

FINANCIAL STATEMENTS

VILLAGE OF BARAGA, MICHIGAN

February 28, 2007

### Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, es 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 Baraga	County Baraga
Fiscal Year End February 28, 2007	Opinion Date August 30, 2007	Date Audit Report Submitted to State September 17, 2007		

We affirm that:

We are certified public accountants licensed to practice in Michigan.

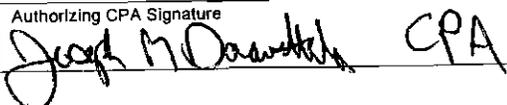
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**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 checked="" type="checkbox"/>	
Other (Describe)	<input type="checkbox"/>	
Certified Public Accountant (Firm Name) Joseph M. Daavetila, P.C., CPA	Telephone Number 906-482-3830	
Street Address 417 Shelden Avenue	City Houghton	State MI
		Zip 49931
Authorizing CPA Signature 	Printed Name JOSEPH M DAIVETILA	License Number 1101015628

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JOSEPH M. DAAVETILA, P.C.  
CERTIFIED PUBLIC ACCOUNTANT  
417 Sheldon Avenue, P.O. Box 488  
Houghton, Michigan 49931

August 30, 2007

To the Village Council  
Village of Baraga, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each fund of the Village of Baraga, Michigan as of and for the year ended February 28, 2007, which collectively comprise the Village of Baraga's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Baraga's management. Our responsibility is to express an opinion on these financial statements based on our audit.

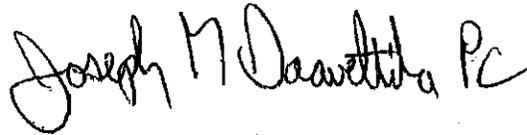
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each fund of the Village of Baraga, Michigan 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.

In accordance with **Government Auditing Standards**, we have also issued our report dated August 30, 2007, on our consideration of the Village of Baraga, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 47 through 54 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 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 financial statements that collectively comprise the Village of Baraga, Michigan's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic statements taken as a whole.

A handwritten signature in cursive script that reads "Joseph M. Dawettka PC". The signature is written in dark ink and is positioned above the printed name.

Certified Public Accountant

VILLAGE OF BARAGA, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

For the year ended February 28, 2007

The following discussion and analysis of the Village of Baraga's financial performance provides an overview of the Village's financial activities for the fiscal year ended February 28, 2007. Please read it in conjunction with the Village's financial statements, which begin on page 11.

**FINANCIAL HIGHLIGHTS**

The Village's net assets decreased slightly as a result of this year's operations. While net assets of our business-type activities decreased by \$288,931, or 3.8 percent, net assets of our government activities increased by \$22,463, or .7 percent. Overall, the Village budgets are in adequate shape.

The Village's General Fund continues to be supplemented by a significant transfer of \$445,881 from the Electric Fund.

The Village's General Fund decreased fund equity \$9,126.

The Major Street Fund increased its balance to \$49,229 and the Local Street increased its balance to \$11,163.

The Water Fund net assets decreased by \$232,982, though much of it through depreciation. The Water Fund cash balance decreased by \$24,930 this year.

The Electric Fund showed a reduction of \$407,008 in its cash balance with heavy transfers to other funds, and payment of \$200,000 to UPPCO for a billing error.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Assets and the Statement of Activities on pages 11 and 12 provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide statements by providing information about the Village's individual funds.

**Reporting the Village as a Whole**

Our analysis of the Village as a whole begins on page 5. One of the most important questions asked about the Village's finances is, "Is the Village as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Village as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Village's net assets and changes to them. You can think of the Village's net assets - the difference between assets and liabilities - as one way to measure the Village's financial health, or financial position. Over time, increases or decreases in the Village's net assets are one indicator of whether its financial health is improving or deterioration. You will need to consider other nonfinancial factors, however, such as changes in the Village's property tax base and the condition of the Village's roads, to assess the overall health of the Village.

Governmental activities - Most of the Village's basic services are reported here, including the police, fire, public works, park departments, and general administration. Property taxes, state revenue sharing, transfers from other funds, and state and federal grants finance most of these activities.

Business-type activities - The Village charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Village's water, sewer, and electric departments are reported here.

Component units - The Village includes the Village of Baraga Downtown Development Authority in its report - although legally separate, this "component unit" is important because the Village is financially accountable for it.

#### **Reporting the Village's Most Significant Funds**

The analysis of the Village's funds begins on page 7. The fund financial statements begin on page 13 and provide detailed information about the most significant funds - not the Village as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Village Council establishes many other funds to help it control and manage money for particular purposes (like the Waterfront Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Village's two kinds of funds - governmental and proprietary - use different accounting approaches.

Governmental Funds - Most of the Village's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

Proprietary Funds - When the Village charges customers for the services it provides - whether to outside customers or to other units of the Village - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Village's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the Village's other programs and activities - such as the Village's Motor Vehicle Fund.

#### **The Village as Trustee**

Many communities may serve as a trustee, or fiduciary, for its employees' pension plan. In these communities, the government may hold funds in trust that can only be used for trust beneficiaries. The Village of Baraga does not maintain any fiduciary funds - our employees' pension plan system is managed by the Michigan Employees' Retirement System.

**The Village as a Whole**

The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Village's governmental and business-type activities.

Table 1  
Village of Baraga's Net Asset  
February 28, 2007

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Current and other assets	\$ 1,448,765	\$1,646,151	\$ 6,785,326	\$ 7,023,692
Capital assets	<u>2,056,145</u>	<u>1,904,960</u>	<u>5,308,568</u>	<u>5,583,656</u>
Total assets	<u>\$ 3,504,910</u>	<u>\$3,551,111</u>	<u>\$12,093,894</u>	<u>\$12,607,348</u>
Long-term liabilities	\$ -	\$ 155,950	\$ 4,376,500	\$ 4,564,000
Other liabilities	<u>182,113</u>	<u>94,827</u>	<u>364,930</u>	<u>401,953</u>
Total liabilities	<u>\$ 182,113</u>	<u>\$ 250,777</u>	<u>\$ 4,741,430</u>	<u>\$ 4,965,953</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 1,933,448	\$1,691,462	\$ 3,543,568	\$ 3,740,156
Restricted	-	-	157,385	139,163
Unrestricted	<u>1,389,349</u>	<u>1,608,872</u>	<u>3,651,511</u>	<u>3,762,076</u>
Total net assets	<u>\$ 3,322,797</u>	<u>\$3,300,334</u>	<u>\$ 7,352,464</u>	<u>\$ 7,641,395</u>

Overall, the Village decreased Net Assets by \$266,468, or 2.4 percent. The Village showed an increase in Net Assets of Governmental Activities by \$22,463, or .7 percent, but a decrease in Business-type activities by \$288,931, or 3.8 percent.

Total Primary Government	
<u>2007</u>	<u>2006</u>
\$ 8,234,091	\$ 8,669,843
<u>7,364,713</u>	<u>7,488,616</u>
\$ <u>15,598,804</u>	\$ <u>16,158,459</u>
\$ 4,376,500	\$ 4,719,950
<u>547,043</u>	<u>496,780</u>
\$ <u>4,923,543</u>	\$ <u>5,216,730</u>
\$ 5,477,016	\$ 5,431,618
157,385	139,163
<u>5,040,860</u>	<u>5,370,948</u>
\$ <u>10,675,261</u>	\$ <u>10,941,729</u>

Table 2  
 Village of Baraga's Changes in Net Assets  
 February 28, 2007

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Revenues:				
Program revenues:				
Charges for services	\$ 44,066	\$ 26,769	\$ 2,809,612	\$2,193,338
Operating grants and contributions	642,020	607,819	-	-
Capital grants and contributions	-	-	279,500	150,000
General revenues:				
Property taxes	158,837	163,934	-	-
Investment earnings (loss)	73,231	54,609	( 31,365)	( 41,225)
Gain on sale of assets	2,500	-	-	-
Miscellaneous	4,464	16,198	-	-
Total revenues	<u>\$ 925,118</u>	<u>\$ 869,329</u>	<u>\$ 3,057,747</u>	<u>\$2,302,113</u>
Expenses:				
General government	\$ 627,107	\$ 629,055	\$ -	\$ -
Public safety	166,202	172,480	-	-
Public works	357,623	386,140	-	-
Health and welfare	20,327	20,303	-	-
Community and economic development	221,968	2,135	-	-
Recreation and culture	30,957	30,819	-	-
Interest on long-term debt	7,089	9,293	-	-
Water	-	-	677,468	685,262
Sewer	-	-	165,040	152,191
Electric	-	-	2,006,349	1,083,093
Total expenses	<u>\$ 1,431,273</u>	<u>\$1,250,225</u>	<u>\$ 2,848,857</u>	<u>\$1,920,546</u>
Increase (decrease) in net assets before transfers	(\$ 506,155)	(\$ 380,896)	\$ 208,890	\$ 381,567
Transfers	528,618	435,471	( 497,821)	( 426,579)
Increase (decrease) in net assets	\$ 22,463	\$ 54,575	(\$ 288,931)	(\$ 45,012)
Net assets - beginning of year	3,300,334	3,245,759	7,641,395	7,686,407
Net assets-end of year	<u>\$ 3,322,797</u>	<u>\$3,300,334</u>	<u>\$ 7,352,464</u>	<u>\$7,641,395</u>

Total Primary  
Government

<u>2007</u>	<u>2006</u>
\$ 2,853,678	\$ 2,220,107
642,020	607,819
279,500	150,000
158,837	163,934
41,866	13,384
2,500	-
<u>4,464</u>	<u>16,198</u>
<u>\$ 3,982,865</u>	<u>\$ 3,171,442</u>
\$ 627,107	\$ 629,055
166,202	172,480
357,623	386,140
20,327	20,303
221,968	2,135
30,957	30,819
7,089	9,293
677,468	685,262
165,040	152,191
<u>2,006,349</u>	<u>1,083,093</u>
<u>\$ 4,280,130</u>	<u>\$ 3,170,771</u>
(\$ 297,265)	\$ 671
<u>30,797</u>	<u>8,892</u>
(\$ 266,468)	\$ 9,563
<u>10,941,729</u>	<u>10,932,166</u>
<u>\$10,675,261</u>	<u>\$10,941,729</u>

**Governmental Activities**

Very little change occurred in the Net Assets of Government Activities. Before transfers, revenues increased 10% while expenses decreased .5%. After transfers, Net Assets increased \$22,463, or .7 %. Governmental Activities basically stayed the course.

**Business-type Activities (Water, Sewer, and Electric)**

Overall this year, there was a net income from Business-type Activities of \$208,890 (before transfers), with most of the increase coming from the Electric Fund. The Village Electric Fund earned \$125,362 in operating income, and transferred \$445,881 to the General Fund. The Sewer Fund held its own this year with a operating income of \$133,620, but an overall increase in net assets of \$295,616. The Water Fund, however, decreased net assets by \$232,982, much of it due to depreciation. The Water Fund cash balance also decreased by \$24,930.

**The Village Funds**

The following schedule presents a summary of general, special revenue, capital projects, and debt service fund revenues and expenditures for the fiscal year ending February 28, 2007 and the amount of increases and decreases in relation to the prior year.

Table 3  
Village of Baraga's General, Special Revenue, and Debt Service  
Revenues and Expenditures  
February 28, 2007

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>
<b>Revenues:</b>			
Taxes	\$ 157,132	\$ 170,291	(\$ 13,159)
Intergovernmental revenues	365,890	260,970	104,920
Charges for services	19,558	9,866	9,692
Interest and rents	73,231	54,609	18,622
Other revenue	<u>402,516</u>	<u>430,429</u>	<u>( 27,913)</u>
<b>Total revenues</b>	<b><u>\$ 1,018,327</u></b>	<b><u>\$ 926,165</u></b>	<b><u>\$ 92,162</u></b>
<b>Expenditures:</b>			
General governmental administration	\$ 627,850	\$ 641,054	(\$ 13,204)
Public safety	329,687	180,084	149,603
Public works	260,115	238,169	21,946
Health and welfare	20,327	20,303	24
Community and econ. development	1,691	232,135	( 230,444)
Recreation and culture	31,498	30,582	916
Debt service	<u>57,548</u>	<u>57,549</u>	<u>( 1)</u>
<b>Total expenditures</b>	<b><u>\$ 1,328,716</u></b>	<b><u>1,399,876</u></b>	<b><u>(\$ 71,160)</u></b>

Tax revenues stayed about the same as last year due to another year of not increasing taxes. Intergovernmental revenues increased from last year mainly due to the contribution of \$87,487 from the Keweenaw Bay Indian Community. Finally, the major difference in expenditures from last year in the Community and Economic Development section is the \$180,000 Revolving Loan Fund loan granted to the Keweenaw Bay Motel Developers (Best Western Lakeside) for the hotel expansion completed in 2005.

**General Fund Budgetary Highlights**

Although the General Fund continues to be heavily funded from the Electric Fund, the General Fund equity only decreased \$9,126 while receiving \$67,519 less than the amount budgeted from the Electric Fund. There were no extraordinary deviations from the budget, and the fund is in overall adequate shape.

**Capital Asset and Debt Administration**

Capital Assets - On February 28, 2007, the Village had \$7,364,713 invested in capital assets including police and fire equipment, buildings, park facilities, roads, and water. The decrease in Capital Assets is due to depreciation.

Table 4  
Capital Assets at Year-end  
Net of Accumulated Depreciation  
February 28, 2007

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 121,651	\$ 121,651	\$ -	\$ -	\$ 121,651	\$ 121,651
Buildings	584,096	601,373	-	-	584,096	601,373
Improvements	951,081	990,414	-	-	951,081	990,414
Equipment	365,570	156,973	12,382	19,635	377,952	176,608
Infrastructure	33,747	34,549	5,296,186	5,564,021	5,329,933	\$5,598,570
<b>Total</b>	<b>\$2,056,145</b>	<b>\$1,904,960</b>	<b>\$5,308,568</b>	<b>\$5,883,656</b>	<b>\$7,364,713</b>	<b>\$7,488,616</b>

Debt - On February 28, 2007, the Village had \$4,652,697 in bonds, notes, and contracts outstanding.

Table 5  
Outstanding Debt at Year End  
Bonds and Notes Payable  
February 28, 2007

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue bonds	\$ -	\$ -	\$4,530,000	\$4,733,500	\$4,530,000	\$4,733,500
Installment Purchase Contracts	<u>122,697</u>	<u>172,155</u>	<u>-</u>	<u>-</u>	<u>122,697</u>	<u>172,155</u>
Total	<u>\$ 122,697</u>	<u>\$172,155</u>	<u>\$4,530,000</u>	<u>\$4,733,500</u>	<u>\$4,652,697</u>	<u>\$4,905,655</u>

**Economic Factors for Next Year's Budgets and Rates**

Undoubtedly, the largest factor for next year's budgets and rates will be the increase in cost of power purchased from the U.P. Power Company. The Village's cost for power in calendar year 2006 sat at roughly \$.073 per kilowatt hour (KWh). In calendar year 2007, the rate will increase roughly \$.01 per kilowatt hour (KWh). The Village has already increased residential and commercial rates to partially pay for the increase. The Village will have to closely monitor the Electric Fund in 2007.

**CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, contact the Village Manager's Office at 100 Hemlock Street, Baraga, Michigan 49908.

BASIC FINANCIAL STATEMENTS

VILLAGE OF BARAGA, MICHIGAN  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
February 28, 2007

	Primary Government			Component Unit
	Governmental Activities	Business - Type Activities	Total	
<b><u>ASSETS</u></b>				
Cash	\$ 490,253	\$ 479,999	\$ 970,252	\$ 294,224
Accounts receivable	8,406	18,824	27,230	-
Taxes receivable	28,319	-	28,319	-
Prepaid expense	-	-	-	3,089
Due from other governmental units	16,051	101,556	117,607	-
Due from component unit	50	3,000	3,050	-
Bond proceeds receivable	-	401	401	-
Internal balances	98,633 (	98,633)	-	-
Restricted assets	-	199,711	199,711	-
Investments	-	242,415	242,415	-
Investments in joint venture	-	132,973	132,973	-
Investment in Baraga Village/Keweenaw Bay Reservation Waste Water Authority	-	5,705,080	5,705,080	-
Long-term loans	807,053	-	807,053	-
Capital assets - net	<u>2,056,145</u>	<u>5,308,568</u>	<u>7,364,713</u>	<u>222,935</u>
TOTAL ASSETS	<u>\$ 3,504,910</u>	<u>\$12,093,894</u>	<u>\$15,598,804</u>	<u>\$ 520,248</u>
<b><u>LIABILITIES</u></b>				
Cash overdraft	\$ -	\$ 58,089	\$ 58,089	\$ -
Accounts payable	14,737	71,618	86,355	2,425
Accrued expenses	4,080	39,397	43,477	-
Due to primary government	-	-	-	3,050
Payable from restricted assets - customer deposits	-	42,326	42,326	-
Noncurrent liabilities:				
Due within one year	163,296	153,500	316,796	-
Due in more than one year	-	4,376,500	4,376,500	-
TOTAL LIABILITIES	<u>\$ 182,113</u>	<u>\$ 4,741,430</u>	<u>\$ 4,923,543</u>	<u>\$ 5,475</u>
<b><u>NET ASSETS</u></b>				
Invested in capital assets net of related debt	\$ 1,933,448	\$ 3,543,568	\$ 5,477,016	\$ 222,935
Restricted for debt service	-	157,385	157,385	-
Unrestricted	<u>1,389,349</u>	<u>3,651,511</u>	<u>5,040,860</u>	<u>291,838</u>
TOTAL NET ASSETS	<u>\$ 3,322,797</u>	<u>\$ 7,352,464</u>	<u>\$10,675,261</u>	<u>\$ 514,773</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN  
 GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES  
 For the Year ended February 28, 2007

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 627,107	\$ 5,390	\$ 537,419	\$ -
Public safety	166,202	19,118	713	-
Public works	357,623	9,316	103,888	-
Health and welfare	20,327	-	-	-
Culture and recreation	30,957	10,242	-	-
Economic development	221,968	-	-	-
Interest on long-term debt	7,089	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	\$1,431,273	\$ 44,066	\$ 642,020	\$ -
Business-type activities:				
Water	\$ 677,468	\$ 415,779	\$ -	\$ -
Sewer	165,040	260,908	-	279,500
Electric	2,006,349	2,132,925	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$2,848,857	\$2,809,612	\$ -	\$ 279,500
TOTAL PRIMARY GOVERNMENT	\$4,280,130	\$2,853,678	\$ 642,020	\$ 279,500
Component Unit - DDA	\$ 17,616	\$ -	\$ 8,750	\$ -
General revenues:				
Property taxes, levied for general purposes				
Unrestricted investment earnings				
Gain on sale of assets				
Miscellaneous				
Loss from investment in Baraga Village/Keweenaw				
Bay Joint Waste Water Authority				
Transfers				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets - beginning of year				
Net assets - end of year				

The accompanying notes to financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets  
Primary Government

<u>Government Activities</u>	<u>Business - type Activities</u>	<u>Total</u>	<u>Component Units</u>
(\$ 84,298)	\$ -	(\$ 84,298)	
( 146,371)	-	( 146,371)	
( 244,419)	-	( 244,419)	
( 20,327)	-	( 20,327)	
( 20,715)	-	( 20,715)	
( 221,968)	-	( 221,968)	
<u>( 7,089)</u>	<u>-</u>	<u>( 7,089)</u>	
(\$ 745,187)	\$ -	(\$ 745,187)	
\$ -	(\$ 261,689)	(\$ 261,689)	
-	375,368	375,368	
<u>-</u>	<u>126,576</u>	<u>126,576</u>	
\$ -	\$ 240,255	\$ 240,255	
(\$ 745,187)	\$ 240,255	(\$ 504,932)	
\$ -	\$ -	\$ -	(\$ 8,866)
\$ 158,837	\$ -	\$ 158,837	\$ 52,827
73,231	48,387	121,618	1,154
2,500	-	2,500	-
4,464	-	4,464	-
-	( 79,752)	( 79,752)	-
<u>528,618</u>	<u>( 497,821)</u>	<u>30,797</u>	<u>( 3,025)</u>
\$ 767,650	(\$ 529,186)	\$ 238,464	\$ 50,956
\$ 22,463	(\$ 288,931)	(\$ 266,468)	\$ 42,090
\$3,300,334	\$7,641,395	\$ 10,941,729	\$ 472,683
<u>\$3,322,797</u>	<u>\$7,352,464</u>	<u>\$ 10,675,261</u>	<u>\$ 514,773</u>

VILLAGE OF BARAGA, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

February 28, 2007

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Road</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 68,231	\$ 62,814	\$ 21,717	\$ -
Accounts receivable	8,406	-	-	-
Taxes receivable	16,492	-	-	11,827
Due from other funds	96,856	-	8,200	23,384
Due from other governmental units	-	-	-	8,735
Due from component units	-	-	-	-
Long-term loan	-	-	-	-
	<u>\$ 189,985</u>	<u>\$ 62,814</u>	<u>\$ 29,917</u>	<u>\$ 43,946</u>
<u>TOTAL ASSETS</u>				
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ 13,807	\$ 483	\$ 451	\$ -
Due to other funds	25,039	13,102	18,303	4,000
Deferred revenue	16,492	-	-	11,827
	<u>\$ 55,338</u>	<u>\$ 13,585</u>	<u>\$ 18,754</u>	<u>\$ 15,827</u>
<u>TOTAL LIABILITIES</u>				
<u>FUND BALANCES</u>				
Unreserved, reported in:				
General fund	\$ 134,647	\$ -	\$ -	\$ -
Special revenue funds	-	49,229	11,163	28,119
Debt service fund	-	-	-	-
	<u>\$ 134,647</u>	<u>\$ 49,229</u>	<u>\$ 11,163</u>	<u>\$ 28,119</u>
<u>TOTAL FUND BALANCES</u>				
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 189,985</u>	<u>\$ 62,814</u>	<u>\$ 29,917</u>	<u>\$ 43,946</u>

The accompanying notes to financial statements are an integral part of this statement.

<u>Waterfront</u>	<u>Housing Rehabilitation</u>	<u>Revolving</u>	<u>Debt Service</u>	<u>Total</u>
\$ 1	\$ 9,792	\$ 306,720	\$ 101	\$ 469,376
-	-	-	-	8,406
-	-	-	-	28,319
14,105	-	-	-	142,545
-	-	-	-	8,735
-	-	50	-	50
-	<u>2,585</u>	<u>804,468</u>	-	<u>807,053</u>
<u>\$ 14,106</u>	<u>\$ 12,377</u>	<u>\$1,111,238</u>	<u>\$ 101</u>	<u>\$1,464,484</u>
\$ -	\$ -	\$ 50	\$ -	\$ 14,791
838	-	4,278	-	65,560
-	-	<u>804,468</u>	-	<u>832,787</u>
<u>\$ 838</u>	<u>\$ -</u>	<u>\$ 808,796</u>	<u>\$ -</u>	<u>\$ 913,138</u>
\$ -	\$ -	\$ -	\$ -	\$ 134,647
13,268	12,377	302,442	-	416,598
-	-	-	<u>101</u>	<u>101</u>
<u>\$ 13,268</u>	<u>\$ 12,377</u>	<u>\$ 302,442</u>	<u>\$ 101</u>	<u>\$ 551,346</u>
<u>\$ 14,106</u>	<u>\$ 12,377</u>	<u>\$1,111,238</u>	<u>\$ 101</u>	<u>\$1,464,484</u>

VILLAGE OF BARAGA, MICHIGAN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
February 28, 2007

Total fund balance - total governmental funds	\$ 551,346
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 are not reported in the funds.	1,839,198
Internal service funds are used by management to charge the costs of certain activities, such as equipment rental, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	262,819
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet.	( 3,146)
Deferred revenue is unavailable revenue and therefore is not reported as a liability in the statement of net assets.	835,876
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	( 163,296)
Net assets of governmental activities	<u>\$3,322,797</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
Year ended February 28, 2007

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Road</u>
<u>REVENUES:</u>				
Taxes	\$ 113,740	\$ -	\$ -	\$ 43,392
Intergovernmental revenues	262,002	76,123	27,765	-
Service charges	9,316	-	-	-
Interest	35,812	-	-	-
Other revenue	<u>302,211</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 723,081</u>	<u>\$ 76,123</u>	<u>\$ 27,765</u>	<u>\$ 43,392</u>
<u>EXPENDITURES:</u>				
General government	\$ 627,850	\$ -	\$ -	\$ -
Public safety	329,687	-	-	-
Public works	95,313	82,810	81,992	-
Health and welfare	20,327	-	-	-
Culture and recreation	18,167	-	-	-
Economic development	-	-	-	-
Debt service:				
Principal	49,458	-	-	-
Interest and other charges	<u>8,090</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$1,148,892</u>	<u>\$ 82,810</u>	<u>\$ 81,992</u>	<u>\$ -</u>
Excess (deficiency) of revenues over expenditures	(\$ 425,811)	(\$ 6,687)	(\$ 54,227)	\$ 43,392
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers in	\$ 460,881	\$ 25,000	\$ 59,711	\$ -
Transfers out	<u>( 44,196)</u>	<u>( 5,200)</u>	<u>-</u>	<u>( 37,290)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 416,685</u>	<u>\$ 19,800</u>	<u>\$ 59,711</u>	<u>(\$ 37,290)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(\$ 9,126)	\$ 13,113	\$ 5,484	\$ 6,102
Fund balances, beginning of year	<u>\$ 143,773</u>	<u>\$ 36,116</u>	<u>\$ 5,679</u>	<u>\$ 22,017</u>
Fund balances, end of year	<u>\$ 134,647</u>	<u>\$ 49,229</u>	<u>\$ 11,163</u>	<u>\$ 28,119</u>

The accompanying notes to financial statements are an integral part of this statement.

<u>Waterfront</u>	<u>Housing Rehabilitation</u>	<u>Revolving</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 157,132
-	-	-	-	365,890
10,242	-	-	-	19,558
-	-	37,419	-	73,231
-	-	100,304	1	402,516
<u>\$ 10,242</u>	<u>\$ -</u>	<u>\$ 137,723</u>	<u>\$ 1</u>	<u>\$1,018,327</u>
\$ -	\$ -	\$ -	\$ -	\$ 627,850
-	-	-	-	329,687
-	-	-	-	260,115
-	-	-	-	20,327
13,331	-	-	-	31,498
-	-	1,691	-	1,691
-	-	-	-	49,458
-	-	-	-	8,090
<u>\$ 13,331</u>	<u>\$ -</u>	<u>\$ 1,691</u>	<u>\$ -</u>	<u>\$1,328,716</u>
<u>(\$ 3,089)</u>	<u>\$ -</u>	<u>\$ 136,032</u>	<u>\$ 1</u>	<u>(\$ 310,389)</u>
\$ 4,712	\$ -	\$ -	\$ -	\$ 550,304
-	-	(10,000)	-	(96,686)
<u>\$ 4,712</u>	<u>\$ -</u>	<u>(\$ 10,000)</u>	<u>\$ -</u>	<u>\$ 453,618</u>
<u>\$ 1,623</u>	<u>\$ -</u>	<u>\$ 126,032</u>	<u>\$ 1</u>	<u>\$ 143,229</u>
<u>\$ 11,645</u>	<u>\$ 12,377</u>	<u>\$ 176,410</u>	<u>\$ 100</u>	<u>\$ 408,117</u>
<u>\$ 13,268</u>	<u>\$ 12,377</u>	<u>\$ 302,442</u>	<u>\$ 101</u>	<u>\$ 551,346</u>

VILLAGE OF BARAGA, MICHIGAN

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

February 28, 2007

Net change in fund balances - total governmental funds.		\$143,229
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		163,485
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources; therefore, depreciation expense is not reported as an expenditure in governmental funds. Includes Internal Service Fund's depreciation expense of \$49,003.		( 105,379)
Repayment of revolving loan fund loan principal, in the amount of \$100,304, is recorded as revenue in the governmental funds, but not in the statement of activities. The write-off of uncollectible revolving loans in the amount of \$220,277, are expenditures in the statement of activities but not in the governmental funds.		( 320,581)
Repayment of long-term debt is recorded as an expenditure in the governmental funds, but not in the statement of activities		49,458
Some property tax will not be collected within sixty days after the Village's fiscal year end; therefore, they are not considered "available" revenues in the governmental funds.		1,705
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as an expenditure in governmental funds.		1,001
Accrued vacation and sick time expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds.		743
Internal service funds are used by management to charge the costs of certain activities, such as equipment rentals, to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities net of amount allocated to business-type activities and depreciation expense.		
Change in net assets	\$42,689	
Net of amount allocated to business-type activities	( 2,890)	
Depreciation expense	49,003	<u>88,802</u>
Change in net assets of governmental activities.		<u>\$ 22,463</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
February 28, 2007

Business-Type Activities - Enterprise Funds

	Water	Sewer	Electric
<u>ASSETS</u>			
Cash	\$ 8,819	\$ -	\$ 471,180
Accounts receivable	5,566	-	13,258
Due from other governmental units	-	33,288	68,268
Due from component unit	-	-	3,000
Due from other funds	584	-	867
Bond proceeds receivable	-	401	-
Restricted assets	157,385	-	42,326
Investments	-	-	242,415
Investment in joint venture	-	-	132,973
Investment in Baraga Village/ Keweenaw Bay Reservation			
Waste Water Authority	-	5,705,080	-
Capital assets - net	4,861,144	324	447,100
TOTAL ASSETS	\$ 5,033,498	\$5,739,093	\$1,421,387
<u>LIABILITIES</u>			
Cash overdraft	\$ -	\$ 58,089	\$ -
Accounts payable	5,975	978	64,665
Accrued expenses	21,871	17,526	-
Due to other funds	60,153	10,921	21,221
Payable from restricted assets - customer deposits	-	-	42,326
Noncurrent liabilities:			
Due within one year	28,500	125,000	-
Due in more than one year	1,736,500	2,640,000	-
TOTAL LIABILITIES	\$ 1,852,999	\$2,852,514	\$ 128,212
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 3,096,144	\$ 324	\$ 447,100
Restricted for debt service	157,385	-	-
Unrestricted	( 73,030)	2,886,255	846,075
TOTAL NET ASSETS	\$ 3,180,499	\$2,886,579	\$1,293,175

Reconciliation to government-wide statement of net assets -  
Adjustment to reflect the consolidation of Internal Service Fund's  
activities related to enterprise funds.

Net assets of business-type activities.

The accompanying notes to financial statements  
are an integral part of this statement.

<u>Totals</u>	Governmental Activities - Internal Service Fund
\$ 479,999	\$ 20,877
18,824	-
101,556	7,316
3,000	-
1,451	19,249
401	-
199,711	-
242,415	-
132,973	-
5,705,080	-
<u>5,308,568</u>	<u>216,947</u>
<u>\$12,193,978</u>	<u>\$ 264,389</u>
\$ 58,089	\$ -
71,618	3,833
39,397	136
92,295	5,390
42,326	-
153,500	-
<u>4,376,500</u>	<u>-</u>
<u>\$ 4,833,725</u>	<u>\$ 9,359</u>
\$ 3,543,568	\$ 216,947
157,385	-
<u>3,659,300</u>	<u>38,083</u>
\$ 7,360,253	<u>\$ 255,030</u>
( <u>7,699</u> )	
<u>\$ 7,352,554</u>	

VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
Year ended February 28, 2007

Business-Type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<u>OPERATING REVENUES</u>			
Utility services	\$ 415,779	\$ 260,908	\$ 2,132,925
Other	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 415,779</u>	<u>\$ 260,908</u>	<u>\$ 2,132,925</u>
<u>OPERATING EXPENDITURES</u>			
Operating expenses -			
Less depreciation	\$ 340,263	\$ 127,010	\$ 1,944,655
Depreciation	<u>250,368</u>	<u>278</u>	<u>62,908</u>
TOTAL EXPENDITURES	<u>\$ 590,631</u>	<u>\$ 127,288</u>	<u>\$ 2,007,563</u>
OPERATING INCOME (LOSS)	<u>(\$ 174,852)</u>	<u>\$ 133,620</u>	<u>\$ 125,362</u>
<u>NON-OPERATING REVENUES</u>			
Interest income and other revenue	<u>\$ 2,611</u>	<u>\$ -</u>	<u>\$ 45,776</u>
<u>NON-OPERATING EXPENSES</u>			
Interest expense	\$ 88,513	\$ 37,752	\$ -
Loss from investments	<u>-</u>	<u>79,752</u>	<u>-</u>
TOTAL NON-OPERATING EXPENSES	<u>\$ 88,513</u>	<u>\$ 117,504</u>	<u>\$ -</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(\$ 260,754)	\$ 16,116	\$ 171,138
Transfers in (out)	27,772	-	( 525,593)
Capital contributions	<u>-</u>	<u>279,500</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>(\$ 232,982)</u>	<u>\$ 295,616</u>	<u>(\$ 354,455)</u>
Total net assets at beginning of year	<u>3,413,481</u>	<u>2,590,963</u>	<u>1,647,630</u>
Total net assets at end of year	<u>\$ 3,180,499</u>	<u>\$ 2,886,579</u>	<u>\$ 1,293,175</u>

Amounts reported for business-type activities in the statement of activities are different because-

The net revenue (expense) of certain internal funds are reported with business-type activities.

Change in net assets of business-type activities.

The accompanying notes to financial statements are an integral part of this statement.

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$2,809,612	\$ -
<u>-</u>	<u>66,845</u>
<u>\$2,809,612</u>	<u>\$ 66,845</u>
\$2,411,928	\$ 50,153
<u>313,554</u>	<u>49,003</u>
<u>\$2,725,482</u>	<u>\$ 99,156</u>
<u>\$ 84,130</u>	<u>(\$ 32,311)</u>
<u>\$ 48,387</u>	<u>\$ -</u>
\$ 126,265	\$ -
<u>79,752</u>	<u>-</u>
<u>\$ 206,017</u>	<u>\$ -</u>
(\$ 73,500)	(\$ 32,311)
( 497,821)	75,000
<u>279,500</u>	<u>-</u>
(\$ 291,821)	\$ 42,689
	<u>212,341</u>
	<u>\$ 255,030</u>
<u>2,890</u>	
<u>(\$ 288,931)</u>	

VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
Year ended February 28, 2007

	<u>Business-Type Activities</u>		
	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from customers	\$ 420,518	\$ 250,678	\$2,148,267
Payments to suppliers	( 195,256)	( 73,233)	( 1,928,470)
Payments to employees	( 139,296)	( 75,761)	( 54,194)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 85,966	\$ 101,684	\$ 165,603
<u>CASH FLOWS PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES</u>			
Due from other governmental units (increase) decrease	\$ -	\$ -	\$ 15,990
Transfers from other governmental units	27,772	-	-
Transfers to other funds	-	-	( 525,593)
CASH FLOWS PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	\$ 27,772	\$ -	(\$ 509,603)
<u>CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Restricted assets (increase) decrease	\$ 25,372	\$ -	(\$ 9,234)
Acquisition of property, plant, and equipment	( 2,533)	-	( 35,933)
Payments on long-term debt	( 78,500)	( 125,000)	-
Interest	( 85,618)	( 39,794)	-
Contributed capital	-	279,500	-
Bond proceeds	-	176,102	-
CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(\$ 141,279)	\$ 290,808	(\$ 45,167)
<u>CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</u>			
Interest received on investments	\$ 2,611	\$ -	\$ 30,547
Investments (increase) decrease	-	( 430,081)	( 56,123)
Distributions from investments	-	-	15,229
Investment in joint venture (increase) decrease	-	-	( 7,494)
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	\$ 2,611	(\$ 430,081)	(\$ 17,841)
NET INCREASE (DECREASE) IN CASH	(\$ 24,930)	(\$ 37,589)	(\$ 407,008)
Cash, beginning of year	33,749	( 20,500)	878,188
Cash, end of year	\$ 8,819	(\$ 58,089)	\$ 471,180

The accompanying notes to financial statements are an integral part of this statement.

<u>Totals</u>	Governmental Activities - Internal Service Fund
\$2,819,463	\$ 64,618
( 2,196,959)	( 40,394)
<u>( 269,251)</u>	<u>( 10,557)</u>
<u>\$ 353,253</u>	<u>\$ 13,667</u>
\$ 15,990	\$ -
27,772	-
<u>( 525,593)</u>	<u>75,000</u>
<u>(\$ 481,831)</u>	<u>\$ 75,000</u>
\$ 16,138	\$ -
( 38,466)	( 93,079)
( 203,500)	-
( 125,412)	-
279,500	-
<u>176,102</u>	<u>-</u>
<u>\$ 104,362</u>	<u>(\$ 93,079)</u>
\$ 33,158	\$ -
( 486,204)	-
15,229	-
<u>( 7,494)</u>	<u>-</u>
<u>(\$ 445,311)</u>	<u>\$ -</u>
<u>(\$ 469,527)</u>	<u>(\$ 4,412)</u>
<u>891,437</u>	<u>25,289</u>
<u>\$ 421,910</u>	<u>\$ 20,877</u>

VILLAGE OF BARAGA, MICHIGAN  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS (CONTINUED)  
 Year ended February 28, 2007

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
<u>RECONCILIATION OF OPERATING INCOME</u>			
<u>(LOSS) TO NET CASH PROVIDED BY (USED IN)</u>			
<u>OPERATING ACTIVITIES</u>			
Operating income (loss)	(\$ 174,852)	\$ 133,620	\$ 125,362
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	250,368	278	62,908
Changes in assets and liabilities:			
Accounts receivable (increase) decrease	4,739	-	5,079
Due from other funds (increase) decrease	-	-	1,029
Due from other governmental units (increase) decrease	-	( 10,230)	-
Accounts payable increase (decrease)	( 2,485)	( 26,228)	( 40,335)
Accrued expenses increase (decrease)	96	214	39
Customer deposits increase (decrease)	-	-	9,234
Due to other funds increase (decrease)	<u>8,100</u>	<u>4,030</u>	<u>2,287</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 85,966</u>	<u>\$ 101,684</u>	<u>\$ 165,603</u>

The accompanying notes to financial statements are an integral part of this statement.

<u>Totals</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 84,130	(\$ 32,311)
313,554	49,003
9,818	-
1,029	( 2,474)
( 10,230)	( 390)
( 69,048)	( 1,103)
349	( 136)
9,234	-
<u>14,417</u>	<u>1,078</u>
<u>\$ 353,253</u>	<u>\$ 13,667</u>

VILLAGE OF BARAGA, MICHIGAN

COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF NET ASSETS  
February 28, 2007

ASSETS

Cash	\$ 294,224
Prepaid expense	3,089
Capital assets - net	<u>222,935</u>
TOTAL ASSETS	<u>\$ 520,248</u>

LIABILITIES

Accounts payable	\$ 2,425
Due to primary government	<u>3,050</u>
TOTAL LIABILITIES	<u>\$ 5,475</u>

NET ASSETS

Unrestricted	<u>\$ 514,773</u>
TOTAL NET ASSETS	<u>\$ 514,773</u>

The accompanying notes to financial statements  
are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF ACTIVITIES  
Year ended February 28, 2007

Functions/Programs	Program Revenues				<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
General government	\$ 17,616	\$ -	\$ 8,750	\$ -	(\$ 8,866)
General revenues:					
Property taxes levied for general purposes					\$ 52,827
Unrestricted investment earnings					1,154
Transfers					( 3,025)
Total general revenues, special items, and transfers					<u>\$ 50,956</u>
Change in net assets					\$ 42,090
Net assets - beginning of year					<u>472,683</u>
Net assets - end of year					<u>\$514,773</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
For the year ended February 28, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Baraga conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

1. Financial Reporting Entity

In accordance with the provisions of the Government Accounting Standards Board Statement No. 14 entitled "The Financial Reporting Entity", a governmental financial reporting entity consists of a primary government, such as a general purpose local government, and component units, which are defined as units for which the primary government is financially accountable. The primary government is financially accountable if it appoints a voting majority of a component unit's governing body, and there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units. The component units discussed below are included in the Village's reporting entity because of the significance of their operational or financial relationships with the Village.

Blended Component Units

Village of Baraga Building Authority - The Village of Baraga Building Authority is a public corporation organized and existing under the authority of Act 31, Public Acts of Michigan 1948 and is governed by a three member board appointed by the Village Council. For financial reporting purposes, the Building Authority is reported as if it were part of the Village's operations because its purpose is to acquire and lease a municipal building to the Village. The assets of the Building Authority are presented in the General Fixed Asset Group of Accounts.

Discretely Presented Component Units

Village of Baraga Downtown Development Authority - The Village of Baraga Downtown Development Authority is an entity created by the Village of Baraga on October 22, 1984, pursuant to Public Act 197 of 1975 and is governed by a board appointed by the Village Council. For financial reporting purposes, the Downtown Development Authority is reported in a separate column to emphasize that it is legally separate from the Village.

Component Units Not Presented

Village of Baraga Housing Commission - The Village of Baraga Housing Commission is not included in the financial statements as explained in Note L.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
FINANCIAL REPORTING ENTITY (continued)

Jointly Governed Organizations

Upper Peninsula Public Power Agency - On June 9, 2003, the Village resolved to join the Upper Peninsula Public Power Agency (UPPPA), a Michigan municipal corporation organized under the Michigan Energy Employment Act of 1976. The UPPPA is a joint action agency, comprised of several municipalities in the Upper Peninsula of Michigan. The UPPPA was organized to invest in the American Transmission Company, a Wisconsin based entity, created by the Wisconsin legislature to own all electric transmission assets in the State of Wisconsin. The Village investment in the Agency is included in the Electric Fund's financial statements using the cost method of accounting.

Unaudited financial information for the joint venture as of December 31, 2006:

Total assets	<u>\$3,071,881</u>
Liabilities:	
Current liabilities	\$ -
Long-term liabilities	<u>-</u>
	\$ -
Total equity	<u>3,071,881</u>
	<u>\$3,071,881</u>
Total revenues	\$ 447,055
Total expenditures	<u>12,330</u>
INCREASE IN FUND EQUITY FROM OPERATIONS	\$ 434,725
Equity contributions	241,496
Equity distributions	<u>( 428,055)</u>
TOTAL INCREASE IN FUND EQUITY	<u>\$ 248,166</u>

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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

3. Fund Accounting

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

Governmental Funds:

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

Proprietary Funds:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods and services provided by one department or agency of the governmental unit to other departments or agencies of the governmental unit.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
FUND ACCOUNTING (continued)

Account Groups:

General Fixed Asset Account Group - This account group presents property, plant, and equipment of the local unit utilized in its general operations.

General Long-Term Debt Account Group - This account group presents the balance of general obligation long-term debt which is not recorded in the proprietary funds.

4. Basis of Accounting

Basis of Accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principle and interest on general obligation long-term debt, if any, is recognized when due.

Property taxes are levied on July 1. The Village collects its own property taxes until mid September at which time collection is turned over to Baraga County.

The tax rate to finance general government services for the year ended February 28, 2007, was \$8.6357 Per \$1000 of assessed valuation which computed to \$117,744 on the present taxable valuation of \$13,634,569. Also, an additional \$1.5203 per \$1000 of assessed valuation was levied for road improvements.

5. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments are reported at fair market value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sale price. Investments that do not have an established market are reported at estimated fair value. All investments comply with Michigan Compiled Laws, Section 129.91.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are shown without an allowance for uncollectible amounts.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (continued)

Restricted Assets

The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Interest has not been capitalized on fixed assets.

Property, plant, equipment and infrastructure is depreciated using the straight-line method over the following useful lives:

Buildings	40-60 years
Building improvements	15-30 years
Water and sewer lines	10-50 years
Roads	50 years
Other infrastructure	50 years
Vehicles	3-5 years
Office equipment	5-7 years
Computer equipment	3-7 years

Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds reported 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.

NOTE B - NET ASSETS DEFICIT

An unrestricted net assets deficit of \$73,030 exists in the Water Fund. The deficit is the result of inefficiencies in the water system and repairs made to correct the inefficiencies made during the current and previous years. Management is continuing to monitor the activity in the Water Fund to ensure that the deficit is eliminated in a timely manner.

NOTE C - CASH AND INVESTMENTS

At February 28, 2007, the Village of Baraga'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>	<u>Component Unit</u>
Cash and cash equivalents	\$ 490,253	\$ 479,999	\$ 970,252	\$ 294,224
Investments	-	242,415	242,415	-
Restricted assets	-	<u>199,711</u>	<u>199,711</u>	-
Total	<u>\$ 490,253</u>	<u>\$ 922,125</u>	<u>\$1,412,378</u>	<u>\$ 294,224</u>

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end are as follows:

	<u>Carrying Amounts</u>		
	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
Insured (FDIC)	\$1,111,619	\$ 294,224	\$1,405,843
Uninsured and Uncollateralized	-	-	-
Total Deposits	<u>\$1,111,619</u>	<u>\$ 294,224</u>	<u>\$1,405,843</u>
	<u>Bank Balances</u>		
Insured (FDIC)	\$1,117,178	\$ 294,224	\$1,411,402
Uninsured and Uncollateralized	-	-	-
Total Deposits	<u>\$1,117,178</u>	<u>\$ 294,224</u>	<u>\$1,411,402</u>

Deposits totalling \$199,711 are included with restricted assets. Included with cash was petty cash of \$255. Not included with cash was a cash overdraft of \$58,089 in the Sewer Fund .

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - CASH AND INVESTMENTS (CONTINUED)

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

The investment policy as required by Act 196 PA 1997 has been adopted by the Board. The Village's deposits and investments are in accordance with statutory authority. All of the Village's surplus funds are in bank savings accounts and certificates of deposit.

In accordance with GASB Statement No. 3, investments are classified into categories of credit risk as follows:

- Category 1: Insured or collateralized with securities held by the Village or its agent in the Village's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the Village's name.
- Category 3: Uncollateralized (includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Village's name).

Investment type

	(1)	(2)	(3)	<u>Reported Amount</u>	<u>Fair Value</u>
Risk-categorized					
Cash equivalents	\$242,415	\$ -	\$ -	<u>\$242,415</u>	<u>\$237,201</u>

NOTE D - RECEIVABLES

Receivables as of February 28, 2007 are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Taxes receivable	\$16,492	\$ 11,827	\$ 5,566	\$ -
Accounts receivable	8,406	-	-	-
Long-term notes	-	807,053	-	-
Intergovernmental	-	8,735	-	33,288
Component unit	-	50	-	-
Total Receivables	<u>\$24,898</u>	<u>\$ 827,665</u>	<u>\$ 5,566</u>	<u>\$ 33,288</u>

	<u>Electric Fund</u>	<u>Motor Vehicle Fund</u>	<u>Total</u>
Taxes receivable	\$ -	\$ -	\$ 28,319
Accounts receivable	13,258	-	27,230
Long-term notes	-	-	807,053
Intergovernmental	68,268	7,316	117,607
Component unit	3,000	-	3,050
Total Receivables	<u>\$ 84,526</u>	<u>\$ 7,316</u>	<u>\$ 983,259</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - RECEIVABLES (CONTINUED)

Notes receivable consist of:

Small Cities funds loaned to Keweenaw Bay Developers Limited Partnership which is to be repaid in monthly installments of \$1,750 through September of 1989 at which time payments increased to \$2,326. Payments include interest computed at 7%.	\$ 198,872
Urban Development Action Grant funds loaned to Keweenaw Bay Developers Limited Partnership which is to be repaid in monthly installments of \$1,814 beginning in October of 1992, including interest computed at 3%.	168,240
Economic development loan to Sheryl A. and Richard J. Hosking which is to be repaid in monthly installments of \$162 beginning in January of 1995, including interest computed at 7%.	16,368
Economic development loan to Harold E. and Shirley A. Mensch which is to be repaid in monthly installments of \$539 beginning in January of 1995, including interest computed at 7%.	16,506
Economic development loan to Jerry Magnant and Kerry Varline which is to be repaid in monthly installments of \$674.12 including interest at 7.0%. The first installment was received in September of 1999.	49,954
Economic development loan to Van Straten Brothers, Inc. which is to be repaid in monthly installments of \$1,331.90 including interest at 4.75%. The first installment was received in July of 2002.	35,207
Economic development loan to Larry's Market, Inc. which is to be repaid in monthly installments of \$1,048.48 including interest of 4.75%. The first installment was received in May of 2003.	64,819
Economic development loan to H&H Cafe which is to be repaid in monthly installments of \$250.00 including interest at 4.75%	33,288
Economic development loan to Keweenaw Bay Motel Developers which is to be repaid in monthly installments of \$1,036.59 including interest at 4.75%. The first installment was received in May of 2005.	173,004
Economic development loan to Jerry Magnant and Kerry Varline which is to be repaid in monthly installments of \$449.41 including interest at 4.75%. The first installment was received in December of 2005.	48,210
Housing rehabilitation loans to 5 individuals which are to be repaid in monthly installments of \$245.	<u>2,585</u>
	<u>\$807,053</u>

During the year ended February 28, 2007, economic development loans to Gitchee Gume, Inc. of \$48,135, and to James and Kristyn Gabe, and David and Brenda Meyers, of \$172,142, were written off as uncollectible.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2007, was as follows:

	<u>Balance March 1</u>	<u>Additions</u>
Governmental activities:		
Capital assets not being depreciated -		
Land	\$ 121,651	\$ -
Capital assets being depreciated:		
Buildings	\$ 832,092	\$ -
Improvements	1,521,413	-
Equipment	1,122,585	256,564
Infrastructure	40,111	-
Total capital assets being depreciated	<u>\$ 3,516,201</u>	<u>\$ 256,564</u>
Less accumulated depreciation for:		
Buildings	\$ 230,719	\$ 17,277
Improvements	530,999	39,333
Equipment	965,612	47,967
Infrastructure	5,562	802
Total accumulated depreciation	<u>\$ 1,732,892</u>	<u>\$ 105,379</u>
Total capital assets being depreciated, net	<u>\$ 1,783,309</u>	<u>\$ 151,185</u>
Governmental activities capital assets, net	<u>\$ 1,904,960</u>	<u>\$ 151,185</u>
Business-type activities:		
Capital assets being depreciated:		
Equipment	\$ 88,088	\$ -
Infrastructure	8,516,215	38,466
Total capital assets being depreciated	<u>\$ 8,604,303</u>	<u>\$ 38,466</u>
Less accumulated depreciation for:		
Equipment	\$ 68,453	\$ 7,253
Infrastructure	2,952,194	306,301
Total accumulated depreciation	<u>\$ 3,020,647</u>	<u>\$ 313,554</u>
Total capital assets being depreciated, net	<u>\$ 5,583,656</u>	<u>(\$ 275,088)</u>
Business-type activities capital assets, net	<u>\$ 5,583,656</u>	<u>(\$ 275,088)</u>
Component unit activities:		
Capital assets not being depreciated - Land	\$ 54,241	\$ -
Capital assets being depreciated - Infrastructure	\$ 121,567	\$ 51,287
Less accumulated depreciation for - Infrastructure	1,216	2,944
Total capital assets being depreciated, net	<u>\$ 120,351</u>	<u>\$ 48,343</u>
Component unit activities capital assets, net	<u>\$ 174,592</u>	<u>\$ 48,343</u>

<u>Retirements</u>	<u>Balance February 28</u>
\$ -	\$ 121,651
\$ -	\$ 832,092
-	1,521,413
-	1,379,149
-	40,111
<u>\$ -</u>	<u>\$ 3,772,765</u>
\$ -	\$ 247,996
-	570,332
-	1,013,579
-	6,364
<u>\$ -</u>	<u>\$ 1,838,271</u>
<u>\$ -</u>	<u>\$ 1,934,494</u>
<u><u>\$ -</u></u>	<u><u>\$ 2,056,145</u></u>
\$ -	\$ 88,088
-	8,554,681
<u>\$ -</u>	<u>\$ 8,642,769</u>
\$ -	\$ 75,706
-	3,258,495
<u>\$ -</u>	<u>\$ 3,334,201</u>
<u>\$ -</u>	<u>\$ 5,308,568</u>
<u><u>\$ -</u></u>	<u><u>\$ 5,308,568</u></u>
<u>\$ -</u>	<u>\$ 54,241</u>
\$ -	\$ 172,854
-	4,160
<u>\$ -</u>	<u>\$ 168,694</u>
<u><u>\$ -</u></u>	<u><u>\$ 222,935</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL ASSETS (CONTINUED)

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

Governmental activities -	
Public works	<u>\$ 105,379</u>
Business-type activities:	
Water	\$ 250,368
Sewer	278
Electric	<u>62,908</u>
Total depreciation expense-Business-type activities	<u>\$ 313,554</u>

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at February 28, 2007, consisted of:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 96,856	Motor Vehicle	\$ 4,806
		Water	59,286
		Revolving	4,278
		Local Street	11,871
		Major Street	9,643
		Sewer	4,504
		Electric	<u>2,468</u>
	Subtotal		Subtotal
	<u>\$ 96,856</u>		<u>\$ 96,856</u>
Motor Vehicle Equipment	\$ 19,249	Sewer	\$ 6,417
		Waterfront	838
		Local Street	6,432
		Major Street	3,459
		Electric	<u>2,103</u>
	Subtotal		Subtotal
	<u>\$ 19,249</u>		<u>\$ 19,249</u>
Waterfront	\$ 14,105	General	\$ 3,655
		Electric	<u>10,450</u>
	Subtotal		Subtotal
	<u>\$ 14,105</u>		<u>\$ 14,105</u>
Local Street	\$ 8,200	Electric Road	\$ 4,200
			<u>4,000</u>
	Subtotal		Subtotal
	<u>\$ 8,200</u>		<u>\$ 8,200</u>
Road	\$ 23,384	General	\$ 21,384
		Electric	<u>2,000</u>
	Subtotal		Subtotal
	<u>\$ 23,384</u>		<u>\$ 23,384</u>
Water	\$ 584	Motor Vehicle	\$ 584
Electric	\$ 867	Water	\$ 867
	Total		Total
	<u>\$ 163,245</u>		<u>\$ 163,245</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

The amounts of receivables and payables between primary government and component units at February 28, 2007 are as follows:

<u>Component Unit</u>	<u>Receivable from Primary Government</u>	<u>Payable to Primary Government</u>	<u>Fund</u>	<u>Receivable from Component Unit</u>	<u>Payable to Component Unit</u>
DDA - General	\$ -	\$ 3,050	Electric Revolving	\$ 3,000 50	\$ - -
Total	<u>\$ -</u>	<u>\$ 3,050</u>	Total	<u>\$ 3,050</u>	<u>\$ -</u>

NOTE G - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. Installment purchase agreements are general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

	<u>Governmental</u>	<u>Business Type</u>
<u>Bonds Payable</u>		
At February 28, 2007 bonds payable consisted of the following individual issues:		
2002 KBIC Industrial Park water supply system revenue bonds (\$326,000 original issue) dated October 7, 2002, payable in annual installments on October 1 of each year through October 1, 2042. Interest is payable on April 1 and October 1 of each year at a rate of 4.625% per annum.	\$ -	\$ 314,000
Water system improvement revenue bonds(denomination of \$1,000 each, \$600,000 original issue) dated August 14, 1997, mature annually on November 1 of each year through November 1, 2027. Interest is payable on May 1 and November 1 of each year.	-	505,000
Water supply system junior lien bonds, series 2003A (\$639,000 original issue) dated September 11, 2003, payable in annual installments on July 1 of each year through July 1, 2043. Interest is payable on January 1 and July 1 of each year at a rate of 4.25% per annum.	-	620,000
Water supply system junior lien bonds, series 2003B (\$336,000 original issue) dated September 11, 2003, payable in annual installments on July 1 of each year through July 1, 2043. Interest is payable on January 1 and July 1 of each year at a rate of 4.25% per annum.	-	326,000
Wastewater improvement bonds, series 2005, (\$2,890,000 original issue) dated June 23, 2005, payable in annual installments on October 1 of each year through October 1, 2025. Interest is payable on April 1 and October 1 of each year at a rate of 1.625% per annum.	-	2,765,000
Total bonds payable	<u>\$ -</u>	<u>\$4,530,000</u>
<u>Installment Purchase Agreements</u>		
PUMA fire truck with payments annually on October 18, of \$41,307 including interest through October 18, 2007 with interest at 2% per annum, financed through Superior National Bank and Trust Co.	\$ 39,462	\$ -
Pumper fire truck with payments annually on July 12 of \$16,241 including interest through July 12, 2006 and a balloon payment of \$87,143 on July 12, 2007 with interest at 4.7% per annum financed through Superior National Bank and Trust Co.	83,235	-
Total installment purchase agreements	<u>\$ 122,697</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of February 28, 2007, are as follows:

Year Ending February 28,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 122,697	\$ 5,753	\$ 153,500	\$ 126,792
2009	-	-	160,000	123,440
2010	-	-	161,000	119,944
2011	-	-	161,500	116,401
2012	-	-	166,500	112,808
2013	-	-	167,500	109,111
2014	-	-	178,000	105,387
2015	-	-	180,000	101,272
2016	-	-	185,500	97,066
2017	-	-	186,500	92,742
2018	-	-	192,000	88,375
2019	-	-	199,000	83,700
2020	-	-	199,000	78,867
2021	-	-	204,500	74,003
2022-2043	-	-	2,035,500	673,855
	<u>\$ 122,697</u>	<u>\$ 5,753</u>	<u>\$ 4,530,000</u>	<u>\$ 2,103,763</u>

The Long-term Debt Group of Accounts also includes the long-term portion of employee compensated absences, totalling \$37,714, and the related employer's portion of FICA tax of \$2,885.

The individual long-term debt and other general long-term obligations of the Village and the changes therein, may be summarized as follows:

	<u>Balance</u> <u>02-28-06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>02-28-07</u>
<u>ENTERPRISE FUNDS</u>				
<u>REVENUE BONDS</u>				
Water system improvement revenue bonds (1971)	\$ 50,000	\$ -	\$ 50,000	\$ -
KBIC Industrial Park water supply system revenue bonds (2002)	317,000	-	3,000	314,000
Water system improvement revenue bonds (1997)	520,000	-	15,000	505,000
Water supply system junior lien bond, series 2003A	627,000	-	7,000	620,000
Water supply system junior lien bond, series 2003B	329,500	-	3,500	326,000
Wastewater improvement bonds, series 2005	<u>2,890,000</u>	<u>-</u>	<u>125,000</u>	<u>2,765,000</u>
	<u>\$4,733,500</u>	<u>\$ -</u>	<u>\$ 203,500</u>	<u>\$4,530,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

	<u>Balance</u> <u>02-28-06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>02-28-07</u>
<u>LONG-TERM DEBT GROUP OF ACCOUNTS</u>				
<u>INSTALLMENT PURCHASE</u>				
<u>CONTRACTS</u>				
Puma fire truck	\$ 77,144	\$ -	\$ 37,682	\$ 39,462
Pumper fire truck	95,011	-	11,776	83,235
	<u>\$ 172,155</u>	<u>\$ -</u>	<u>\$ 49,458</u>	<u>\$ 122,697</u>

2002 KBIC INDUSTRIAL PARK WATER SUPPLY SYSTEM REVENUE BOND

2002 KBIC Industrial Park Water Supply System Revenue Bond (\$326,000 original issue) dated October 7, 2002, payable in annual installments on October 1 of each year through October 1, 2042. Interest is payable on April 1 and October 1 of each year at a rate of 4.625% per annum. Scheduled payments of principal and interest are listed below:

<u>Fiscal</u> <u>Year Ending</u> <u>February</u>	<u>Interest</u> <u>April 1</u>	<u>Interest</u> <u>October 1</u>	<u>Principal</u> <u>October 1</u>	<u>Total</u>
2008	\$ 7,261	\$ 7,261	\$ 3,000	\$ 17,522
2009	7,192	7,192	4,000	18,384
2010	7,099	7,099	4,000	18,198
2011	7,007	7,007	4,000	18,014
2012	6,914	6,914	4,000	17,828
2013	6,822	6,822	4,000	17,644
2014	6,729	6,729	4,000	17,458
2015	6,637	6,637	5,000	18,274
2016	6,521	6,521	5,000	18,042
2017	6,406	6,406	5,000	17,812
2018	6,290	6,290	5,000	17,580
2019	6,174	6,174	6,000	18,348
2020	6,036	6,036	6,000	18,072
2021	5,897	5,897	6,000	17,794
2022	5,758	5,758	6,000	17,516
2023	5,619	5,619	7,000	18,238
2024	5,458	5,458	7,000	17,916
2025	5,296	5,296	8,000	18,592
2026	5,111	5,111	8,000	18,222
2027	4,926	4,926	8,000	17,852
2028	4,741	4,471	9,000	18,482
2029	4,533	4,533	9,000	18,066
2030	4,324	4,324	10,000	18,648
2031	4,093	4,093	10,000	18,186
2032	3,862	3,862	11,000	18,724
2033	3,608	3,608	11,000	18,216
2034	3,353	3,353	12,000	18,706
2035	3,076	3,076	12,000	18,152
2036	2,798	2,798	13,000	18,596
2037	2,498	2,498	13,000	17,996
2038	2,197	2,197	14,000	18,394
2039	1,873	1,873	15,000	18,746
2040	1,526	1,526	15,000	18,052
2041	1,179	1,179	16,000	18,358
2042	809	809	17,000	18,618
2043	416	416	18,000	18,832
	<u>\$170,039</u>	<u>\$ 170,039</u>	<u>\$ 314,000</u>	<u>\$ 654,078</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

2002 KBIC INDUSTRIAL PARK WATER SUPPLY SYSTEM REVENUE BOND (CONTINUED)

Principal installments of this bond are subject to prepayment prior to maturity, at the issuer's option, on any interest payment date on or after October 1, 2003, at par and accrued interest to the date fixed for prepayment.

Ordinance Number 194 requires that a bond reserve account be established and maintained. The Ordinance requires, at the beginning of each fiscal year quarter, that at least \$475 be transferred to the bond reserve account until the sum of \$19,000 has been deposited therein. The Village has complied with this requirement as there is \$6,828 in these accounts at February 28, 2007.

WATER SYSTEM IMPROVEMENT REVENUE BONDS PAYABLE

Water System Improvement revenue bonds (denomination of \$1,000 each, \$600,000 original issue) dated August 14, 1997, mature annually on November 1 of each year through November 1, 2027. Interest is payable on May 1 and November 1 of each year. Scheduled payments of principal, interest and interest rates are listed below:

<u>Fiscal</u> <u>Year Ending</u> <u>February</u>	<u>Interest</u> <u>Rate</u> <u>%</u>	<u>Interest</u> <u>May 1</u>	<u>Interest</u> <u>November 1</u>	<u>Principal</u> <u>November 1</u>	<u>Total</u>
2008	4.9	\$ 13,678	\$ 13,678	\$ 15,000	\$ 42,356
2009	4.95	13,310	13,310	15,000	41,620
2010	5.05	12,939	12,939	15,000	40,878
2011	5.15	12,560	12,560	15,000	40,120
2012	5.25	12,174	12,174	15,000	39,348
2013	5.3	11,780	11,780	15,000	38,560
2014	5.35	11,383	11,383	20,000	42,766
2015	5.4	10,848	10,848	20,000	41,696
2016	5.45	10,308	10,307	20,000	40,615
2017	5.5	9,763	9,762	20,000	39,525
2018	5.5	9,213	9,212	25,000	43,425
2019	5.5	8,525	8,525	25,000	42,050
2020	5.5	7,838	7,837	25,000	40,675
2021	5.5	7,150	7,150	25,000	39,300
2022	5.5	6,463	6,462	30,000	42,925
2023	5.5	5,638	5,637	30,000	41,275
2024	5.5	4,813	4,812	30,000	39,625
2025	5.5	3,988	3,987	35,000	42,975
2026	5.5	3,025	3,025	35,000	41,050
2027	5.5	2,063	2,062	35,000	39,125
2028	5.5	1,100	1,100	40,000	42,200
		<u>\$178,559</u>	<u>\$ 178,550</u>	<u>\$ 505,000</u>	<u>\$ 862,109</u>

Ordinance Number 180 requires that bond reserve accounts be established and maintained at a \$42,000 level. The Village has complied with this requirement as there is \$61,001 in these accounts at February 28, 2007.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BOND, SERIES 2003A

Water Supply System Junior Lien Revenue Bond, Series 2003A (\$639,000 original issue) dated September 11, 2003, payable in annual installments on July 1 of each year through July 1, 2043. Interest is payable on January 1 and July 1 of each year at a rate of 4.25% per annum. Scheduled payments of principal and interest are listed below:

Fiscal Year Ending <u>February</u>	Interest <u>July 1</u>	Principal <u>July 1</u>	Interest <u>January 1</u>	<u>Total</u>
2008	\$ 13,175	\$ 7,000	\$ 13,026	\$ 33,201
2009	13,026	7,000	12,878	32,904
2010	12,878	7,000	12,729	32,607
2011	12,729	8,000	12,559	33,288
2012	12,559	8,000	12,389	32,948
2013	12,389	8,000	12,219	32,608
2014	12,219	9,000	12,028	33,247
2015	12,028	9,000	11,836	32,864
2016	11,836	10,000	11,624	33,460
2017	11,624	10,000	11,411	33,035
2018	11,411	11,000	11,178	33,589
2019	11,178	11,000	10,944	33,122
2020	10,944	12,000	10,689	33,633
2021	10,689	12,000	10,434	33,123
2022	10,434	13,000	10,158	33,592
2023	10,158	13,000	9,881	33,039
2024	9,881	14,000	9,584	33,465
2025	9,584	14,000	9,286	32,870
2026	9,286	15,000	8,968	33,254
2027	8,968	16,000	8,628	33,596
2028	8,628	16,000	8,288	32,916
2029	8,288	17,000	7,926	33,214
2030	7,926	18,000	7,544	33,470
2031	7,544	19,000	7,140	33,684
2032	7,140	20,000	6,715	33,855
2033	6,715	21,000	6,269	33,984
2034	6,269	21,000	5,822	33,091
2035	5,823	22,000	5,355	33,178
2036	5,355	23,000	4,866	33,221
2037	4,866	24,000	4,356	33,222
2038	4,356	26,000	3,804	34,160
2039	3,804	27,000	3,230	34,034
2040	3,230	28,000	2,635	33,865
2041	2,635	29,000	2,019	33,654
2042	2,019	30,000	1,381	33,400
2043	1,381	32,000	701	34,082
2044	701	33,000	-	33,701
	<u>\$313,676</u>	<u>\$ 620,000</u>	<u>\$ 300,500</u>	<u>\$1,234,176</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BOND, SERIES 2003B

Water Supply System Junior Lien Revenue Bond, Series 2003B (\$336,000 original issue) dated September 11, 2003, payable in annual installments on July 1 of each year through July 1, 2043. Interest is payable on January 1 and July 1 of each year at a rate of 4.25% per annum. Scheduled payments of principal and interest are listed below:

Fiscal Year Ending <u>February</u>	Interest <u>July 1</u>	Principal <u>July 1</u>	Interest <u>January 1</u>	<u>Total</u>
2008	\$ 6,928	\$ 3,500	\$ 6,853	\$ 17,281
2009	6,853	3,500	6,779	17,132
2010	6,779	4,000	6,694	17,473
2011	6,694	4,000	6,609	17,303
2012	6,609	4,500	6,513	17,622
2013	6,513	4,500	6,418	17,431
2014	6,418	4,500	6,322	17,240
2015	6,322	5,000	6,216	17,538
2016	6,216	5,000	6,109	17,325
2017	6,109	5,500	5,993	17,602
2018	5,993	5,500	5,876	17,369
2019	5,876	6,000	5,748	17,624
2020	5,748	6,000	5,621	17,369
2021	5,621	6,500	5,483	17,604
2022	5,483	6,500	5,344	17,327
2023	5,344	7,000	5,196	17,540
2024	5,196	7,500	5,036	17,732
2025	5,036	7,500	4,877	17,413
2026	4,877	8,000	4,707	17,584
2027	4,707	8,500	4,526	17,733
2028	4,526	8,500	4,346	17,372
2029	4,346	9,000	4,154	17,500
2030	4,154	9,500	3,953	17,607
2031	3,953	10,000	3,740	17,693
2032	3,740	10,500	3,517	17,757
2033	3,517	11,000	3,283	17,800
2034	3,283	11,500	3,039	17,822
2035	3,039	12,000	2,784	17,823
2036	2,784	12,500	2,518	17,802
2037	2,518	13,000	2,242	17,760
2038	2,242	13,500	1,955	17,697
2039	1,955	14,000	1,658	17,613
2040	1,658	14,500	1,349	17,507
2041	1,349	15,500	1,020	17,869
2042	1,020	16,000	680	17,700
2043	680	17,000	319	17,999
2044	319	15,000	-	15,319
	<u>\$164,405</u>	<u>\$ 326,000</u>	<u>\$ 157,477</u>	<u>\$ 647,882</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

WASTEWATER IMPROVEMENT BONDS, SERIES 2005

Wastewater improvement bonds (\$2,890,000 original issue) dated June 23, 2005, payable in annual installments on October 1 of each year through October 1, 2025. Interest is payable on April 1 and October 1 of each year at a rate of 1.625% per annum. Scheduled payments of principal and interest are listed below:

Fiscal Year Ending <u>February</u>	Interest <u>April 1</u>	Interest <u>October 1</u>	Principal <u>October 1</u>	<u>Total</u>
2008	\$ 22,466	\$ 22,466	\$ 125,000	\$ 169,932
2009	21,450	21,450	130,000	172,900
2010	20,394	20,394	130,000	170,788
2011	19,338	19,338	130,000	168,676
2012	18,281	18,281	135,000	171,562
2013	17,184	17,184	135,000	169,368
2014	16,088	16,088	140,000	172,176
2015	14,950	14,950	140,000	169,900
2016	13,812	13,812	145,000	172,624
2017	12,634	12,634	145,000	170,268
2018	11,456	11,456	145,000	167,912
2019	10,278	10,278	150,000	170,556
2020	9,059	9,059	150,000	168,118
2021	7,841	7,841	155,000	170,682
2022	6,581	6,581	155,000	168,162
2023	5,322	5,322	160,000	170,644
2024	4,022	4,022	160,000	168,044
2025	2,722	2,722	165,000	170,444
2026	1,381	1,381	170,000	172,762
	<u>\$235,259</u>	<u>\$ 235,259</u>	<u>\$2,765,000</u>	<u>\$3,235,518</u>

PUMA FIRE TRUCK INSTALLMENT AGREEMENT

Installment agreement (\$180,332 issued and \$39,462 outstanding) dated October 18, 2002, matures on October 18, 2007 with interest at 2.00% per annum.

Due Year Ended <u>February 28,</u>	<u>October 18,</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2008	<u>\$ 39,462</u>	<u>\$ 1,845</u>	<u>\$ 41,307</u>

PUMPER FIRE TRUCK INSTALLMENT AGREEMENT

Installment agreement (\$127,256 issued and \$83,235 outstanding) dated July 12, 2002, matures on July 12, 2007 with interest at 4.70% per annum.

Due Year Ended <u>February 28,</u>	<u>July 12,</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2008	<u>\$ 83,235</u>	<u>\$ 3,908</u>	<u>\$ 87,143</u>

NOTE H - SEGMENT INFORMATION

Generally accepted accounting principles require disclosures of segment information for certain individual Enterprise Funds. The Village maintains three Enterprise Funds: the Water Fund, to account for the provision of water to the residents of the Village; the Sewer Fund, to administer the operations of the Baraga Village/ Keweenaw Bay Reservation Waste Water Authority; and the Electric Fund, to account for the provision of electricity to the residents of the Village.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - SEGMENT INFORMATION (CONTINUED)

	<u>Water Fund</u>	<u>Sewer Fund</u>
<u>CONDENSED STATEMENT OF NET ASSETS</u>		
Assets:		
Current assets	\$ 14,385	\$ 33,689
Due from component unit	-	-
Interfund receivable	584	-
Capital assets	4,861,144	324
Other assets	<u>157,385</u>	<u>5,705,080</u>
Total assets	<u>\$5,033,498</u>	<u>\$5,739,093</u>
Liabilities:		
Interfund payables	\$ 60,153	\$ 10,921
Other current liabilities	56,346	201,593
Noncurrent liabilities	<u>1,736,500</u>	<u>2,640,000</u>
Total liabilities	<u>\$1,852,999</u>	<u>\$2,852,514</u>
Net assets:		
Invested in capital assets, net of related debt	\$3,096,144	\$ 324
Restricted for debt service	157,385	-
Unrestricted	( 73,030)	<u>2,886,255</u>
Total net assets	<u>\$3,180,499</u>	<u>\$2,886,579</u>
<u>CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS</u>		
Operating revenues	\$ 415,779	\$ 260,908
Depreciation expense	( 250,368)	( 278)
Other operating expenses	( 340,263)	( 127,010)
Operating income	(\$ 174,852)	\$ 133,620
Nonoperating revenues (expenses):		
Investment income (loss)	2,611	( 79,752)
Interest expense	( 88,513)	( 37,752)
Transfers in (out)	27,772	-
Capital contribution	-	<u>279,500</u>
Change in net assets	(\$ 232,982)	\$ 295,616
Beginning net assets	<u>3,413,481</u>	<u>2,590,963</u>
Ending net assets	<u>\$3,180,499</u>	<u>\$2,886,579</u>
<u>CONDENSED STATEMENT OF CASH FLOWS</u>		
Net cash provided (used) by:		
Operating activities	\$ 85,966	\$ 101,684
Noncapital financing activities	27,772	-
Capital and related financing activities	( 141,279)	290,808
Investing activities	<u>2,611</u>	<u>( 430,081)</u>
Net increase (decrease)	(\$ 24,930)	(\$ 37,589)
Beginning cash and cash equivalents	<u>33,749</u>	<u>( 20,500)</u>
Ending cash and cash equivalents	<u>\$ 8,819</u>	<u>(\$ 58,089)</u>

<u>Electric Fund</u>	<u>Total Enterprise Fund</u>
\$ 859,826	\$ 907,900
3,000	3,000
867	1,451
447,100	5,308,568
<u>110,594</u>	<u>5,973,059</u>
<u>\$1,421,387</u>	<u>\$12,193,978</u>
\$ 21,221	\$ 92,295
106,991	364,930
<u>-</u>	<u>4,376,500</u>
<u>\$ 128,212</u>	<u>\$ 4,833,725</u>
\$ 447,100	\$ 3,543,568
-	157,385
<u>846,075</u>	<u>3,659,300</u>
<u>\$1,293,175</u>	<u>\$ 7,360,253</u>
\$2,132,925	\$ 2,809,612
( 62,908)	( 313,554)
<u>( 1,944,655)</u>	<u>( 2,411,928)</u>
\$ 125,362	\$ 84,130
45,776	( 31,365)
-	( 126,265)
( 525,593)	( 497,821)
<u>-</u>	<u>279,500</u>
(\$ 354,455)	(\$ 291,821)
<u>1,647,630</u>	<u>7,652,074</u>
<u>\$1,293,175</u>	<u>\$ 7,360,253</u>
\$ 181,593	\$ 369,243
( 525,593)	( 497,821)
( 45,167)	104,362
<u>( 17,841)</u>	<u>( 445,311)</u>
(\$ 407,008)	(\$ 469,527)
<u>878,188</u>	<u>891,437</u>
<u>\$ 471,188</u>	<u>\$ 421,910</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I - INVESTMENT IN BARAGA VILLAGE/KEWEENAW BAY  
RESERVATION WASTE WATER AUTHORITY

The Village of Baraga and the Keweenaw Bay Indian Community entered into an agreement on September 27, 1995 for the purpose of creating the Baraga Village/ Keweenaw Bay Reservation Waste Water Authority Board. The Board shall own, operate and maintain a joint waste water treatment facility and associated system components. The Keweenaw Bay Indian Community and the Village of Baraga shall be equal partners in and shall jointly operate the Waste Water System. The Board shall employ the Village of Baraga as System Operator to operate and maintain the System and shall pay the Village for such services.

The Village utilizes the equity method of accounting for the activity in its investment in the facility. Under the equity method the investment is adjusted for any additional capital investments made and it's proportionate share of the facility's results of operations.

On September 1, 1996, the following assets and liabilities of the Village of Baraga were transferred to the Authority:

Property, plant, and equipment	\$6,066,181
Accumulated depreciation	( 1,223,556)
Allowance for doubtful accounts	( 2,498)
Accounts payable	( 67,247)
Accrued interest	( 6,334)
Revenue bonds payable	( 1,373,000)
NET INVESTMENT	<u>\$3,393,546</u>

Baraga Village/Keweenaw Bay Reservation Waste Water Authority issues separate financial statements available from the Village's office.

A summary of condensed financial information as of February 28, 2007, for the Board, in the aggregate is as follows:

Assets	\$6,613,973
Liabilities	109,859
Net assets	6,504,114
Revenues	429,646
Expenses	371,876
Other income (expenses)	( 124,084)
Capital contributions	430,082
Change in net assets	363,768
Depreciation on property, plant and equipment contributed by the Village and Community	150,309
Village's share of increase (decrease) in net assets	350,329
Village's share of depreciation on fixed assets contributed	121,750

Included in expenses above is \$139,230 paid to the Village for services provided for the Board.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - RETIREMENT PLAN

The Village contributes to the Michigan Municipal Employees Retirement System, an agent multiple-employer public employees retirement system that acts as a common investment and administrative agent for all Michigan municipal employees.

The qualified employees includes all full time employees of the Village with the exception of the Village Manager. Benefits vest after ten years of service. Village employees who retire at or after the age of 55 with 15 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to the sum of 2.25% of final average compensation. The system also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and Village ordinance.

Village employees are not required to contribute to the plan. The Village contributes to the plan quarterly based on actuarial calculated contributions.

Contributions were made in accordance with actuarially determined contribution requirements.

As of December 31, 2006, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	7
Inactive vested members	2
Active plan participants:	
Active members - vested	9
Active members - nonvested	<u>0</u>
Total	<u>18</u>

Funding Status and Progress

The following information has been prepared to provide the information necessary to comply with GASB Statements Number 25 and 27. Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1997.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2006 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - RETIREMENT PLAN (CONTINUED)

GASB 25 INFORMATION (as of 12/31/06)

Actuarial Accrued Liability	
Retirees and beneficiaries currently receiving benefits	\$1,471,769
Terminated employees not yet receiving benefits	34,012
Current employees -	
Accumulated employee contributions including allocated investment income	-
Employer financed	<u>830,594</u>
Total Actuarial Accrued Liability	\$2,336,375
Net Assets Available for Benefits at Actuarial Value	<u>1,504,954</u>
(Market Value is \$1,526,007)	
Unfunded (Overfunded) Actuarial Accrued Liability	\$ 831,421

GASB 27 INFORMATION (as of 12/31/06)

Fiscal Year Beginning	March 1, 2008
Annual Required Contribution (ARC)	\$ 97,860
Amortization Factor Used	0.054719

Additional information pertaining to the pension plan can be obtained from the Village's annual actuarial valuation report.

NOTE K - RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains insurance coverage through the Michigan Municipal League which covers each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settled claims have not exceeded this coverage in any of the past three years.

NOTE L - BARAGA HOUSING COMMISSION

The financial statements of the Village of Baraga Housing Commission are not included in the general purpose financial statements of the Village of Baraga for the following reasons:

1. The Village does not approve budgets or budget amendments.
2. The Village is not responsible for fund deficits and does not receive any fund surplus.
3. The Village does not provide significant financial support.
4. The Village does not have significant fiscal management responsibilities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L - BARAGA HOUSING COMMISSION (CONTINUED)

The financial statements of the Village of Baraga Housing Commission are audited annually as a requirement of the Department of Housing and Urban Development. A summary of the audited financial information as of June 30, 2006, is as follows:

Total Assets	<u>\$1,010,089</u>
Total liabilities	<u>\$ 77,423</u>
Net assets:	
Invested in capital assets, net of related debt	\$ 783,957
Unrestricted	<u>148,709</u>
NET ASSETS	<u>\$ 932,666</u>
Revenues	\$ 364,167
Expenses	<u>424,213</u>
Change in net assets	(\$ 60,046)
Net assets, beginning of year	<u>992,712</u>
Net assets, end of year	<u>\$ 932,666</u>

NOTE M - CONTINGENT LIABILITIES

An audit performed by the United States Environmental Protection Agency dated August 14, 1997 is requesting the Village to reimburse the federal government \$26,838 for ineligible construction costs from the Water Fund. Village officials are still reviewing the computation and no determination has been made whether to appeal the audit or pay the requested amount. No liability has been recorded in the financial statements for the year ended February 28, 2007.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF BARAGA, MICHIGAN  
 GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 For the year ended February 28, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 163,300	\$ 163,300	\$ 113,740	(\$ 49,560)
State grants	151,500	151,500	174,515	23,015
Keweenaw Bay Indian Community	20,000	20,000	87,487	67,487
Service charges	8,000	8,000	9,316	1,316
Other revenues	<u>311,900</u>	<u>311,900</u>	<u>338,023</u>	<u>26,123</u>
TOTAL REVENUES	<u>\$ 654,700</u>	<u>\$ 654,700</u>	<u>\$ 723,081</u>	<u>\$ 68,381</u>
<b>Expenditures:</b>				
General government administration	\$ 142,600	\$ 142,600	\$ 121,468	\$ 21,132
Public safety	198,200	198,200	329,687	( 131,487)
Public works	124,800	124,800	95,313	29,487
Health and welfare	18,500	18,500	20,327	( 1,827)
Culture and recreation	42,100	42,100	18,167	23,933
Debt service	65,000	65,000	57,549	7,451
Other expenditures	<u>542,900</u>	<u>542,900</u>	<u>506,381</u>	<u>36,519</u>
TOTAL EXPENDITURES	<u>\$1,134,100</u>	<u>\$1,134,100</u>	<u>\$1,148,892</u>	<u>(\$ 14,792)</u>
EXCESS OF REVENUES (EXPENDITURES)	(\$ 479,400)	(\$ 479,400)	(\$ 425,811)	<u>\$ 53,589</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	\$ 528,400	\$ 528,400	\$ 460,881	(\$ 67,519)
Operating transfers out	( 59,000)	( 59,000)	( 44,196)	<u>14,804</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 469,400</u>	<u>\$ 469,400</u>	<u>\$ 416,685</u>	<u>(\$ 52,715)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(\$ 10,000)	(\$ 10,000)	(\$ 9,126)	\$ 874
Fund balance, beginning of year	<u>143,773</u>	<u>143,773</u>	<u>143,773</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 133,773</u>	<u>\$ 133,773</u>	<u>\$ 134,647</u>	<u>\$ 874</u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN  
 MAJOR STREET FUND  
 BUDGETARY COMPARISON SCHEDULE  
 For the year ended February 28, 2007

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		(Unfavorable)
Revenues -				
State grants	\$ 65,400	\$ 65,400	\$ 76,123	\$ 10,723
Expenditures:				
General government administration	\$ 16,700	\$ 16,700	\$ 6,353	\$ 10,347
Public works:				
Construction	5,000	5,000	-	5,000
Surface maintenance	35,200	35,200	49,165	( 13,965)
Traffic services	1,300	1,300	1,370	( 70)
Winter maintenance	27,000	27,000	25,922	1,078
TOTAL EXPENDITURES	\$ 85,200	\$ 85,200	\$ 82,810	\$ 2,390
EXCESS OF REVENUES (EXPENDITURES)	(\$ 19,800)	(\$ 19,800)	(\$ 6,687)	\$ 13,113
Other financing sources (uses) -				
Operating transfers in (out)	19,800	19,800	19,800	-
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ -	\$ 13,113	\$ 13,113
Fund balance, beginning of year	36,116	36,116	36,116	-
FUND BALANCE, END OF YEAR	\$ 36,116	\$ 36,116	\$ 49,229	\$ 13,113

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN  
 LOCAL STREET FUND  
 BUDGETARY COMPARISON SCHEDULE  
 For the year ended February 28, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget Favorable (Unfavorable)
Revenues -				
State grants	\$ 30,400	\$ 30,400	\$ 27,765	(\$ 2,635)
Expenditures:				
General government administration	\$ 12,600	\$ 12,600	\$ 4,277	\$ 8,323
Public works:				
Construction	20,000	20,000	-	20,000
Surface maintenance	34,500	34,500	52,723	( 18,223)
Traffic services	500	500	1,487	( 987)
Winter maintenance	<u>29,000</u>	<u>29,000</u>	<u>23,505</u>	<u>5,495</u>
TOTAL EXPENDITURES	<u>\$ 96,600</u>	<u>\$ 96,600</u>	<u>\$ 81,992</u>	<u>\$ 14,608</u>
EXCESS OF REVENUES (EXPENDITURES)	(\$ 66,200)	(\$ 66,200)	(\$ 54,227)	\$ 11,973
Other financing sources (uses) -				
Operating transfers in	<u>66,200</u>	<u>66,200</u>	<u>59,711</u>	( 6,489)
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ -	\$ 5,484	\$ 5,484
Fund balance, beginning of year	<u>5,679</u>	<u>5,679</u>	<u>5,679</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 5,679</u>	<u>\$ 5,679</u>	<u>\$ 11,163</u>	<u>\$ 5,484</u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN

ROAD FUND

BUDGETARY COMPARISON SCHEDULE

For the year ended February 28, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues -				
Taxes	\$ 27,000	\$ 27,000	\$ 43,392	\$ 16,392
Expenditures	-	-	-	-
EXCESS OF REVENUES (EXPENDITURES)	\$ 27,000	\$ 27,000	\$ 43,392	\$ 16,392
Other financing sources (uses) -				
Operating transfers in (out)	( 27,000)	( 27,000)	( 37,290)	( 10,290)
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ -	\$ 6,102	\$ 6,102
Fund balance, beginning of year	22,017	22,017	22,017	-
FUND BALANCE, END OF YEAR	<u>\$ 22,017</u>	<u>\$ 22,017</u>	<u>\$ 28,119</u>	<u>\$ 6,102</u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN

WATERFRONT FUND  
BUDGETARY COMPARISON SCHEDULE  
For the year ended February 28, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues -				
Other revenue -				
Rents and fees	\$ 11,500	\$ 11,500	\$ 10,242	(\$ 1,258)
Expenditures -				
Culture and recreation	<u>11,500</u>	<u>11,500</u>	<u>13,331</u>	( <u>1,831</u> )
EXCESS OF REVENUES (EXPENDITURES)	\$ -	\$ -	(\$ 3,089)	(\$ 3,089)
Other financing sources (uses) -				
Operating transfers in	<u>-</u>	<u>-</u>	<u>4,712</u>	<u>4,712</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ -	\$ 1,623	\$ 1,623
Fund balance, beginning of year	<u>11,645</u>	<u>11,645</u>	<u>11,645</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 11,645</u>	<u>\$ 11,645</u>	<u>\$ 13,268</u>	<u>\$ 1,623</u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN  
HOUSING REHABILITATION FUND  
BUDGETARY COMPARISON SCHEDULE  
For the year ended February 28, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues -				
Other revenue -				
Miscellaneous	\$ 2,000	\$ 2,000	\$ -	(\$ 2,000)
Expenditures -				
Other	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
EXCESS OF REVENUES (EXPENDITURES)	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning of year	<u>12,377</u>	<u>12,377</u>	<u>12,377</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 12,377</u>	<u>\$ 12,377</u>	<u>\$ 12,377</u>	<u>\$ -</u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN  
 REVOLVING LOAN FUND  
 BUDGETARY COMPARISON SCHEDULE  
 For the year ended February 28, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ 5,000	\$ 5,000	\$ 37,419	\$ 32,419
Loan revenue - Loan repayments	<u>95,000</u>	<u>95,000</u>	<u>100,304</u>	<u>5,304</u>
TOTAL REVENUES	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 137,723</u>	<u>\$ 37,723</u>
Expenditures:				
General government administration	\$ -	\$ -	\$ 1,691	(\$ 1,691)
Loans and contingencies	187,000	187,000	-	187,000
Other	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
TOTAL EXPENDITURES	<u>\$ 190,000</u>	<u>\$ 190,000</u>	<u>\$ 1,691</u>	<u>\$ 188,309</u>
EXCESS OF REVENUES (EXPENDITURES)	(\$ 90,000)	(\$ 90,000)	\$ 136,032	\$ 226,032
Other financing sources (uses) -				
Operating transfers out	( <u>10,000</u> )	( <u>10,000</u> )	( <u>10,000</u> )	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(\$ 100,000)	(\$ 100,000)	\$ 126,032	\$ 226,032
Fund balance, beginning of year	<u>176,410</u>	<u>176,410</u>	<u>176,410</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 76,410</u>	<u>\$ 76,410</u>	<u>\$ 302,442</u>	<u>\$ 226,032</u>

See accompanying note to budgetary comparison schedules.

VILLAGE OF BARAGA, MICHIGAN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
For the year ended February 28, 2007

BUDGETARY INFORMATION

A draft of the budget is prepared by the Village Manager. The budget is then finalized during a series of budget work sessions with the Village Council. When the budget is finalized, a public hearing is held and the Council adopts the budget legally. This usually occurs in February before the beginning of the fiscal year but the budget may be amended at any time throughout the year. The budget is prepared on a basis that is consistent with generally accepted accounting principles, thus no reconciliation between the budget basis and GAAP basis is necessary.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted to the functional level.

During the year ended February 28, 2007, the Village incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>
Road Fund	\$ 27,000	\$ 37,290
Waterfront Fund	\$ 11,500	\$ 13,331

OTHER FINANCIAL INFORMATION

VILLAGE OF BARAGA, MICHIGAN  
 GENERAL FUND  
 DETAILS OF REVENUES AND OPERATING TRANSFERS IN  
 BUDGET AND ACTUAL  
 For the year ended February 28, 2007

	<u>Budget</u>	<u>Actual</u>
<u>GENERAL PROPERTY TAXES</u>		
Current tax levy	\$ 152,000	\$ 99,377
Interest and penalties	300	2,786
Administrative fees	1,000	1,292
Delinquent taxes	<u>10,000</u>	<u>10,285</u>
TOTAL GENERAL PROPERTY TAXES	<u>\$ 163,300</u>	<u>\$ 113,740</u>
 <u>INTERGOVERNMENTAL REVENUES</u>		
State shared revenues	\$ 150,000	\$ 172,772
Liquor license	1,500	1,743
Keweenaw Bay Indian Community	<u>20,000</u>	<u>87,487</u>
TOTAL INTERGOVERNMENTAL REVENUES	<u>\$ 171,500</u>	<u>\$ 262,002</u>
 <u>SERVICE CHARGES</u>		
Sales of cemetery lots	\$ 500	\$ 500
Industrial park rentals	3,500	2,810
Other rentals and charges	<u>4,000</u>	<u>6,006</u>
TOTAL SERVICE CHARGES	<u>\$ 8,000</u>	<u>\$ 9,316</u>
 <u>OTHER</u>		
Investment income	\$ 5,000	\$ 35,812
Gain from sale of asset	-	2,500
Reimbursements	247,800	277,160
District court ordinance fees	500	2,040
Miscellaneous	<u>58,600</u>	<u>20,511</u>
TOTAL OTHER	<u>\$ 311,900</u>	<u>\$ 338,023</u>
 <u>OPERATING TRANSFERS IN</u>		
Other funds	\$ 523,400	\$ 455,881
Component unit	<u>5,000</u>	<u>5,000</u>
TOTAL OPERATING TRANSFERS IN	<u>\$ 528,400</u>	<u>\$ 460,881</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

GENERAL FUND  
DETAILS OF EXPENDITURES AND OPERATING TRANSFERS OUT  
BUDGET AND ACTUAL

For the year ended February 28, 2007

	<u>Budget</u>	<u>Actual</u>
<u>GENERAL GOVERNMENT</u>		
Village Council:		
Salaries and wages	\$ 16,500	\$ 14,650
Dues and memberships	2,500	1,924
Printing and publishing	3,000	1,679
Conventions and travel	1,000	1,207
Contracted services	1,900	-
Miscellaneous	<u>1,000</u>	<u>4,334</u>
	<u>\$ 25,900</u>	<u>\$ 23,794</u>
Village Manager:		
Salaries and wages	\$ 25,000	\$ 14,848
Operating supplies	1,500	416
Vehicle expense	3,900	3,796
Telephone	1,200	262
Conventions and travel	5,500	2,397
Miscellaneous	<u>1,100</u>	<u>164</u>
	<u>\$ 38,200</u>	<u>\$ 21,883</u>
Election expense:		
Salaries and wages	\$ 100	\$ -
Operating supplies	100	-
Printing and publishing	500	-
Miscellaneous	<u>100</u>	<u>-</u>
	<u>\$ 800</u>	<u>\$ -</u>
Attorney - professional fees	<u>\$ 15,000</u>	<u>\$ 8,325</u>
Clerk:		
Salaries	\$ 7,000	\$ 6,606
Office supplies	500	119
Printing and publishing	300	-
Conventions and travel	500	-
Miscellaneous	<u>100</u>	<u>-</u>
	<u>\$ 8,400</u>	<u>\$ 6,725</u>
Treasurer:		
Salaries and wages	\$ 3,100	\$ 2,500
Operating supplies	1,000	330
Printing and publishing	1,000	795
Miscellaneous	<u>100</u>	<u>-</u>
	<u>\$ 5,200</u>	<u>\$ 3,625</u>

VILLAGE OF BARAGA, MICHIGAN

GENERAL FUND

DETAILS OF EXPENDITURES AND OPERATING TRANSFERS OUT

BUDGET AND ACTUAL (CONTINUED)

For the year ended February 28, 2007

	<u>Budget</u>	<u>Actual</u>
<u>GENERAL GOVERNMENT (CONTINUED)</u>		
General administrative:		
Salaries and wages	\$ 22,000	\$ 24,350
Operating supplies	7,000	15,324
Utilities	8,000	7,287
Contracted services	10,000	9,850
Conventions and travel	-	295
Miscellaneous	1,100	10
Capital outlay	1,000	-
	<u>\$ 49,100</u>	<u>\$ 57,116</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 142,600</u>	<u>\$ 121,468</u>
<u>PUBLIC SAFETY</u>		
Police department:		
Salaries and wages	\$ 129,900	\$ 116,779
Operating supplies	4,000	6,177
Utilities	2,000	2,255
Vehicle expense	1,000	1,158
Telephone	2,000	1,392
Conventions and travel	1,500	464
Miscellaneous	5,700	4,734
Capital outlay	24,000	23,904
	<u>\$ 170,100</u>	<u>\$ 156,863</u>
Fire department:		
Salaries and wages	\$ 12,500	\$ 15,805
Operating supplies	3,500	7,802
Vehicle expense	2,000	-
Utilities	5,000	5,586
Contracted services	500	811
Debt service	65,000	57,549
Miscellaneous	4,600	3,239
Capital outlay	-	139,581
	<u>\$ 93,100</u>	<u>\$ 230,373</u>
TOTAL PUBLIC SAFETY	<u>\$ 263,200</u>	<u>\$ 387,236</u>
<u>PUBLIC WORKS</u>		
Cemetery:		
Salaries and wages	\$ 3,000	\$ 601
Operating supplies	500	231
Utilities	300	-
Equipment rental	500	814
Contracted services	500	3,558
Capital outlay	18,500	-
	<u>\$ 23,300</u>	<u>\$ 5,204</u>

VILLAGE OF BARAGA, MICHIGAN

GENERAL FUND

DETAILS OF EXPENDITURES AND OPERATING TRANSFERS OUT

BUDGET AND ACTUAL (CONTINUED)

For the year ended February 28, 2007

	<u>Budget</u>	<u>Actual</u>
<u>PUBLIC WORKS (CONTINUED)</u>		
Garage and equipment:		
Salaries and wages	\$ 44,000	\$ 33,119
Operating supplies	20,000	18,768
Equipment rental	6,000	6,309
Contracted services	11,000	16,223
Utilities	11,500	11,203
Conventions and travel	4,500	4,472
Miscellaneous	500	15
Capital outlay	4,000	-
	<u>\$ 101,500</u>	<u>\$ 90,109</u>
TOTAL PUBLIC WORKS	<u>\$ 124,800</u>	<u>\$ 95,313</u>
<u>HEALTH AND WELFARE</u>		
Public housing - salaries and wages	\$ 500	\$ 490
Community promotion - community projects	<u>18,000</u>	<u>19,837</u>
TOTAL HEALTH AND WELFARE	<u>\$ 18,500</u>	<u>\$ 20,327</u>
<u>CULTURE AND RECREATION</u>		
Village parks and recreation:		
Salaries	\$ 5,500	\$ 2,259
Operating supplies	1,000	616
Repairs and maintenance	1,500	236
Contracted services	2,500	90
Utilities	12,000	14,088
Equipment rental	1,000	878
Capital outlay	18,500	-
Miscellaneous	100	-
TOTAL CULTURE AND RECREATION	<u>\$ 42,100</u>	<u>\$ 18,167</u>
<u>OTHER</u>		
Insurance and bonds	\$ 54,000	\$ 65,460
Payroll taxes	50,000	49,152
Retirement plan	124,800	115,806
Hospitalization insurance	226,600	212,594
Vacation, holiday, and sick pay	54,000	51,532
Clothing allowance	3,500	2,400
Capital outlay	10,100	-
Miscellaneous	16,100	9,422
Contracted services	<u>3,800</u>	<u>15</u>
TOTAL OTHER	<u>\$ 542,900</u>	<u>\$ 506,381</u>
<u>OPERATING TRANSFERS OUT</u>		
Component unit	<u>\$ 59,000</u>	<u>\$ 44,196</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
February 28, 2007

	<u>Major Street</u>	<u>Local Street</u>	<u>Road</u>
<u>ASSETS</u>			
Cash in bank	\$ 62,814	\$ 21,717	\$ -
Delinquent taxes receivable	-	-	11,827
Notes receivable	-	-	-
Due from other funds	-	8,200	23,384
Due from component unit	-	-	-
Due from other governmental units	-	-	8,735
TOTAL ASSETS	<u>\$ 62,814</u>	<u>\$ 29,917</u>	<u>\$ 43,946</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts payable, compensation, and payroll taxes	\$ 483	\$ 451	\$ -
Due to other funds	13,102	18,303	4,000
Deferred revenue	-	-	11,827
TOTAL LIABILITIES	<u>\$ 13,585</u>	<u>\$ 18,754</u>	<u>\$ 15,827</u>
<u>FUND BALANCES</u>			
Unreserved	<u>49,229</u>	<u>11,163</u>	<u>28,119</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 62,814</u>	<u>\$ 29,917</u>	<u>\$ 43,946</u>

The accompanying notes to financial statements  
are an integral part of this statement.

<u>Waterfront</u>	<u>Housing Rehabilitation</u>	<u>Revolving Loan</u>	<u>Total</u>
\$ 1	\$ 9,792	\$ 306,720	\$ 401,044
-	-	-	11,827
-	2,585	804,468	807,053
14,105	-	-	45,689
-	-	50	50
-	-	-	8,735
<u>\$ 14,106</u>	<u>\$ 12,377</u>	<u>\$1,111,238</u>	<u>\$1,274,398</u>
\$ -	\$ -	\$ 50	\$ 984
838	-	4,278	40,521
-	-	804,468	816,295
<u>\$ 838</u>	<u>\$ -</u>	<u>\$ 808,796</u>	<u>\$ 857,800</u>
<u>13,268</u>	<u>12,377</u>	<u>302,442</u>	<u>416,598</u>
<u>\$ 14,106</u>	<u>\$ 12,377</u>	<u>\$1,111,238</u>	<u>\$1,274,398</u>

VILLAGE OF BARAGA, MICHIGAN

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

For the year ended February 28, 2007

	<u>Major Street</u>	<u>Local Street</u>	<u>Road</u>
<u>REVENUES</u>			
Current tax levy	\$ -	\$ -	\$ 43,392
Intergovernmental revenues	76,123	27,765	-
Interest income	-	-	-
Other	-	-	-
TOTAL REVENUES	<u>\$ 76,123</u>	<u>\$ 27,765</u>	<u>\$ 43,392</u>
<u>EXPENDITURES</u>			
Administration	\$ 6,353	\$ 4,277	\$ -
Culture and recreation	-	-	-
Economic development	-	-	-
Streets:			
Surface maintenance	49,165	52,723	-
Winter maintenance	25,922	23,505	-
Traffic services	<u>1,370</u>	<u>1,487</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 82,810</u>	<u>\$ 81,992</u>	<u>\$ -</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(\$ 6,687)	(\$ 54,227)	\$ 43,392
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers from other funds	\$ -	\$ 34,711	\$ -
Operating transfers to other funds	( 5,200)	-	( 29,511)
Operating transfers from component units	25,000	25,000	-
Operating transfers to component units	<u>-</u>	<u>-</u>	<u>( 7,779)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 19,800</u>	<u>\$ 59,711</u>	<u>(\$ 37,290)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 13,113	\$ 5,484	\$ 6,102
Fund balances, beginning of year	<u>36,116</u>	<u>5,679</u>	<u>22,017</u>
FUND BALANCES, END OF YEAR	<u>\$ 49,229</u>	<u>\$ 11,163</u>	<u>\$ 28,119</u>

The accompanying notes to financial statements are an integral part of this statement.

<u>Waterfront</u>	<u>Housing Rehabilitation</u>	<u>Revolving Loan</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 43,392
-	-	-	103,888
-	-	37,419	37,419
<u>10,242</u>	<u>-</u>	<u>100,304</u>	<u>110,546</u>
<u>\$ 10,242</u>	<u>\$ -</u>	<u>\$ 137,723</u>	<u>\$ 295,245</u>
\$ -	\$ -	\$ -	\$ 10,630
13,331	-	-	13,331
-	-	1,691	1,691
-	-	-	101,888
-	-	-	49,427
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,857</u>
<u>\$ 13,331</u>	<u>\$ -</u>	<u>\$ 1,691</u>	<u>\$ 179,824</u>
<u>(\$ 3,089)</u>	<u>\$ -</u>	<u>\$ 136,032</u>	<u>\$ 115,421</u>
\$ 4,712	\$ -	\$ -	\$ 39,423
-	-	( 10,000)	( 44,711)
-	-	-	50,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>( 7,779)</u>
<u>\$ 4,712</u>	<u>\$ -</u>	<u>(\$ 10,000)</u>	<u>\$ 36,933</u>
\$ 1,623	\$ -	\$ 126,032	\$ 152,354
<u>11,645</u>	<u>12,377</u>	<u>176,410</u>	<u>264,244</u>
<u>\$ 13,268</u>	<u>\$ 12,377</u>	<u>\$ 302,442</u>	<u>\$ 416,598</u>

VILLAGE OF BARAGA, MICHIGAN  
 PROPRIETARY FUNDS - ENTERPRISE  
 COMBINING BALANCE SHEET  
 February 28, 2007

	<u>Water</u>	<u>Sewer</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash in bank	\$ 8,819	\$ -
Investments	-	-
Investment in joint venture	-	-
Accounts receivable	5,566	-
Due from other funds	584	-
Due from component units	-	-
Due from other governmental units	-	33,288
Bond proceeds receivable	-	401
TOTAL CURRENT ASSETS	<u>\$ 14,969</u>	<u>\$ 33,689</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Property, plant, and equipment	\$7,168,201	\$ 8,480
Accumulated depreciation	( 2,307,057)	( 8,156)
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$4,861,144</u>	<u>\$ 324</u>
<u>OTHER ASSETS</u>		
Restricted assets - cash	\$ 157,385	\$ -
Due from other governmental units	-	-
Investment in Baraga Village/Keweenaw Bay Reservation Waste Water Authority	-	5,705,080
TOTAL OTHER ASSETS	<u>\$ 157,385</u>	<u>\$5,705,080</u>
TOTAL ASSETS	<u>\$5,033,498</u>	<u>\$5,739,093</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable, compensation, and payroll taxes	\$ 5,975	\$ 978
Cash overdraft	-	58,089
Accrued interest payable	21,871	17,526
Due to other funds	60,153	10,921
Payable from restricted assets - customer deposits	-	-
Current maturities on long-term debt	28,500	125,000
TOTAL CURRENT LIABILITIES	<u>\$ 116,499</u>	<u>\$ 212,514</u>
<u>LONG-TERM LIABILITIES</u>		
Revenue bonds payable, net of current maturities	1,736,500	2,640,000
TOTAL LIABILITIES	<u>\$1,852,999</u>	<u>\$2,852,514</u>
<u>FUND EQUITY</u>		
Contributed capital	\$3,412,634	\$2,115,236
Retained earnings (deficit) - unreserved	( 328,763)	771,343
Retained earnings - reserved for bond retirement	96,628	-
TOTAL FUND EQUITY	<u>\$3,180,499</u>	<u>\$2,886,579</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$5,033,498</u>	<u>\$5,739,093</u>

The accompanying notes to financial statements are an integral part of this statement.

<u>Electric</u>	<u>Total (Memorandum Only)</u>
\$ 471,180	\$ 479,999
242,415	242,415
132,973	132,973
13,258	18,824
867	1,451
3,000	3,000
-	33,288
-	<u>401</u>
<u>\$ 863,693</u>	<u>\$ 912,351</u>
\$1,466,088	\$ 8,642,769
( 1,018,988)	( 3,334,201)
<u>\$ 447,100</u>	<u>\$ 5,308,568</u>
\$ 42,326	\$ 199,711
68,268	68,268
-	5,705,080
<u>\$ 110,594</u>	<u>\$ 5,973,059</u>
<u>\$1,421,387</u>	<u>\$12,193,978</u>
\$ 64,665	\$ 71,618
-	58,089
-	39,397
21,221	92,295
42,326	42,326
-	<u>153,500</u>
<u>\$ 128,212</u>	<u>\$ 457,225</u>
-	<u>4,376,500</u>
<u>\$ 128,212</u>	<u>\$ 4,833,725</u>
\$ 146,417	\$ 5,674,287
1,146,758	1,589,338
-	<u>96,628</u>
<u>\$1,293,175</u>	<u>\$ 7,360,253</u>
<u>\$1,421,387</u>	<u>\$12,193,978</u>

VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUNDS - ENTERPRISE

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

For the year ended February 28, 2007

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Total (Memorandum Only)</u>
<u>OPERATING REVENUES</u>	\$ 415,779	\$ 260,908	\$2,132,925	\$ 2,809,612
<u>OPERATING EXPENSES</u>				
See schedule	<u>590,631</u>	<u>127,288</u>	<u>2,007,563</u>	<u>2,725,482</u>
OPERATING INCOME (LOSS)	(\$ 174,852)	\$ 133,620	\$ 125,362	\$ 84,130
<u>NON-OPERATING REVENUES</u>				
<u>(EXPENSES)</u>				
Interest income	\$ 2,611	\$ -	\$ 30,547	\$ 33,158
Interest expense on notes and bonds	( 88,513)	( 37,752)	-	( 126,265)
Distributions	-	-	15,229	15,229
Income (loss) from investments	<u>-</u>	<u>( 79,752)</u>	<u>-</u>	<u>( 79,752)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	(\$ 85,902)	(\$ 117,504)	\$ 45,776	(\$ 157,630)
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)	(\$ 260,754)	\$ 16,116	\$ 171,138	(\$ 73,500)
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers from other governmental units - KBIC	\$ 27,772	\$ -	\$ -	\$ 27,772
Operating transfers to other funds	-	-	( 525,593)	( 525,593)
Capital contribution	<u>-</u>	<u>279,500</u>	<u>-</u>	<u>279,500</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ 27,772	\$ 279,500	(\$ 525,593)	(\$ 218,321)
NET INCOME (LOSS)	(\$ 232,982)	\$ 295,616	(\$ 354,455)	(\$ 291,821)
Add depreciation on property, plant and equipment acquired by federal and state grants which reduce contributed capital	<u>74,135</u>	<u>121,750</u>	<u>31,012</u>	<u>226,897</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	(\$ 158,847)	\$ 417,366	(\$ 323,443)	(\$ 64,924)
Retained earnings (deficit) beginning of year	<u>( 73,288)</u>	<u>353,977</u>	<u>1,470,201</u>	<u>1,750,890</u>
RETAINED EARNINGS (DEFICIT) END OF YEAR	<u>\$ 232,135</u>	<u>\$ 771,343</u>	<u>\$1,146,758</u>	<u>\$ 1,685,966</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN  
 PROPRIETARY FUNDS - ENTERPRISE  
 COMBINING SCHEDULE OF OPERATING EXPENSES  
 For the year ended February 28, 2007

<u>OPERATING EXPENSES</u>	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Total (Memorandum Only)</u>
Salaries and wages	\$ 129,486	\$ 64,405	\$ 50,402	\$ 244,293
Vacation, holiday, and sick pay	10,372	6,421	4,346	21,139
Payroll taxes	9,906	5,149	3,831	18,886
Retirement plan	21,383	13,237	8,960	43,580
Hospitalization insurance	38,026	23,540	15,934	77,500
Power purchased	-	-	1,757,106	1,757,106
Office supplies and postage	282	242	604	1,128
Operating supplies	31,262	4,708	20,547	56,517
Repairs and maintenance	11,274	1,614	-	12,888
Equipment rental	9,116	-	6,600	15,716
Sales tax	-	-	40,476	40,476
Utilities	50,399	-	-	50,399
Insurance and bonds	4,644	2,729	1,848	9,221
Contracted services	18,674	4,965	30,728	54,367
Provision for depreciation	250,368	278	62,908	313,554
Miscellaneous	5,419	-	3,273	8,692
TOTAL OPERATING EXPENSES	<u>\$ 590,611</u>	<u>\$ 127,288</u>	<u>\$ 2,007,563</u>	<u>\$ 2,725,462</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

PROPRIETARY FUNDS - ENTERPRISE  
COMBINING STATEMENT OF CASH FLOWS  
For the year ended February 28, 2007

	Water	Sewer
<u>CASH FLOWS PROVIDED BY (USED IN)</u>		
<u>OPERATING ACTIVITIES</u>		
Operating income (loss)	(\$ 174,852)	\$ 133,620
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	250,368	278
Changes in assets and liabilities:		
Accounts receivable (increase) decrease	4,739	-
Due from other governmental units	-	( 10,230)
Accounts payable increase (decrease)	( 2,389)	( 26,014)
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 77,866	\$ 97,654
<u>CASH FLOWS PROVIDED BY (USED IN)</u>		
<u>NONCAPITAL FINANCING ACTIVITIES</u>		
Due to other funds increase (decrease)	\$ 8,100	\$ 4,030
Due from other funds (increase) decrease	-	-
Due from other governmental units (increase) decrease	-	-
Transfers from other governmental units	27,772	-
Transfers to other funds	-	-
CASH FLOWS PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	\$ 35,872	\$ 4,030
<u>CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Restricted assets (increase) decrease	\$ 25,372	\$ -
Acquisition of property, plant, and equipment	( 2,533)	-
Payments on revenue bonds	( 78,500)	( 125,000)
Interest paid on revenue bonds	( 85,618)	( 39,794)
Bond proceeds	-	176,102
Transfer from other governmental units	-	279,500
CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(\$ 141,279)	\$ 290,808
<u>CASH FLOWS PROVIDED BY (USED IN)</u>		
<u>INVESTING ACTIVITIES</u>		
Interest received on investments	\$ 2,611	\$ -
Investments (increase) decrease	-	( 430,081)
Distributions from investments	-	-
Investment in joint venture (increase) decrease	-	-
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	\$ 2,611	(\$ 430,081)
NET INCREASE (DECREASE) IN CASH	(\$ 24,930)	(\$ 37,589)
Cash, beginning of year	33,749	( 20,500)
CASH, END OF YEAR	\$ 8,819	(\$ 58,089)

The accompanying notes to financial statements are an integral part of this statement.

<u>Electric</u>	<u>Total (Memorandum Only)</u>
\$ 125,362	\$ 84,130
62,908	313,554
5,079	9,818
-	( 10,230)
( <u>31,062</u> )	( <u>59,465</u> )
<u>\$ 162,287</u>	<u>\$ 337,807</u>
\$ 2,287	\$ 14,417
1,029	1,029
15,990	15,990
-	27,772
( <u>525,593</u> )	( <u>525,593</u> )
( <u>\$ 506,287</u> )	( <u>\$ 466,385</u> )
(\$ 9,234)	\$ 16,138
( 35,933)	( 38,466)
-	( 203,500)
-	( 125,412)
-	176,102
-	<u>279,500</u>
( <u>\$ 45,167</u> )	<u>\$ 104,362</u>
\$ 30,547	\$ 33,158
( 56,123)	( 486,204)
15,229	15,229
( <u>7,494</u> )	( <u>7,494</u> )
( <u>\$ 17,841</u> )	( <u>\$ 445,311</u> )
( <u>\$ 407,008</u> )	( <u>\$ 469,527</u> )
<u>878,188</u>	<u>891,437</u>
<u>\$ 471,180</u>	<u>\$ 421,910</u>

VILLAGE OF BARAGA, MICHIGAN

WATER FUND  
BALANCE SHEETS

	<u>February 28,</u> <u>2007</u>	<u>February 28,</u> <u>2006</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash in bank	\$ 8,819	\$ 33,749
Accounts receivable	5,566	10,305
Due from other funds	<u>584</u>	<u>584</u>
TOTAL CURRENT ASSETS	<u>\$ 14,969</u>	<u>\$ 44,638</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Property, plant, and equipment	\$ 7,168,201	\$ 7,165,668
Accumulated depreciation	<u>( 2,307,057)</u>	<u>( 2,056,689)</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$ 4,861,144</u>	<u>\$ 5,108,979</u>
<u>OTHER ASSETS</u>		
Restricted assets - cash	<u>\$ 157,385</u>	<u>\$ 182,757</u>
TOTAL ASSETS	<u>\$ 5,033,498</u>	<u>\$ 5,336,374</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable, compensation, and payroll taxes	\$ 5,975	\$ 8,364
Accrued interest payable	21,871	18,976
Due to other funds	60,153	52,053
Current maturities on long-term debt	<u>28,500</u>	<u>44,500</u>
TOTAL CURRENT LIABILITIES	\$ 116,499	\$ 123,893
<u>LONG-TERM LIABILITIES</u>		
Revenue bonds payable, net of current maturities	<u>1,736,500</u>	<u>1,799,000</u>
TOTAL LIABILITIES	<u>\$ 1,852,999</u>	<u>\$ 1,922,893</u>
<u>FUND EQUITY</u>		
Contributed capital	\$ 3,412,634	\$ 3,486,769
Retained earnings (deficit) - unreserved	<u>( 328,763)</u>	<u>( 212,451)</u>
Retained earnings - reserved:		
Revenue bond retirement	31,345	40,352
Bond reserve accounts	<u>65,283</u>	<u>98,811</u>
TOTAL FUND EQUITY	<u>\$ 3,180,499</u>	<u>\$ 3,413,481</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 5,033,498</u>	<u>\$ 5,336,374</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

WATER FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

	<u>Year Ended</u>	
	<u>February 28,</u> <u>2007</u>	<u>February 28,</u> <u>2006</u>
<u>OPERATING REVENUES</u>	\$ 415,779	\$ 409,838
<u>OPERATING EXPENSES</u>		
Salaries and wages	\$ 129,486	\$ 127,409
Vacation, holiday, and sick pay	10,372	11,427
Payroll taxes	9,906	9,656
Retirement plan	21,383	22,103
Hospitalization insurance	38,026	37,920
Office supplies	282	337
Operating supplies	31,262	34,825
Repairs and maintenance	11,274	30,340
Equipment rental	9,116	2,843
Utilities and heating	50,399	37,088
Insurance and bonds	4,664	2,519
Contracted services	18,674	23,559
Provision for depreciation	250,368	251,290
Miscellaneous	5,419	3,361
TOTAL OPERATING EXPENSES	<u>\$ 590,631</u>	<u>\$ 594,677</u>
OPERATING INCOME (LOSS)	(\$ 174,852)	(\$ 184,839)
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest income	\$ 2,611	\$ 1,379
Interest expense on bonds	( 88,513)	( 90,116)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(\$ 85,902)	(\$ 88,737)
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating transfers from other governmental units - KBIC	\$ 27,772	\$ 33,700
NET INCOME (LOSS)	(\$ 232,982)	(\$ 239,876)
Add depreciation on property, plant and equipment acquired by federal and state grants which reduce contributed capital	<u>74,135</u>	<u>74,135</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	(\$ 158,847)	(\$ 165,741)
Retained earnings (deficit), beginning of year	( 73,288)	<u>92,453</u>
RETAINED EARNINGS (DEFICIT), END OF YEAR	<u>(\$ 232,135)</u>	<u>(\$ 73,288)</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

WATER FUND  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL  
For the year ended February 28, 2007

	Budget	Actual	Variance Favorable (Unfavorable )
<u>OPERATING REVENUES</u>	\$ 430,300	\$ 415,779	(\$ 14,521)
<u>OPERATING EXPENSES</u>			
Salaries and wages	\$ 120,000	\$ 129,486	(\$ 9,486)
Vacation, holiday, and sick pay	-	10,372	( 10,372)
Payroll taxes	66,900	9,906	56,994
Retirement plan	-	21,383	( 21,383)
Hospitalization insurance	-	38,026	( 38,026)
Office supplies	100	282	( 182)
Operating supplies	35,000	31,262	3,738
Repairs and maintenance	13,900	11,274	2,626
Equipment rental	3,800	9,116	( 5,316)
Utilities and heating	45,000	50,399	( 5,399)
Insurance and bonds	1,000	4,664	( 3,664)
Contracted services	8,200	18,674	( 10,474)
Provision for depreciation	-	250,368	( 250,368)
Miscellaneous	4,900	5,419	( 519)
TOTAL OPERATING EXPENSES	\$ 298,800	\$ 590,631	(\$ 291,831)
OPERATING INCOME (LOSS)	\$ 131,500	(\$ 174,852)	(\$ 306,352)
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest income	\$ 1,000	\$ 2,611	\$ 1,611
Interest expense on bonds	( 152,300)	( 88,513)	63,787
TOTAL NON-OPERATING REVENUES (EXPENSES)	(\$ 151,300)	(\$ 85,902)	\$ 65,398
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers from other governmental units	\$ 19,800	\$ 27,772	\$ 7,972
NET INCOME (LOSS)	\$ -	(\$ 232,982)	(\$ 232,982)
Add depreciation on property, plant, and equipment acquired by federal and state grants which reduces contributed capital	-	74,135	74,135
INCREASE (DECREASE) IN RETAINED EARNINGS	\$ -	(\$ 158,847)	(\$ 158,847)
Retained earnings (deficit), beginning of year	( 73,288)	( 73,288)	-
RETAINED EARNINGS (DEFICIT), END OF YEAR	(\$ 73,288)	(\$ 232,135)	(\$ 158,847)

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

SEWER FUND  
BALANCE SHEETS

	<u>February 28,</u> <u>2007</u>	<u>February 28,</u> <u>2006</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Due from other governmental units	\$ 33,288	\$ 23,058
Bond proceeds receivable	<u>401</u>	<u>176,503</u>
TOTAL CURRENT ASSETS	<u>\$ 33,689</u>	<u>\$ 199,561</u>
<u>PROPERTY AND EQUIPMENT</u>		
Equipment	\$ 8,480	\$ 8,480
Accumulated depreciation	<u>(8,156)</u>	<u>(7,878)</u>
TOTAL PROPERTY AND EQUIPMENT	<u>\$ 324</u>	<u>\$ 602</u>
<u>OTHER ASSETS</u>		
Investment in Baraga Village/Keweenaw Bay Reservation Waste Water Authority	<u>\$ 5,705,080</u>	<u>\$ 5,354,751</u>
TOTAL ASSETS	<u>\$ 5,739,093</u>	<u>\$ 5,554,914</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Cash overdraft	\$ 58,089	\$ 20,500
Accounts payable, compensation, and payroll taxes	978	26,992
Accrued interest payable	17,526	19,568
Due to other funds	10,921	6,891
Current maturities on long-term debt	<u>125,000</u>	<u>125,000</u>
TOTAL CURRENT LIABILITIES	\$ 212,514	\$ 198,951
<u>LONG-TERM LIABILITIES</u>		
Revenue bonds payable, net of current maturities	<u>2,640,000</u>	<u>2,765,000</u>
TOTAL LIABILITIES	<u>\$ 2,852,514</u>	<u>\$ 2,963,951</u>
<u>FUND EQUITY</u>		
Contributed capital	\$ 2,115,236	\$ 2,236,986
Retained earnings (deficit) - Unreserved	<u>771,343</u>	<u>353,977</u>
TOTAL FUND EQUITY	<u>\$ 2,886,579</u>	<u>\$ 2,590,963</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 5,739,093</u>	<u>\$ 5,554,914</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

SEWER FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

	<u>Year Ended</u>	
	<u>February 28,</u> <u>2007</u>	<u>February 28,</u> <u>2006</u>
<u>OPERATING REVENUES</u>	<u>\$ 260,908</u>	<u>\$ 130,841</u>
<u>OPERATING EXPENSES</u>		
Salaries and wages	\$ 64,405	\$ 65,422
Vacation, holiday, and sick pay	6,421	7,074
Payroll taxes	5,149	4,966
Retirement plan	13,237	13,683
Hospitalization insurance	23,540	23,474
Office supplies and postage	242	149
Operating supplies	4,708	3,827
Repairs and maintenance	1,614	3,251
Utilities	-	517
Insurance and bonds	2,729	1,401
Contracted services	4,965	8,564
Provision for depreciation	278	278
Miscellaneous	-	18
TOTAL OPERATING EXPENSES	<u>\$ 127,288</u>	<u>\$ 132,624</u>
OPERATING INCOME (LOSS)	<u>\$ 133,620</u>	<u>(\$ 1,783)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Gain (loss) from investment in Baraga Village/ Keweenaw Bay Reservation Waste Water Authority	(\$ 79,752)	(\$ 84,860)
Interest expense on bonds	( 37,752)	( 19,568)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(\$ 117,504)</u>	<u>(\$ 104,428)</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Contributed capital	<u>\$ 279,500</u>	<u>\$ 150,000</u>
NET INCOME (LOSS)	<u>\$ 295,616</u>	<u>\$ 43,789</u>
Add depreciation on property, plant, and equipment acquired by federal and state grants which reduces contributed capital	<u>121,750</u>	<u>121,750</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	<u>\$ 417,366</u>	<u>\$ 165,539</u>
Retained earnings, beginning of year	<u>353,977</u>	<u>188,438</u>
RETAINED EARNINGS, END OF YEAR	<u><u>\$ 771,343</u></u>	<u><u>\$ 353,977</u></u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

SEWER FUND  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL  
For the year ended February 28, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>OPERATING REVENUES</u>	<u>\$ 149,200</u>	<u>\$ 260,908</u>	<u>\$ 111,708</u>
<u>OPERATING EXPENSES</u>			
Salaries and wages	\$ 68,000	\$ 64,405	\$ 3,595
Vacation, holiday, and sick pay	-	6,421	( 6,421)
Payroll taxes	49,000	5,149	43,851
Retirement plan	-	13,237	( 13,237)
Hospitalization insurance	-	23,540	( 23,540)
Office supplies and postage	-	242	( 242)
Operating supplies	12,000	4,708	7,292
Repairs and maintenance	6,000	1,614	4,386
Equipment rental	1,500	-	1,500
Utilities	1,100	-	1,100
Insurance and bonds	2,500	2,729	( 229)
Contracted services	8,000	4,965	3,035
Provision for depreciation	-	278	( 278)
Miscellaneous	<u>1,100</u>	<u>-</u>	<u>1,100</u>
TOTAL OPERATING EXPENSES	<u>\$ 149,200</u>	<u>\$ 127,288</u>	<u>\$ 21,912</u>
OPERATING INCOME (LOSS)	<u>\$ -</u>	<u>\$ 133,620</u>	<u>\$ 133,620</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Gain (loss) from investments in Baraga Village/Keweenaw Bay Reservation Waste Water Authority	\$ -	(\$ 79,752)	(\$ 79,752)
Interest expense on bonds	<u>-</u>	<u>( 37,752)</u>	<u>( 37,752)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>\$ -</u>	<u>(\$ 117,504)</u>	<u>(\$ 117,504)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Contributed capital	<u>\$ -</u>	<u>\$ 279,500</u>	<u>\$ 279,500</u>
NET INCOME (LOSS)	<u>\$ -</u>	<u>\$ 295,616</u>	<u>\$ 295,616</u>
Add depreciation on property, plant and equipment acquired by federal and state grants which reduces contributed capital	<u>-</u>	<u>121,750</u>	<u>121,750</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	<u>\$ -</u>	<u>\$ 417,366</u>	<u>\$ 417,366</u>
Retained earnings, beginning of year	<u>353,977</u>	<u>353,977</u>	<u>-</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 353,977</u>	<u>\$ 771,343</u>	<u>\$ 417,366</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

ELECTRIC FUND  
BALANCE SHEETS

	<u>February 28,</u> 2007	<u>February 28,</u> 2006
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash in bank	\$ 471,180	\$ 878,188
Investments	242,415	186,292
Investment in joint venture	132,973	125,479
Accounts receivable	13,258	18,337
Due from other funds	867	1,896
Due from component unit	<u>3,000</u>	<u>3,000</u>
TOTAL CURRENT ASSETS	<u>\$ 863,693</u>	<u>\$ 1,213,192</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Property, plant, and equipment	\$ 1,466,088	\$ 1,430,155
Accumulated depreciation	<u>( 1,018,988)</u>	<u>( 956,080)</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$ 447,100</u>	<u>\$ 474,075</u>
<u>OTHER ASSETS</u>		
Restricted assets - Cash	\$ 42,326	\$ 33,092
Due from other governmental units	<u>68,268</u>	<u>84,258</u>
TOTAL OTHER ASSETS	<u>\$ 110,594</u>	<u>\$ 117,350</u>
TOTAL ASSETS	<u>\$ 1,421,387</u>	<u>\$ 1,804,617</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable, compensation, and payroll taxes	\$ 64,665	\$ 104,961
Payable from restricted assets - customer deposits	42,326	33,092
Due to other funds	<u>21,221</u>	<u>18,934</u>
TOTAL LIABILITIES	<u>\$ 128,212</u>	<u>\$ 156,987</u>
<u>FUND EQUITY</u>		
Contributed capital	\$ 146,417	\$ 177,429
Retained earnings - unreserved	<u>1,146,758</u>	<u>1,470,201</u>
TOTAL FUND EQUITY	<u>\$ 1,293,175</u>	<u>\$ 1,647,630</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,421,387</u>	<u>\$ 1,804,617</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

ELECTRIC FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

	<u>Year Ended</u>	
	<u>February 28,</u> <u>2007</u>	<u>February 28,</u> <u>2006</u>
<u>OPERATING REVENUES</u>	<u>\$ 2,132,925</u>	<u>\$ 1,652,659</u>
<u>OPERATING EXPENSES</u>		
Salaries and wages	\$ 50,402	\$ 55,860
Vacation, holiday, and sick pay	4,346	4,789
Payroll taxes	3,831	4,239
Retirement plan	8,960	9,263
Hospitalization insurance	15,934	15,890
Power purchased	1,757,106	790,240
Office supplies and postage	604	149
Operating supplies	20,547	34,069
Equipment rental	6,600	10,237
Sales tax	40,476	26,065
Insurance	1,848	948
Contracted services	30,728	64,845
Provision for depreciation	62,908	64,440
Miscellaneous	3,273	402
TOTAL OPERATING EXPENSES	<u>\$ 2,007,563</u>	<u>\$ 1,081,436</u>
OPERATING INCOME	<u>\$ 125,362</u>	<u>\$ 571,223</u>
<u>NON-OPERATING REVENUES</u>		
Interest income	\$ 30,547	\$ 24,567
Distributions	15,229	17,692
TOTAL NON-OPERATING REVENUES	<u>\$ 45,776</u>	<u>\$ 42,259</u>
INCOME BEFORE OPERATING TRANSFERS	\$ 171,138	\$ 613,482
<u>OPERATING TRANSFERS IN (OUT)</u>		
Other funds	( 525,593)	( 460,279)
NET INCOME	(\$ 354,455)	\$ 153,203
Add depreciation on property, plant, and equipment acquired by federal and state grants which reduces contributed capital	<u>31,012</u>	<u>31,013</u>
INCREASE IN RETAINED EARNINGS	(\$ 323,443)	\$ 184,216
Retained earnings, beginning of year	<u>1,470,201</u>	<u>1,285,985</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 1,146,758</u>	<u>\$ 1,470,201</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF BARAGA, MICHIGAN

ELECTRIC FUND  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL  
For the year ended February 28, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable ( Unfavorable)
<u>OPERATING REVENUES</u>	<u>\$2,078,100</u>	<u>\$2,132,925</u>	<u>\$ 54,825</u>
<u>OPERATING EXPENSES</u>			
Salaries and wages	\$ 57,600	\$ 50,402	\$ 7,198
Vacation, holiday, and sick pay	-	4,346	( 4,346)
Payroll taxes	33,600	3,831	29,769
Retirement plan	-	8,960	( 8,960)
Hospitalization	-	15,934	( 15,934)
Power purchased	1,460,000	1,757,106	( 297,106)
Office supplies and postage	100	604	( 504)
Operating supplies	25,000	20,547	4,453
Equipment rental	12,000	6,600	5,400
Sales tax	35,000	40,476	( 5,476)
Insurance	3,100	1,848	1,252
Contracted services	55,000	30,728	24,272
Provision for depreciation	-	62,908	( 62,908)
Miscellaneous	<u>67,100</u>	<u>3,273</u>	<u>63,827</u>
TOTAL OPERATING EXPENSES	<u>\$1,748,500</u>	<u>\$2,007,563</u>	(\$ 259,063)
OPERATING INCOME (LOSS)	<u>\$ 329,600</u>	<u>\$ 125,362</u>	(\$ 204,238)
<u>NON-OPERATING REVENUES</u>			
Interest income	\$ 5,000	\$ 30,547	\$ 25,547
Distributions	<u>15,000</u>	<u>15,229</u>	<u>229</u>
TOTAL NON-OPERATING REVENUES	<u>\$ 20,000</u>	<u>\$ 45,776</u>	<u>\$ 25,776</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	\$ 349,600	\$ 171,138	(\$ 178,462)
<u>OPERATING TRANSFERS IN (OUT)</u>	( 519,400)	( 525,593)	( 6,193)
NET INCOME (LOSS)	(\$ 169,800)	(\$ 354,455)	(\$ 184,655)
Add depreciation on property, plant, and equipment acquired by federal and state grants which reduces contributed capital	<u>-</u>	<u>31,012</u>	<u>31,012</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	(\$ 169,800)	(\$ 323,443)	(\$ 153,643)
Retained earnings, beginning of year	<u>1,470,201</u>	<u>1,470,201</u>	<u>-</u>
RETAINED EARNINGS, END OF YEAR	<u>\$1,300,401</u>	<u>\$1,146,758</u>	(\$ 153,643)

The accompanying notes to financial statements are an integral part of this statement.

JOSEPH M. DAAVETILA, P.C.  
CERTIFIED PUBLIC ACCOUNTANT  
417 Shelden Avenue, P.O. Box 488  
Houghton, MI 49931

August 30, 2007

The Honorable President and Members  
Village of Baraga Council  
Baraga, MI 49908

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each fund of the Village of Baraga, Michigan as of and for the year ended February 28, 2007, which collectively comprise the Village of Baraga, Michigan's basic financial statements and have issued our report thereon dated August 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Baraga, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the effectiveness of the Village of Baraga, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Baraga, Michigan'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 combination of control deficiencies, that adversely affects the Village of Baraga'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 of Baraga's financial statements that is more than inconsequential will not be prevented or detected by the Village of Baraga's internal control.

A material weakness is a 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 of Baraga's internal control.

Our consideration of 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Village of Baraga, in a separate letter dated August 30, 2007.

This report is intended for the information and use of the Village Council, management, others within the organization, 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.

A handwritten signature in black ink that reads "Joseph M. D'Amico PC". The signature is written in a cursive style with a large initial "J" and a distinct "PC" at the end.

Certified Public Accountant

JOSEPH M. DAAVETILA, P.C.  
CERTIFIED PUBLIC ACCOUNTANT  
417 Sheldon Avenue, P.O. Box 488  
Houghton, MI 49931

August 30, 2007

The Honorable President and Members  
Village of Baraga Council  
Baraga, MI 49908

MANAGEMENT LETTER

In connection with our audit of the financial statements of the Village of Baraga, Michigan for the year ended February 28, 2007, the following comments and recommendations concerning accounting procedures and controls in effect in the Village are presented for your consideration.

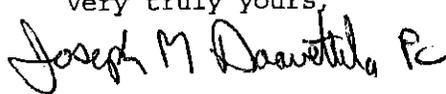
The following comments have appeared in previous years' reports.

1. Cash receiving, depositing, and disbursing functions are all performed by persons having access to accounting records. Ideally, persons handling cash should have no access to accounting records. Also, bank reconciliations are prepared by the same person writing and recording checks. Management has determined that due to the limited size of its staff, it is inefficient and impractical to segregate these duties at this time.
2. We note an improvement in budget discipline - expenditures and transfers out exceeded appropriations in only two funds. We urge the Council to continue to avoid excess spending by comparing expenditures and budgets throughout the year. In some instances, it may be necessary to decrease budgeted expenditures to match decreases in anticipated revenues in order to continue to achieve a balanced budget.
3. As of February 28, 2007, there was a deficit in the fund balance/net assets of the Water Fund. We noted that management has implemented a series of steps to eliminate this situation. We strongly urge the Council to continue to monitor the activity in the Water Fund to ensure that measures which have been taken are adequate to correct the problem in a timely manner.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the February 28, 2007 financial statements, and this report does not affect our report on financial statements dated August 30, 2007.

This report is intended solely for the use of management and should not be used for any other purpose. The comments contained herein are submitted as constructive suggestions to assist the Village in strengthening controls and procedures, and are not intended to reflect upon the honesty or the integrity of any employee.

We would be happy to discuss any of the comments in this report, and would like to thank the officials and employees of the Village for the courtesy and cooperation shown us during our audit.

Very truly yours,  
  
Certified Public Accountant