
Total Business Type Activities Depreciation Expense	<u>\$ 58,173</u>

Village of Powers
Notes to Financial Statements
February 28, 2007

NOTE 6 - LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term obligations of the Village for the year ended February 28, 2007:

	<u>Balance</u> <u>3-1-06</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>2-28-07</u>	<u>Due Within</u> <u>One Year</u>
Business-Type Activities:					
Revenues bonds	\$ 520,000	\$ -	\$ 8,000	\$ 512,000	\$ 8,000

	<u>Date of</u> <u>Issuance</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rates</u>	<u>Original</u> <u>Indebtedness</u>	<u>Balance</u> <u>2-28-07</u>
Business -Type Activities:					
Long-Term Obligations:					
Revenue bond	11-07-97	11-07-38	4.5%	\$ 570,000	<u>\$ 512,000</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	Business Type Long-Term Debt	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 8,000	\$ 23,040
2009	8,000	22,680
2010	9,000	22,320
2011	9,000	21,916
2012	9,000	21,510
2013-2015	31,000	61,964
2016-2020	61,000	93,285
2021-2025	77,000	78,210
2026-2030	95,000	59,400
2031-2035	120,000	35,775
2036-2038	<u>85,000</u>	<u>7,785</u>
	<u>\$ 512,000</u>	<u>\$ 447,885</u>

NOTE 7 - LEASES:

The Village has no material leases as lessee or lessor.

Village of Powers
Notes to Financial Statements
February 28, 2007

NOTE 8 - NET ASSETS/FUN BALANCES:

Net assets reported on the Government-wide statement of net assets at February 28, 2007 includes the following:

Invested in Capital Assets, Net of Related Debt:	
Capital assets, net of accumulated depreciation	\$ 2,146,295
Less: related long-term debt outstanding, less unspent portion	<u>(512,000)</u>
Total Invested in Capital Assets	1,634,295
Net Assets Restricted For:	
Debt service/replacement	24,279
Unrestricted	<u>1,094,936</u>
Total Net Assets - Government-Wide Statements	<u>\$ 2,753,510</u>

Fund balances reported in the Government funds balance sheet at February 28, 2007 are further classified as follows:

Unreserved/Undesignated	\$ <u>777,968</u>
Total Governmental Funds' Fund Balance	<u>\$ 777,968</u>

NOTE 9 - INDIVIDUAL FUNDS DISCLOSURES:

The following fund had the following excess of income over the budget for the year ended February 28, 2007.

General Fund:	
Interest	\$ 895
Major Street	
Intergovernmental Interest	791 2,977
Local Street	
Intergovernmental Interest	31 <u>3,226</u>
Total General Fund	<u>\$ 7,920</u>

NOTE 10 - RISK MANAGEMENT:

The Village is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; employee health claims; unemployment compensation claims and environmental damage for which the Village purchases commercial insurance. There has been no reduction in insurance coverage from the prior year. Insurance settlements for claims resulting from the risks covered by commercial insurance have not exceeded the insurance coverage in the past year.

Village of Powers
Notes to Financial Statements
February 28, 2007

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES:

The village has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

From time to time, the Village is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty it is the opinion of management and the Village's attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Village's financial position or results of operations.

Funding for the operating budget of the Village comes from many sources, including property taxes, grants and aids from other units of Government, user fees, fines and permits and other miscellaneous revenues. The State of Michigan provides a variety of aid and grant programs which benefit the Village. Those aid and grant programs are dependent on continued approval and funding by the Michigan Governor and legislature through their budget processes. The State of Michigan is currently experiencing budget problems and is considering numerous alternatives including reducing the aid to local Governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the Village.

NOTE 12 - KEY FINANCIAL DATA OF ENTERPRISE ACTIVITIES:

The Powers Sewer Fund provides services which are financed by user charges. The key financial data for the year ended February 28, 2007 for those services are as follows:

	<u>Sewer Fund</u>
Operating revenues	\$ 123,408
Operating Expenses:	
Depreciation	58,173
Other	<u>46,774</u>
Total Operating Income	<u>\$ 18,461</u>
Net Income	<u>\$ 4,776</u>
Total Assets	<u>\$ 2,075,915</u>
Net Working Capital	<u>\$ 308,968</u>
Total Net Assets	<u>\$ 1,557,173</u>
Property, Plant and Equipment Additions	<u>\$ 8,221</u>
General Obligation Long-Term Debt Payable	<u>\$ 512,000</u>

NOTE 13 - JOINTLY GOVERNED ORGANIZATION:

The Village in conjunction with the Township of Spalding and Pinecrest Medical Care Facility have created the Powers Spalding Water Authority. The Powers Spalding Water Authority's Board is composed of two members from each municipality and two members from Pinecrest. The Village paid an annual fee of \$6,000 for operations to the Water Authority for the year ending February 28, 2007.

REQUIRED SUPPLEMENTAL INFORMATION

Village of Powers
 General Fund
 Budgetary Comparison Schedule
 For the Year Ended February 28, 2007

	Budgeted Amounts		
	Original & Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 12,000	\$ 10,965	\$(1,035)
Intergovernmental	38,000	36,577	(1,423)
Interest income	<u>5,000</u>	<u>5,895</u>	<u>895</u>
Total Revenue	<u>55,000</u>	<u>53,437</u>	<u>(1,563)</u>
EXPENDITURES:			
Current:			
General Government	54,050	41,329	12,721
Highways, street and public works	21,000	12,272	8,728
Community services	<u>3,000</u>	<u>2,542</u>	<u>458</u>
Total Expenditures	<u>78,050</u>	<u>56,143</u>	<u>21,907</u>
 NET CHANGES IN FUND BALANCES	 (23,050)	 (2,706)	 20,344
FUND BALANCES - Beginning	<u>200,003</u>	<u>200,003</u>	<u>—</u>
FUND BALANCES - Ending	<u>\$ 176,953</u>	<u>\$ 197,297</u>	<u>\$ 20,344</u>

Village of Powers
Major Street
Budgetary Comparison Schedule
For the Year Ended February 28, 2007

	Budgeted Amounts		
	Original & Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$ 38,000	\$ 38,791	\$ 791
Interest income	<u>6,000</u>	<u>8,977</u>	<u>2,977</u>
Total Revenue	<u>44,000</u>	<u>47,768</u>	<u>3,768</u>
EXPENDITURES:			
Current:			
Highways, street and public works	14,950	5,224	9,726
Capital outlay	<u>31,100</u>	<u>28,891</u>	<u>2,209</u>
Total Expenditures	<u>46,050</u>	<u>34,115</u>	<u>11,935</u>
NET CHANGES IN FUND BALANCES	(2,050)	13,653	15,703
FUND BALANCES - Beginning	<u>295,599</u>	<u>295,599</u>	<u>—</u>
FUND BALANCES - Ending	<u>\$ 293,549</u>	<u>\$ 309,252</u>	<u>\$ 15,703</u>

Village of Powers
Local Street
Budgetary Comparison Schedule
For the Year Ended February 28, 2007

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual Amounts	
REVENUES:			
Intergovernmental	\$ 10,000	\$ 10,031	\$ 31
Interest income	<u>5,000</u>	<u>8,226</u>	<u>3,226</u>
Total Revenue	<u>15,000</u>	<u>18,257</u>	<u>3,257</u>
EXPENDITURES:			
Current:			
Highways, street and public works	9,750	991	8,759
Capital outlay	<u>20,000</u>	<u>—</u>	<u>20,000</u>
Total Expenditures	<u>29,750</u>	<u>991</u>	<u>28,759</u>
NET CHANGES IN FUND BALANCES	(14,750)	17,266	32,016
FUND BALANCES - Beginning	<u>228,358</u>	<u>228,358</u>	<u>—</u>
FUND BALANCES - Ending	<u>\$ 213,608</u>	<u>\$ 245,624</u>	<u>\$ 32,016</u>

ADDITIONAL INDEPENDENT AUDITOR'S REPORT

Carl R. Sorensen

Certified Public Accountant

844 Pierce Avenue
"In The Northern Building"
P.O. Box 225

Marinette, Wisconsin 54143
Phone 715-735-9021
Fax 715-735-7116

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and the Provider Agency Audit Guide

To the Board of Directors
The Village of Powers
Powers, Michigan

I have audited the financial statements of The Village of Powers, Powers Michigan, as of and for the year ended February 28, 2007, and have issued my report thereon dated May 5, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Provider Agency Guide*, issued by the State of Wisconsin.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or a combination of control deficiencies that adversely affects the Village's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

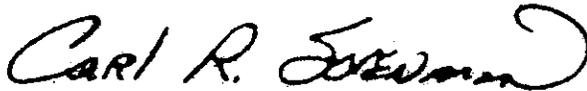
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses as defined above.

Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards
and the Provider Agency Audit Guide (continued)

Compliance and Other Matters

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

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



Carl R. Sorensen
Certified Public Accountant
May 5, 2007