

VILLAGE OF VANDERBILT
Otsego County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

AUDITING PROCEDURES REPORT

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

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Vanderbilt	County Otsego
Audit Date March 31, 2007	Opinion Date July 13, 2007	Date Accountant Report Submitted to State: July 17, 2007	

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

We affirm that:

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

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

You must check the applicable box for each item below.

- yes no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- yes no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- yes no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- yes no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- yes no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- yes no 6. The local unit has been delinquent 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 they year).
- yes no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- yes no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

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

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>			

VILLAGE OF VANDERBILT
Otsego County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 13, 2007

To the Village Council
Village of Vanderbilt
Otsego County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Village of Vanderbilt, Otsego County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Vanderbilt's management. Our responsibility is to express opinions 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Village of Vanderbilt, Otsego County, Michigan as of March 31, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

VILLAGE OF VANDERBILT
Otsego County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

We are providing this letter in connection with your audit of the financial statements of the Village of Vanderbilt as of March 31, 2007.

We have made available to you all financial records and related data, and all relevant monitoring reports if any received from funding sources. In addition, copies of the minutes of the meetings of the Vanderbilt Village Council have been provided for you, as well as all budgets, amended budgets, and financial statements provided to the Village Council. The financial statements properly classify all funds and activities.

The Village of Vanderbilt has satisfactory title to all owned assets; there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

There have been no violations of budget ordinance laws including those pertaining to adopting and amending budgets. All necessary public hearings have been properly noticed and held. The minutes of these hearings are on file.

FINANCIAL HIGHLIGHTS

Net assets as of March 31, 2007, totaled \$643,001.69 for governmental activities. Revenues were \$232,076.62 for general government purposes, \$53,506.66 for major streets, and \$35,538.96 for local streets. Our equipment fund revenues were \$43,468.22. General activities showed a slight increase in funds.

Our taxable value was \$9,089,917.00, which was an increase over the previous year.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole using accounting methods used by private companies. The statement of net assets includes all of the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

VILLAGE OF VANDERBILT
Otsego County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

ENTITY-WIDE FINANCIAL STATEMENTS (continued)

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Village are reported as governmental activities. This includes the General Fund, Major Street Fund, Local Street Fund and the net effect of the Equipment Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Village has the following types of funds:

Governmental funds: All of the Village's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental activities include the General Fund, Major Street Fund, Local Street Fund, and the net effect of the Equipment Fund.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Our cash position in governmental activities remains strong. As of March 31, 2007, we have no external debt.

We have no knowledge of any fraud or suspected fraud affecting the entity, including both management and employees. To our knowledge, there have been no related party transactions.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Our General fund covers expense for our public works services including street lights, park maintenance, operation and maintenance of the Village hall, the cost of operating general government (including wages), payment of taxes and insurance, health insurance for full-time employees, and employee retirement contribution. The cost of items covered by this fund was \$132,769.02 for year 2006-07.

VILLAGE OF VANDERBILT
Otsego County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS (continued)

Road construction, upgrade, and maintenance is covered by our street funds – major and local. The total cost of major street care for the year was \$31,994.69. Local street care was \$39,797.70. Snow removal which is a significant expense in northern Michigan is also covered by street funds.

Our Equipment fund provided funds for the purchase of an industrial chipper, depreciation, and vehicle maintenance.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Village's governmental activities invested \$1,691.02 in capital assets.

The Village has no long-term debt liability.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Council voted to purchase at tax sale a building and adjacent property which for many years had been an eyesore on Main Street. It is the intent of the Council at this time to demolish the residence (garage has been demolished) and offer the property for sale. However, several suggestions have been offered: rezone property, retain property for use later for a Welcome Center or community building. Present work has been done by the Village employee and some volunteer labor.

Discussions have been held in regard to obtaining property from the school system in the very near future. This property is also on Main Street and is presently zoned residential. It is also the intent of the Village to bid on acreage previously rezoned residential at the summer tax sale.

The Village continues to try to improve the quality of life in the Village in order to encourage realtors to promote the Village more aggressively. There are a number of affordable housing units available in the Village.

The future of state revenue sharing is again a matter of concern. Each year, revenue sharing is targeted for cuts by the state government budget committee. This is very important to the Village, as revenue sharing provides approximately 38.7% of the general fund.

Our taxable value increased in 2006-07 to \$9,089,917.00. Lack of sewer and water have impeded growth, both in housing units and industry. To this end, the Village is actively pursuing a USDA (RDA) grant for a sewer system. If successful in obtaining the RDA grant, other grants will be sought and bonding sources will be contacted.

Additionally, the Council established an industrial development district (IDD) covering property already zoned for manufacturing within the Village. The major industry of the Village then filed for a tax abatement on a planned upgrade of equipment and facility. In today's economic climate, the Council felt it necessary to assist our business community in any way it was possible and to maintain the number of employment opportunities in the Village. It is the intent of the Council to establish a second IDD to facilitate planned growth of a small locally owned manufacturing company in the Village. The Village, as well as the business entities, were assisted in the above process by the Otsego County Economic Alliance office.

Although we are a small Village of 587 citizens, we feel we have continued to improve our Village, both physically and in the field of management. All of our ordinances are up to date. Our bills are current and are paid promptly. All tax obligations are paid as required by law.

VILLAGE OF VANDERBILT
Otsego County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

KNOWN FACTORS AFFECTING FUTURE OPERATIONS (continued)

Fiscal 2006-07 saw a major change in government. The Council voted to hire a Coordinator to serve for a one year experiment before actually considering a Village Manager. The cost of a Village Manager was more than the Council could afford, but the expertise of someone familiar with government was desired. The former Village president resigned, and moved into the position of Coordinator, with specific tasks and projects as assigned by contract. These included among other areas of work the review of past actions by the Council which were handled improperly regarding alleys and roads and need correction, establishment of property files, and establishment of zoning and planning files and reference logs.

The Village Clerk continues to attend seminars regarding elections and other statutory duties as they are available.

Our planning commission continues to be more active, and interested in their role in the betterment of the community. One member has become a certified Citizen Planner as has the Zoning Administrator.

CONTACTING THE VILLAGE'S MANAGEMENT

Our financial records are available to our taxpayers, creditors, and investors, and available as requested, and provide a general overview of our finances. They demonstrate the Village's accountability for the revenues it receives.

If you have any questions concerning the report, please contact the Clerk or Treasurer at the Village Hall, Monday through Friday, from 10 a.m. to 4 p.m. or by telephone (989)983-4244. The Coordinator is available Monday to Wednesday, and Friday.

VILLAGE OF VANDERBILT
Otsego County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	420 403 11
Taxes receivable	8 033 62
Deposits receivable	3 000 00
Due from State of Michigan	<u>12 035 09</u>
Total Current Assets	<u>443 471 82</u>
NON-CURRENT ASSETS:	
Capital Assets	538 253 33
Less: Accumulated Depreciation	<u>(338 723 46)</u>
Total Non-current Assets	<u>199 529 87</u>
TOTAL ASSETS	<u><u>643 001 69</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	199 529 87
Unrestricted	<u>443 471 82</u>
Total Net Assets	<u>643 001 69</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>643 001 69</u></u>

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

VILLAGE OF VANDERBILT
Otsego County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2007

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
General government	58 663 67	1 450 00	(57 213 67)
Public works	103 301 62	-	(103 301 62)
Culture and recreation	12 529 00	-	(12 529 00)
Other	22 118 27	-	(22 118 27)
Total Governmental Activities	<u>196 612 56</u>	<u>1 450 00</u>	<u>(195 162 56)</u>
General Revenues:			
Property taxes			79 397 15
State revenue sharing			128 183 97
Interest			15 684 13
Miscellaneous			<u>11 584 75</u>
Total General Revenues			<u>234 850 00</u>
Change in net assets			39 687 44
Net assets, beginning of year			<u>603 314 25</u>
Net Assets, End of Year			<u>643 001 69</u>

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

VILLAGE OF VANDERBILT
Otsego County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2007

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	82 901 01	143 834 14	53 992 40	280 727 55
Taxes receivable	8 033 62	-	-	8 033 62
Deposits receivable	3 000 00	-	-	3 000 00
Due from State of Michigan	-	8 342 79	3 692 30	12 035 09
	<u>93 934 63</u>	<u>152 176 93</u>	<u>57 684 70</u>	<u>303 796 26</u>
<u>Liabilities and Fund Equity</u>				
Liabilities	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	93 934 63	152 176 93	57 684 70	303 796 26
Total fund equity	<u>93 934 63</u>	<u>152 176 93</u>	<u>57 684 70</u>	<u>303 796 26</u>
Total Liabilities and Fund Equity	<u>93 934 63</u>	<u>152 176 93</u>	<u>57 684 70</u>	<u>303 796 26</u>

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

VILLAGE OF VANDERBILT
Otsego County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	303 796 26
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	538 253 33
Accumulated depreciation	(338 723 46)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets \$262,656.08 net of capital assets of \$122,980.52, included above	
	<u>139 675 56</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>643 001 69</u></u>

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

VILLAGE OF VANDERBILT
Otsego County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2007

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
Revenues:				
Property taxes	70 511 23	-	8 885 92	79 397 15
State revenue sharing	55 400 00	48 267 42	24 516 55	128 183 97
Interest	4 085 02	5 239 24	2 136 49	11 460 75
Rent	1 450 00	-	-	1 450 00
Miscellaneous	<u>11 584 75</u>	<u>-</u>	<u>-</u>	<u>11 584 75</u>
Total revenues	<u>143 031 00</u>	<u>53 506 66</u>	<u>35 538 96</u>	<u>232 076 62</u>
Expenditures:				
General government:				
General government	45 714 88	-	-	45 714 88
Building and grounds	8 918 10	-	-	8 918 10
Public works:				
Highways and streets	47 110 53	31 994 69	39 797 70	118 902 92
Culture and recreation:				
Parks and recreation	7 216 22	-	-	7 216 22
Other:				
Other functions	22 118 27	-	-	22 118 27
Capital outlay	<u>1 691 02</u>	<u>-</u>	<u>-</u>	<u>1 691 02</u>
Total expenditures	<u>132 769 02</u>	<u>31 994 69</u>	<u>39 797 70</u>	<u>204 561 41</u>
Excess (deficiency) of revenues over expenditures	10 261 98	21 511 97	(4 258 74)	27 515 21
Fund balances, April 1	<u>83 672 65</u>	<u>130 664 96</u>	<u>61 943 44</u>	<u>276 281 05</u>
Fund Balances, March 31	<u><u>93 934 63</u></u>	<u><u>152 176 93</u></u>	<u><u>57 684 70</u></u>	<u><u>303 796 26</u></u>

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

VILLAGE OF VANDERBILT
Otsego County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	27 515 21
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation Expense	(29 955 27)
Capital Outlay	20 191 02
Internal service funds are used by management to charge the costs of equipment services to individual funds. Net revenue of the internal service fund is reported within governmental activities, net of depreciation expense of \$20,509.97 and capital asset additions of \$18,500.00, included above	
	<u>21 936 48</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>39 687 44</u></u>

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

VILLAGE OF VANDERBILT
Otsego County, Michigan

STATEMENT OF NET ASSETS – INTERNAL SERVICE FUND REPORTED IN GOVERNMENTAL ACTIVITIES
March 31, 2007

	<u>Total (Equipment Fund)</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>139 675 56</u>
Total Current Assets	<u>139 675 56</u>
NON-CURRENT ASSETS:	
Capital Assets	332 367 77
Less: Accumulated Depreciation	<u>(209 387 25)</u>
Total Non-current Assets	<u>122 980 52</u>
TOTAL ASSETS	<u><u>262 656 08</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	122 980 52
Unrestricted	<u>139 675 56</u>
Total Net Assets	<u>262 656 08</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>262 656 08</u></u>

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

VILLAGE OF VANDERBILT
Otsego County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –
INTERNAL SERVICE FUND REPORTED IN GOVERNMENTAL ACTIVITIES
Year ended March 31, 2007

	<u>Total (Equipment Fund)</u>
OPERATING REVENUES:	
Charges for services	<u>43 468 22</u>
Total Operating Revenues	<u>43 468 72</u>
OPERATING EXPENSES:	
Supplies	6 508 59
Repairs and maintenance	<u>746 53</u>
Total Operating Expenses	<u>7 255 12</u>
Operating Income (loss) before depreciation	36 213 10
Less: depreciation	<u>(20 509 97)</u>
Operating income (loss)	<u>15 703 13</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest income	<u>4 223 38</u>
Total Non-operating Revenues (Expenses)	<u>4 223 38</u>
Change in net assets	19 926 51
Net assets, beginning of year	<u>242 729 57</u>
Net Assets, End of Year	<u><u>262 656 08</u></u>

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

VILLAGE OF VANDERBILT
Otsego County, Michigan

STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUND REPORTED IN GOVERNMENTAL ACTIVITIES
Year ended March 31, 2007

	<u>Total (Equipment Fund)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	43 468 22
Cash payments to suppliers for goods and services	<u>(7 255 12)</u>
Net cash provided (used) by operating activities	<u>36 213 10</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Acquisition of capital assets	<u>(18 500 00)</u>
Net cash provided (used) by capital financing activities	<u>(18 500 00)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>4 223 38</u>
Net cash provided (used) by investing activities	<u>4 223 38</u>
Net increase (decrease) in cash	21 936 48
Cash beginning of year	<u>117 739 08</u>
Cash End of Year	<u><u>139 675 56</u></u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Income (loss) from operations	15 703 13
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	<u>20 509 97</u>
Net Cash Provided (Used) in Operating Activities	<u><u>36 213 10</u></u>

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

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of Vanderbilt, Otsego County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Vanderbilt. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Village's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

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

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The proprietary fund type 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 this fund are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statement presents revenues and expenses in net total assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Fund

Internal Service Fund

This fund is used to record the financing of goods or services provided by the local unit to other departments and funds or to other governmental units on a cost reimbursement basis.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

All purchases of materials are reflected in expenses when paid in all funds.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15 before they are added to the county tax rolls. The 2006 tax roll millage rate was 8.8000 mills, and the taxable value was \$9,089,917.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Village as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	20-40 years
Furniture and equipment	5-25 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Village provides no post-employment benefits to past employees.

Fund Equity

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

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village 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; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as 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.

The Village Council has designated one bank for the deposit of Village funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investments are in accordance with statutory authority.

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

	<u>Carrying Amounts</u>
Total Deposits	<u>420 403 11</u>

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>325 013 86</u>
Total Deposits	<u><u>425 013 86</u></u>

The Village of Vanderbilt did not have any investments as of March 31, 2007.

Note 4 – Capital Assets

Capital asset activity of the Village's Governmental activities for the current year was as follows:

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/07</u>
<u>Governmental Activities:</u>				
Land	2 151 00	1 691 02	-	3 842 02
Buildings	122 865 46	-	-	122 865 46
Equipment	<u>393 045 85</u>	<u>18 500 00</u>	-	<u>411 545 85</u>
Total	518 062 31	20 191 02	-	538 253 33
Accumulated Depreciation	<u>(308 768 19)</u>	<u>(29 955 27)</u>	-	<u>(338 723 46)</u>
Net Capital Assets	<u><u>209 294 12</u></u>	<u><u>(9 764 25)</u></u>	-	<u><u>199 529 87</u></u>

Note 5 – Pension Plan

The Village has a defined contribution pension plan covering the Village's full-time employees. For the fiscal year ended March 31, 2007, the Village paid \$1,330.50 into the pension plan.

Note 6 – Deferred Compensation Plan

The Village does not have a deferred compensation plan.

Note 7 – Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Village of Vanderbilt does not issue building permits. Building permits are issued by the County of Otsego.

VILLAGE OF VANDERBILT
Otsego County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	78 196 10	78 196 10	70 511 23	(7 684 87)
State revenue sharing	56 550 00	56 550 00	55 400 00	(1 150 00)
Interest	1 825 00	1 825 00	4 085 02	2 260 02
Rent	-	-	1 450 00	1 450 00
Miscellaneous	<u>8 000 00</u>	<u>8 000 00</u>	<u>11 584 75</u>	<u>3 584 75</u>
Total revenues	<u>144 571 10</u>	<u>144 571 10</u>	<u>143 031 00</u>	<u>(1 540 10)</u>
Expenditures:				
General government:				
General government	67 860 00	65 908 98	45 714 88	(20 194 10)
Building and grounds	11 250 00	10 500 00	8 918 10	(1 581 90)
Public works:				
Highways and streets	47 717 40	47 717 40	47 110 53	(606 87)
Culture and recreation:				
Parks and recreation	12 620 00	12 620 00	7 216 22	(5 403 78)
Other:				
Other functions	22 718 38	22 718 38	22 118 27	(600 11)
Capital outlay	<u>-</u>	<u>2 701 02</u>	<u>1 691 02</u>	<u>(1 010 00)</u>
Total expenditures	<u>162 165 78</u>	<u>162 165 78</u>	<u>132 769 02</u>	<u>(29 396 76)</u>
Excess (deficiency) of revenues over expenditures	(17 594 68)	(17 594 68)	10 261 98	27 856 66
Fund balance, April 1	<u>17 594 68</u>	<u>17 594 68</u>	<u>83 672 65</u>	<u>66 077 97</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>93 934 63</u>	<u>93 934 63</u>

VILLAGE OF VANDERBILT
Otsego County, Michigan

BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State revenue sharing	47 500 00	47 500 00	48 267 42	767 42
Interest	<u>5 000 00</u>	<u>5 000 00</u>	<u>5 239 24</u>	<u>239 24</u>
Total revenues	<u>52 500 00</u>	<u>52 500 00</u>	<u>53 506 66</u>	<u>1 006 66</u>
Expenditures:				
Public works:				
Highways and streets	<u>75 320 00</u>	<u>75 320 00</u>	<u>31 994 69</u>	<u>(43 325 31)</u>
Total expenditures	<u>75 320 00</u>	<u>75 320 00</u>	<u>31 994 69</u>	<u>(43 325 31)</u>
Excess (deficiency) of revenues over expenditures	(22 820 00)	(22 820 00)	21 511 97	44 331 97
Fund balance, April 1	<u>22 820 00</u>	<u>22 820 00</u>	<u>130 664 96</u>	<u>107 844 96</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>152 176 93</u>	<u>152 176 93</u>

VILLAGE OF VANDERBILT
Otsego County, Michigan

BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	8 885 92	8 885 92	8 885 92	-
State revenue sharing	21 000 00	21 000 00	24 516 55	3 516 55
Interest	1 600 00	1 600 00	2 136 49	536 49
Miscellaneous	<u>3 000 00</u>	<u>3 000 00</u>	<u>-</u>	<u>(3 000 00)</u>
Total revenues	<u>34 485 92</u>	<u>34 485 92</u>	<u>35 538 96</u>	<u>1 053 04</u>
Expenditures:				
Public works:				
Highways and streets	<u>48 920 00</u>	<u>48 920 00</u>	<u>39 797 70</u>	<u>(9 122 30)</u>
Total expenditures	<u>48 920 00</u>	<u>48 920 00</u>	<u>39 797 70</u>	<u>(9 122 30)</u>
Excess (deficiency) of revenues over expenditures	(14 434 08)	(14 434 08)	(4 258 74)	10 175 34
Fund balance, April 1	<u>14 434 08</u>	<u>14 434 08</u>	<u>61 943 44</u>	<u>47 509 36</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>57 684 70</u>	<u>57 684 70</u>

VILLAGE OF VANDERBILT
Otsego County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

General government:	
Village Council:	
Wages	5 100 00
Office supplies	1 821 31
Printing and publishing	1 899 00
Professional services	12 473 10
Community promotion	758 14
Memberships and dues	961 50
Training	90 00
President:	
Wages	1 110 00
Clerk:	
Wages	9 000 00
Miscellaneous	35 15
Treasurer:	
Salary	5 370 00
Village Coordinator	1 803 61
Planning Commission	4 243 07
Zoning Administrator	1 050 00
	<u>45 714 88</u>
Building and grounds:	
Supplies	1 210 55
Telephone	1 717 40
Utilities	5 265 54
Repairs and maintenance	724 61
	<u>8 918 10</u>
Highways and streets:	
Public works:	
Wages	16 087 75
Supplies	1 172 50
Pension	1 330 50
Hospital insurance	6 844 83
Contracted services – sanitation	4 493 88
Equipment rental	7 726 31
Street lighting	9 454 76
	<u>47 110 53</u>
Parks and recreation:	
Wages	2 698 50
Operating supplies	250 00
Utilities	495 46
Repairs and maintenance	1 081 08
Equipment rental	2 691 18
	<u>7 216 22</u>
Other functions:	
Insurance	17 752 00
Payroll taxes	4 366 27
	<u>22 118 27</u>
Capital outlay	<u>1 691 02</u>
Total Expenditures	<u><u>132 769 02</u></u>

VILLAGE OF VANDERBILT
 Otsego County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
 March 31, 2007

	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	143 834 14	53 992 40	197 826 54
Due from State of Michigan	<u>8 342 79</u>	<u>3 692 30</u>	<u>12 035 09</u>
Total Assets	<u><u>152 176 93</u></u>	<u><u>57 684 70</u></u>	<u><u>209 861 63</u></u>
<u>Liabilities and Fund Balances</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Unreserved:			
Undesignated	<u>152 176 93</u>	<u>57 684 70</u>	<u>209 861 63</u>
Total Liabilities and Fund Balances	<u><u>152 176 93</u></u>	<u><u>57 684 70</u></u>	<u><u>209 861 63</u></u>

VILLAGE OF VANDERBILT
Otsego County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

Year ended March 31, 2007

	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
Revenues:			
Property taxes	-	8 885 92	8 885 92
State revenue sharing	48 267 42	24 516 55	72 783 97
Interest	<u>5 239 24</u>	<u>2 136 49</u>	<u>7 375 73</u>
Total revenues	<u>53 506 66</u>	<u>35 538 96</u>	<u>89 045 62</u>
Expenditures – Public Works:			
Administration	420 00	420 00	840 00
Routine maintenance:			
Wages	3 218 00	3 328 50	6 546 50
Supplies/maintenance	207 00	207 00	414 00
Contracted services	6 375 99	15 602 40	21 978 39
Equipment rental	8 069 62	8 852 94	16 922 56
Traffic services:			
Supplies	-	156 14	156 14
Winter maintenance:			
Wages	2 371 00	2 448 50	4 819 50
Supplies	600 00	600 00	1 200 00
Contracted services	2 787 13	-	2 787 13
Equipment rental	<u>7 945 95</u>	<u>8 182 22</u>	<u>16 128 17</u>
Total expenditures	<u>31 994 69</u>	<u>39 797 70</u>	<u>71 792 39</u>
Excess (deficiency) of revenues over expenditures	21 511 97	(4 258 74)	17 253 23
Fund balances, April 1	<u>130 664 96</u>	<u>61 943 44</u>	<u>192 608 40</u>
Fund Balances, March 31	<u><u>152 176 93</u></u>	<u><u>57 684 70</u></u>	<u><u>209 861 63</u></u>

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 13, 2007

To the Village Council
Village of Vanderbilt
Otsego County, Michigan

We have audited the financial statements of the Village of Vanderbilt for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Village of Vanderbilt in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Village Council
Village of Vanderbilt
Otsego County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

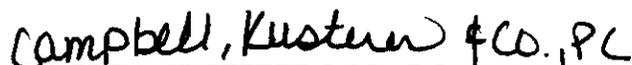
We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated March 31, 2007.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants