

**Village of Maple Rapids
Clinton County, Michigan**

FINANCIAL STATEMENTS

December 31, 2007

Village of Maple Rapids
Clinton County, Michigan

December 31, 2007

VILLAGE OFFICERS AND TRUSTEES

George Abbott, Jr.	President
Jeffrey Stephens	Trustee
Jim Gavenda	Trustee
William Schmidt	Trustee
Kim Kidder	Trustee
Tim Maier	Trustee
Daryl Trefil	Trustee
Ted Salisbury	Trustee
Linda Gavenda	Clerk
Melinda Thomas	Treasurer

Village of Maple Rapids

TABLE OF CONTENTS

December 31, 2007

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-ix
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds Balance Sheet	3-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6-7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Net Assets - Proprietary Funds	9
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
Notes to Financial Statements	12-21
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule	22-23
FIRE FUND	
Budgetary Comparison Schedule	24
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	25-26
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	27-28
Schedule of Expenditures of Federal Awards	29
Notes to Schedule of Expenditures of Federal Awards	30
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	31-32
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	33-34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	35-37
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	38

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Honorable President and
Members of the Village Council
Village of Maple Rapids
Maple Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Maple Rapids, Michigan as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Maple Rapids' management. Our responsibility is to express opinions on these financial statements based on our audit.

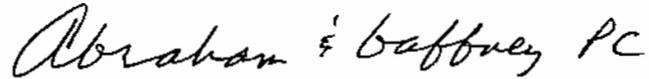
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 opinions.

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, each major fund, and the aggregate remaining fund information of the Village of Maple Rapids, Michigan as of December 31, 2007, and the respective changes in financial position, and, where applicable, cash flows 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 May 15, 2008, on our consideration of the Village of Maple Rapids' 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 as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Maple Rapids' basic financial statements. The accompanying other supplementary information and schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, 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, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Abraham & Gaffney PC".

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 15, 2008

Village of Maple Rapids

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

The following is a discussion and analysis of Village of Maple Rapids' (the Village's) financial performance and position, providing an overview of the activities for the year ended December 31, 2007. This analysis should be read in conjunction with the *Independent Auditors Report* and with the Village's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets were \$2,300,903.
- Governmental activities net assets were \$1,018,357.
- Business-type activity net assets were \$1,282,546.

Fund Level:

- At the close of the fiscal year, the Village's governmental funds reported a combined ending fund balance of \$379,066 with \$6,397 being reserved for specific purposes.
- The General Fund realized \$63,230 more in revenues than anticipated for the fiscal year. The General Fund operations also expended \$77,875 less than appropriated.
- Overall, the General Fund balance increased by \$31,883 to \$212,300 with \$205,903 being undesignated and available for general purposes.

Capital and Long-term Debt Activities:

- The total long-term debt for the primary government was \$375,000.
- The Village remains well below its authorized legal debt limit.
- The total addition to the capital asset schedule for the primary government was \$865,580.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Village's annual financial report. The annual financial report of the Village consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds and other funds.

Government-wide Financial Statements (Reporting the Village as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the Village as a whole, and about its activities. Their purpose is to assist in answering the question, is the Village, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all of the Village's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the Village's financial position is improving or deteriorating.

Village of Maple Rapids

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

The Statement of Activities (page 2) presents information showing how the Village's net assets changed during 2007. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the Village's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the Village's general government departments, law enforcement, economic development, Village improvements, street improvements, recreation activities, and other Village wide elected official operations are reported under these activities.
- **Business-type Activities** - These activities operate like private businesses. The Village charges fees to recover the cost of the services provided. The Water System Fund and the Sewer System Fund make up the business-type activities.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 8 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental fund. Capital assets and depreciation expense are reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Long-term liabilities appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Long-term debt proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the Village's general capital assets such as buildings, land, vehicles, computer equipment, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the Village's Major Funds)

The fund financial statements, which begin on page 3, provide information on the Village's significant (major) funds, and aggregated nonmajor funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Village uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

Village of Maple Rapids

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for the Village of Maple Rapids include the General Fund, the Fire Fund, the Sewer System Fund, and the Water System Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The Village includes detailed information on its nonmajor funds in the other supplementary information section of this report.

The Village's funds are divided into two categories - governmental and proprietary - and use different accounting approaches:

- **Governmental Funds** - Most of the Village's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the Village's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted).
- **Proprietary Funds** - Services for which the Village charges customers (whether outside the Village structure or a Village department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. The Village has one type of proprietary fund. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Sewer System Fund.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 12 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for nonmajor governmental funds. These funds are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

As previously stated, the Village of Maple Rapids' combined net assets were \$2,300,903 at the end of this year's operations. The net assets of the governmental activities were \$1,018,357; the business-type activities were \$1,282,546.

Village of Maple Rapids

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

Net Assets as of December 31, 2006 and December 31, 2007

	2006			2007		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Current Assets	\$ 351,736	\$ 532,843	\$ 884,579	\$ 396,069	\$ 414,623	\$ 810,692
Capital Assets	<u>566,739</u>	<u>646,362</u>	<u>1,213,101</u>	<u>639,291</u>	<u>1,340,832</u>	<u>1,980,123</u>
Total Assets	<u>\$ 918,475</u>	<u>\$ 1,179,205</u>	<u>\$ 2,097,680</u>	<u>\$ 1,035,360</u>	<u>\$ 1,755,455</u>	<u>\$ 2,790,815</u>
Current Liabilities	\$ 13,545	\$ 11,732	\$ 25,277	\$ 17,003	\$ 107,909	\$ 124,912
Noncurrent Liabilities	-	<u>375,000</u>	<u>375,000</u>	-	<u>365,000</u>	<u>365,000</u>
Total Liabilities	<u>\$ 13,545</u>	<u>\$ 386,732</u>	<u>\$ 400,277</u>	<u>\$ 17,003</u>	<u>\$ 472,909</u>	<u>\$ 489,912</u>
Net Assets						
Invested in Capital Assets (Net of related debt)	\$ 566,739	\$ 599,222	\$ 1,165,961	\$ 639,291	\$ 992,981	\$ 1,632,272
Restricted	78,554	-	78,554	70,921	-	70,921
Unrestricted	<u>259,637</u>	<u>193,251</u>	<u>452,888</u>	<u>308,145</u>	<u>289,565</u>	<u>597,710</u>
Total Net Assets	<u>\$ 904,930</u>	<u>\$ 792,473</u>	<u>\$ 1,697,403</u>	<u>\$ 1,018,357</u>	<u>\$ 1,282,546</u>	<u>\$ 2,300,903</u>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Village's primary government net assets changed during the fiscal year:

Changes in Net Assets for the Fiscal Years Ending December 31, 2006 and December 31, 2007

	2006			2007		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Revenues						
Program Revenues						
Charges for Services	\$ 67,073	\$ 77,963	\$ 145,036	\$ 73,251	\$ 90,705	\$ 163,956
Grants & Contributions	50,532	-	50,532	154,011	525,000	679,011
General Revenues						
Property Taxes	122,785	-	122,785	132,014	-	132,014
State Shared Revenue	67,156	-	67,156	65,592	-	65,592
Investment Earnings	3,916	5,039	8,955	7,184	4,829	12,013
Miscellaneous	18,486	-	18,486	22,136	-	22,136
Internal Charges	<u>36,176</u>	<u>(36,176)</u>	<u>-0-</u>	<u>52,236</u>	<u>(52,236)</u>	<u>-0-</u>
Total Revenues	366,124	46,826	412,950	506,424	568,298	1,074,722

Village of Maple Rapids

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

Changes in Net Assets for the Fiscal Years Ending December 31, 2006 and December 31, 2007 - continued

	2006			2007		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Expenses						
General Government	\$ 43,043	\$ -	\$ 43,043	\$ 41,971	\$ -	\$ 41,971
Public Safety	53,035	-	53,035	58,228	-	58,228
Public Works	234,624	-	234,624	249,628	-	249,628
Health & Welfare	2,211	-	2,211	1,765	-	1,765
Recreation & Cultural	32,403	-	32,403	41,405	-	41,405
Interest on long-term debt	150	-	150	-	-	-0-
Other	-	57,334	57,334	-	78,225	78,225
Total Expenses	365,466	57,334	422,800	392,997	78,225	471,222
Increase (decrease) in net assets	658	(10,508)	(9,850)	113,427	490,073	603,500
Net Assets - Beginning	904,272	802,981	1,707,253	904,930	792,473	1,697,403
Net Assets - Ending	\$ 904,930	\$ 792,473	\$ 1,697,403	\$ 1,018,357	\$ 1,282,546	\$ 2,300,903

Governmental Activities:

The result of 2007 governmental activity was an increase of \$113,427 in net assets to \$1,018,357. Of the total governmental activities' net assets, \$639,291 is invested in capital assets less related debt, \$70,921 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the Village government. The balance of \$308,145 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories were grants and contributions at 30%, property taxes at 26%, charges for services at 14%, and State shared revenue at 13%. The Village levied one property tax millage for the year ended December 31, 2007, for general government operations at 12.2612 mills, which is not assigned to any particular activity.

Expenses:

Public works is the largest governmental activity, expending approximately 64% of the governmental activities total and includes the Public Works department as well as public street maintenance and improvement activities. Public safety is the second largest area, expending approximately 15% of the governmental activities total.

Business-type Activities:

Net assets of business-type activities increased by \$490,073 during 2007. Of the business-type activities' net assets, \$992,981 is invested in capital assets less related debt. The balance of \$289,565 is listed as unrestricted, having no legal commitment.

Village of Maple Rapids

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

FINANCIAL ANALYSIS OF THE VILLAGE'S MAJOR AND NONMAJOR FUNDS

As the Village completed 2007, its governmental funds reported *combined* fund balances of \$379,066. This is a net increase of \$40,875. The net changes are summarized in the following chart:

	General Fund	Fire	Nonmajor Governmental Funds
Fund Balance 12/31/07	\$ 212,300	\$ 88,855	\$ 77,911
Fund Balance 12/31/06	\$ 180,417	\$ 74,735	\$ 83,039
Net Change	\$ 31,883	\$ 14,120	\$(5,128)

General Fund:

The General Fund is the chief operating fund of the Village. Unless otherwise required by statute, contractual agreement or Council policy, all Village revenues and expenditures are recorded in the General Fund. As of December 31, 2007, the General Fund reported a fund balance of \$212,300. This amount is an increase of \$31,883 from the fund balance of \$180,417 reported as of December 31, 2006. The 2007 original budget called for a \$90,547 use of fund balance. \$6,397 of fund balance is reported as reserved.

The General Fund 2007 revenues exceeded 2007 expenditures and other financing uses by \$31,883.

General Fund Budgetary Highlights:

The Village of Maple Rapids' budget is a dynamic document. Although adopted prior to January 1 each year, the budget is routinely amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled \$331,737, \$63,230 above the final amended budget. The original budget was not amended during the year.

The Village's expenditure budget was increased by \$18,675 (5% above the original budget) during 2007. The balance of the increase was related to contracted services, repairs, and trash collection as well as an overall rise in personnel costs.

Actual Village expenditures for 2007 were \$77,875 under budget. General Fund actual expenditures came in at \$292,854 and the final budgeted amount was \$370,729, which was a 22% difference.

Fire Fund:

As of December 31, 2007, the Fire Fund reported a fund balance of \$88,855. The total fund balance is undesignated/unreserved. The original budget for revenues was amended upward by \$85 during the year. Expenditures budget was increased by \$1,050 (0.4% increase over the original budget) during 2007.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of year 2007, the Village had invested \$1,980,123, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$1,389,319 for the primary government. Depreciation charges for the fiscal year totaled \$95,558 for the primary government. Additional information related to capital assets is detailed in Note F of the Financial Statements. Net book value of capital assets at December 31, 2007 was as follows:

Village of Maple Rapids
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2007

	Governmental Activities	Business- type Activities	Total
Construction in progress	\$ -	\$ 771,490	\$ 771,490
Buildings, net	145,640	-	145,640
Furniture and equipment, net	123,334	3,689	127,023
Vehicles, net	298,323	-	298,323
Sewer system, net	-	241,118	241,118
Utility plant, wells, and mains, net	-	324,535	324,535
Infrastructure, net	71,994	-	71,994
Capital assets, net	\$ 639,291	\$ 1,340,832	\$ 1,980,123

Long-term Debt - As of December 31, 2007, the Village had \$375,000 in debt outstanding for the primary government.

Outstanding Debt as of December 31, 2007:

	<u>Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2007</u>
Primary Government				
Business-type Activities				
2006 Sewage Disposal Bond	\$ 385,000	\$ -	\$ 10,000	\$ 375,000

A more detailed discussion of the Village's long-term debt obligations is presented in Note G to the financial statements.

VILLAGE OF MAPLE RAPIDS GOVERNMENT ECONOMIC OUTLOOK:

The State of Michigan continues to have difficulty in balancing their budget. Any shortfalls in projected revenues could affect our revenue sharing funds that we receive. Our budgets have already been cut more than once and any further cuts would affect the services that we provide to the citizens of the Village of Maple Rapids.

Other factors that the Village is aware of are:

- Property tax revenue does seem to be keeping pace with inflation.
- Investment earnings are improving from historically low levels.
- Health insurance premiums are rising much faster than the rate of inflation.
- Retirement costs are increasing due to poor stock market performance over the last several years.
- Utility costs are rising faster than the rate of inflation.
- In 2007 the Village began construction on a large Sewer Project. The Village was awarded a MEDC Grant for \$525,000 and borrowed \$375,000 for the project. The project is to be completed in 2008. Sewer rates have been and will increase gradually to help to cover the debt incurred for this Sewer Project.
- In 2007, the Village Fire Department was awarded a FEMA Grant to purchase a new Tanker Truck. The Fire Department had to match 5% of the cost. The truck is set to be delivered in 2008.

These and many other factors were considered in adopting the Budget for 2008. The Village continues to look for ways to increase efficiencies and reduce the cost of doing business.

CONTACTING THE VILLAGE

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Village offices at (989) 682-9227.

BASIC FINANCIAL STATEMENTS

Village of Maple Rapids

STATEMENT OF NET ASSETS

December 31, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash	\$ 367,991	\$ 104,114	\$ 472,105
Cash - restricted	-	27,149	27,149
Receivables	6,891	20,521	27,412
Due from other governmental units	18,919	265,107	284,026
Internal balances	2,268	(2,268)	-0-
Total current assets	396,069	414,623	810,692
Noncurrent assets			
Capital assets not being depreciated	-	771,490	771,490
Capital assets being depreciated, net	639,291	569,342	1,208,633
Total noncurrent assets	639,291	1,340,832	1,980,123
TOTAL ASSETS	1,035,360	1,755,455	2,790,815
LIABILITIES			
Current liabilities			
Accounts payable	5,799	94,784	100,583
Accrued wages	4,717	-	4,717
Accrued interest payable	-	3,125	3,125
Other accrued liabilities	3,487	-	3,487
Unearned revenue	3,000	-	3,000
Current portion of long-term debt	-	10,000	10,000
Total current liabilities	17,003	107,909	124,912
Noncurrent liabilities			
Noncurrent portion of long-term debt	-	365,000	365,000
TOTAL LIABILITIES	17,003	472,909	489,912
NET ASSETS			
Invested in capital assets, net of related debt	639,291	992,981	1,632,272
Restricted for streets and highways	70,921	-	70,921
Unrestricted	308,145	289,565	597,710
TOTAL NET ASSETS	\$ 1,018,357	\$ 1,282,546	\$ 2,300,903

See accompanying notes to financial statements.

Village of Maple Rapids
STATEMENT OF ACTIVITIES
Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental activities							
General government	\$ 41,971	\$ 1,578	\$ -	\$ -	\$ (40,393)	\$ -0-	\$ (40,393)
Public safety	58,228	36,002	-	103,735	81,509	-0-	81,509
Public works	249,628	27,551	50,276	-	(171,801)	-0-	(171,801)
Health and welfare	1,765	-	-	-	(1,765)	-0-	(1,765)
Recreation and cultural	41,405	8,120	-	-	(33,285)	-0-	(33,285)
Total governmental activities	392,997	73,251	50,276	103,735	(165,735)	-0-	(165,735)
Business-type activities							
Sewer	55,086	53,813	-	525,000	-0-	523,727	523,727
Water	23,139	36,892	-	-	-0-	13,753	13,753
Total business-type activities	78,225	90,705	-0-	525,000	-0-	537,480	537,480
Total	<u>\$ 471,222</u>	<u>\$ 163,956</u>	<u>\$ 50,276</u>	<u>\$ 628,735</u>	<u>(165,735)</u>	<u>537,480</u>	<u>371,745</u>
		General revenues					
		Property taxes			132,014	-	132,014
		State shared revenue			65,592	-	65,592
		Investment earnings			7,184	4,829	12,013
		Miscellaneous			22,136	-	22,136
		Internal charges			52,236	(52,236)	-0-
		Total general revenues and internal charges			279,162	(47,407)	231,755
		Change in net assets			113,427	490,073	603,500
		Net assets, beginning of the year			904,930	792,473	1,697,403
		Net assets, end of the year			<u>\$ 1,018,357</u>	<u>\$ 1,282,546</u>	<u>\$ 2,300,903</u>

See accompanying notes to financial statements.

Village of Maple Rapids

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2007

	<u>General</u>	<u>Fire</u>
ASSETS		
Cash	\$ 199,893	\$ 86,458
Accounts receivable	6,804	87
Due from other governmental units	11,669	-
Due from other funds	9,527	10,923
Advance to other funds	6,397	-
	<u>234,290</u>	<u>97,468</u>
TOTAL ASSETS	\$ 234,290	\$ 97,468
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 3,583	\$ 2,216
Accrued wages	4,717	-
Other accrued liabilities	3,487	-
Due to other funds	10,203	-
Advance from other funds	-	6,397
Deferred revenue	-	-
	<u>21,990</u>	<u>8,613</u>
TOTAL LIABILITIES	21,990	8,613
FUND BALANCES		
Reserved for		
Advance to other funds	6,397	-
Unreserved		
Undesignated, reported in		
General fund	205,903	-
Special revenue funds	-	88,855
	<u>212,300</u>	<u>88,855</u>
TOTAL FUND BALANCES	212,300	88,855
TOTAL LIABILITIES AND FUND BALANCES	\$ 234,290	\$ 97,468

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 81,640	\$ 367,991
-	6,891
7,250	18,919
-	20,450
-	6,397
<u>\$ 88,890</u>	<u>\$ 420,648</u>

\$ -	\$ 5,799
-	4,717
-	3,487
7,979	18,182
-	6,397
<u>3,000</u>	<u>3,000</u>

10,979	41,582
--------	--------

-	6,397
---	-------

-	205,903
<u>77,911</u>	<u>166,766</u>
<u>77,911</u>	<u>379,066</u>
<u>\$ 88,890</u>	<u>\$ 420,648</u>

Village of Maple Rapids

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

December 31, 2007

Total fund balance - governmental funds **\$ 379,066**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 1,178,596	
Accumulated depreciation is	<u>(539,305)</u>	
Capital assets, net		<u>639,291</u>
Net assets of governmental activities		<u>\$ 1,018,357</u>

See accompanying notes to financial statements.

Village of Maple Rapids

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

Year Ended December 31, 2007

	General	Fire
REVENUES		
Taxes	\$ 132,014	\$ -
Intergovernmental	66,220	103,735
Charges for services	59,639	36,002
Interest and rents	64,007	174
Other	9,857	-
	<hr/>	<hr/>
TOTAL REVENUES	331,737	139,911
EXPENDITURES		
Current		
General government	28,504	-
Public safety	28,987	13,388
Public works	144,181	-
Health and welfare	1,608	-
Recreation and cultural	17,436	-
Other	66,884	-
Capital outlay	5,254	119,403
	<hr/>	<hr/>
TOTAL EXPENDITURES	292,854	132,791
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	38,883	7,120
OTHER FINANCING SOURCES (USES)		
Transfers in	-	7,000
Transfers out	(7,000)	-
	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	(7,000)	7,000
NET CHANGE IN FUND BALANCES	31,883	14,120
Fund balances, beginning of year	180,417	74,735
	<hr/>	<hr/>
Fund balances, end of year	\$ 212,300	\$ 88,855
	<hr/>	<hr/>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 132,014
50,276	220,231
8,120	103,761
1,836	66,017
12,279	22,136
<hr/>	<hr/>
72,511	544,159
-	28,504
-	42,375
46,501	190,682
-	1,608
16,995	34,431
-	66,884
14,143	138,800
<hr/>	<hr/>
77,639	503,284
(5,128)	40,875
2,243	9,243
(2,243)	(9,243)
<hr/>	<hr/>
-0-	-0-
(5,128)	40,875
83,039	338,191
<hr/>	<hr/>
\$ 77,911	\$ 379,066
<hr/> <hr/>	<hr/> <hr/>

Village of Maple Rapids

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

Year Ended December 31, 2007

Net change in fund balances - total governmental funds \$ 40,875

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 138,230	
Depreciation expense	<u>(65,678)</u>	
Excess of capital outlay over depreciation expense		<u>72,552</u>
Change in net assets of governmental activities		<u><u>\$ 113,427</u></u>

See accompanying notes to financial statements.

Village of Maple Rapids

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

December 31, 2007

	Business-type Activities		
	Sewer System	Water System	Total
ASSETS			
Current assets			
Cash	\$ 13,750	\$ 90,364	\$ 104,114
Cash - restricted	27,149	-	27,149
Due from other governmental units	265,107	-	265,107
Utilities receivable	12,337	8,184	20,521
Total current assets	318,343	98,548	416,891
Noncurrent assets			
Capital assets not being depreciated	771,490	-	771,490
Capital assets being depreciated, net	243,913	325,429	569,342
Total noncurrent assets	1,015,403	325,429	1,340,832
TOTAL ASSETS	1,333,746	423,977	1,757,723
LIABILITIES			
Current liabilities			
Accounts payable	56,725	311	57,036
Retainage payable	37,748	-	37,748
Accrued interest payable	3,125	-	3,125
Due to other funds	1,115	1,153	2,268
Current portion of long-term debt	10,000	-	10,000
Total current liabilities	108,713	1,464	110,177
Noncurrent liabilities			
Noncurrent portion of long-term debt	365,000	-	365,000
TOTAL LIABILITIES	473,713	1,464	475,177
NET ASSETS			
Invested in capital assets, net of related debt	667,552	325,429	992,981
Unrestricted	192,481	97,084	289,565
TOTAL NET ASSETS	\$ 860,033	\$ 422,513	\$ 1,282,546

See accompanying notes to financial statements.

Village of Maple Rapids

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
 PROPRIETARY FUNDS

Year Ended December 31, 2007

	Business-type Activities		
	Sewer System	Water System	Total
OPERATING REVENUES			
Charges for services	\$ 53,813	\$ 36,892	\$ 90,705
OPERATING EXPENSES			
Labor charges	6,956	10,597	17,553
Contractual services	1,413	875	2,288
Utilities	3,599	5,274	8,873
Repairs and maintenance	3,855	1,083	4,938
Equipment rental charges	18,745	12,622	31,367
Water/Sewer sample testing	1,350	1,675	3,025
Other	9,711	114	9,825
Depreciation	15,762	14,118	29,880
TOTAL OPERATING EXPENSES	61,391	46,358	107,749
OPERATING (LOSS)	(7,578)	(9,466)	(17,044)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	525,000	-	525,000
Interest revenue	2,643	2,186	4,829
Interest expense	(22,712)	-	(22,712)
TOTAL NONOPERATING (REVENUES) EXPENSES	504,931	2,186	507,117
CHANGE IN NET ASSETS	497,353	(7,280)	490,073
Net assets, beginning of year	362,680	429,793	792,473
Net assets, end of year	\$ 860,033	\$ 422,513	\$ 1,282,546

See accompanying notes to financial statements.

Village of Maple Rapids

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended December 31, 2007

	Business-type Activities		
	Sewer System	Water System	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 49,981	\$ 36,629	\$ 86,610
Cash paid for labor charges	(6,956)	(10,597)	(17,553)
Cash paid to suppliers	(37,846)	(22,494)	(60,340)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,179	3,538	8,717
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Intergovernmental capital grants	259,893	-	259,893
Capital purchases	(629,877)	-	(629,877)
Payment of borrowing	(10,000)	-	(10,000)
Interest expense	(22,712)	-	(22,712)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(402,696)	-0-	(402,696)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	2,643	2,186	4,829
NET INCREASE (DECREASE) IN CASH	(394,874)	5,724	(389,150)
Cash, beginning of year	435,773	84,640	520,413
Cash, end of year	\$ 40,899	\$ 90,364	\$ 131,263
Reconciliation of operating (loss) to net cash provided by operating activities			
Operating (loss)	\$ (7,578)	\$ (9,466)	\$ (17,044)
Adjustments to reconcile operating (loss) to net cash provided by operating activities			
Depreciation	15,762	14,118	29,880
(Increase) in utilities receivable	(3,832)	(263)	(4,095)
(Decrease) in accounts payable	(1,001)	(420)	(1,421)
Increase in accrued interest payable	3,125	-	3,125
(Decrease) in due to other funds	(1,297)	(431)	(1,728)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 5,179	\$ 3,538	\$ 8,717

See accompanying notes to financial statements.

Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

The Village of Maple Rapids is located in Clinton County, Michigan and has a population of approximately 600. The Village of Maple Rapids operates with a Village President/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

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

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*; these financial statements present all financial activities of the Village of Maple Rapids (primary government).

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

Based upon the application of these criteria, the financial statements of the Village of Maple Rapids contain all of the funds controlled by the Village Council.

2. Related Organization

Maple Rapids Public Library - The Maple Rapids Public Library was incorporated in 1928 under Public Act 84 of 1921. The Maple Rapids Public Library board is elected. The Village collects and distributes property taxes that are levied by the Library. The Village has no financial responsibility to the Library.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the government as a whole. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are 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.

Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

3. Basis of Presentation - continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Village's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the Village are:

- a. The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Fire Fund is used to account for funds of the Village Fire Department.
- c. The Sewer System Fund is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- d. The Water System Fund is used to account for the operations required to provide water services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

4. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

5. Basis of Accounting

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

Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

5. Basis of Accounting - continued

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

6. Budgets and Budgetary Accounting

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

- a. The Treasurer submits to the Village Council the proposed operating budgets for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to the beginning of the fiscal year, the budgets are legally adopted with passage by Council vote.
- d. The budgets are legally adopted at the activity level; however, they are maintained at the account level for control purposes.
- e. After the budgets are adopted, all transfers of budgeted amounts between accounts within a fund or activity or any revisions that alter the total expenditures of a fund or activity must be approved by the Village Council.

Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

6. Budgets and Budgetary Accounting - continued

- f. The Village does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at year end are not carried forward to the following fiscal year.
- g. Budgeted amounts are reported as originally adopted or as amended by the Village Council. Budget amendments are made every quarter. The individual amendments were appropriately approved by the Village Council in accordance with required procedures.

7. Cash

The Village pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing savings accounts. Restricted cash in the Sewer Fund relates to debt proceeds unspent as of December 31, 2007 and restricted for use in the ongoing sewer project.

8. Property Tax

The Village of Maple Rapids bills and collects property taxes for itself as well as the Maple Rapids Public Library. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the Village of Maple Rapids on July 1 and are payable without penalty through September 14. All real property taxes not paid to the Village by September 14 are turned over to the Clinton County Treasurer for collection. The Clinton County Treasurer remits payments to the Village on any delinquent real property taxes. Delinquent personal property taxes are retained by the Village for subsequent collection. Collections and remittances of all taxes are accounted for in the General Fund. Village property tax revenues are recognized as revenues in the fiscal year levied.

The Village is permitted to levy taxes up to 15 mills (\$15 per \$1,000 of assessed valuation) for general governmental services. For the year ended December 31, 2007, the Village levied 12.2612 mills for general governmental services. The total taxable value for the 2007 levy for property within the Village was \$9,972,536.

9. Interfund Transactions

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

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

10. Capital Assets

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$5,000 or more, with estimated useful lives of one year or greater. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

10. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Structures and improvements	20 - 75 years
Machinery, furniture, and equipment	5 - 50 years
Vehicles	5 years
Infrastructure	20 years

11. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

12. Comparative Data

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

NOTE B: CASH

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

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.

Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE B: CASH - CONTINUED

5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

As of December 31, 2007, the carrying amounts and bank balances for each type of bank account are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking	\$ 190,583	\$ 247,378
Savings	<u>308,263</u>	<u>327,945</u>
	<u>\$ 498,846</u>	<u>\$ 575,323</u>

The cash captions in the basic financial statements include \$408 in petty cash. Deposits of the Village are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Village. As of December 31, 2007, the Village accounts were insured by the FDIC for \$208,434 and the amount of \$366,889 was uninsured and uncollateralized.

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

Interest rate risk

The Village has adopted a policy that indicates how the Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The Village will minimize interest rate risk by designing a portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of credit risk

The Village has adopted a policy that indicates how the Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer. The Village will minimize concentration of credit risk by diversifying investments by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables at December 31, 2007:

Due to General Fund from:		
Nonmajor governmental funds	\$	7,259
Water System Fund		1,153
Sewer System Fund		<u>1,115</u>
		9,527
Due to Fire Fund from:		
General Fund		10,203
Nonmajor governmental funds		<u>720</u>
		<u>10,923</u>
Total interfund receivable and payables	\$	<u>20,450</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to nonmajor governmental funds from:		
Nonmajor governmental funds	\$	<u>2,243</u>
Transfers to Fire Fund from:		
General Fund	\$	<u>7,000</u>

NOTE E: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between the funds at December 31, 2007:

Advance to Fire Fund from:		
General Fund	\$	<u>6,397</u>

The balance of \$6,397 advanced to the Fire Fund from the General Fund resulted from loans made for new equipment.

Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

	<u>Balance</u> <u>Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2007</u>
Governmental Activities				
Infrastructure - streets	\$ 60,457	\$ 19,794	\$ -	\$ 80,251
Buildings	265,996	-	-	265,996
Vehicles	448,250	118,436	-	566,686
Furniture and equipment	<u>265,663</u>	<u>-</u>	<u>-</u>	<u>265,663</u>
Capital assets being depreciated	1,040,366	138,230	-0-	1,178,596
Less accumulated depreciation				
Infrastructure - streets	(4,611)	(3,646)	-	(8,257)
Buildings	(114,796)	(5,560)	-	(120,356)
Vehicles	(231,987)	(36,376)	-	(268,363)
Furniture and equipment	<u>(122,233)</u>	<u>(20,096)</u>	<u>-</u>	<u>(142,329)</u>
Subtotal	<u>(473,627)</u>	<u>(65,678)</u>	<u>-0-</u>	<u>(539,305)</u>
Capital assets, net	<u>\$ 566,739</u>	<u>\$ 72,552</u>	<u>\$ -0-</u>	<u>\$ 639,291</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 10,105
Public safety	11,702
Public works	40,269
Recreation and cultural	<u>3,602</u>
Total	<u>\$ 65,678</u>

	<u>Balance</u> <u>Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2007</u>
Business-type activities				
Capital assets not being depreciated				
Construction in Progress	\$ 47,140	\$ 724,350	\$ -	\$ 771,490
Capital assets being depreciated				
Utility plant, wells, and mains	652,219	-	-	652,219
Sewer system	735,563	-	-	735,563
Equipment	<u>31,574</u>	<u>-</u>	<u>-</u>	<u>31,574</u>
Total capital assets being depreciated	1,419,356	-0-	-0-	1,419,356
Less accumulated depreciation				
Utility plant, wells, and mains	(314,164)	(13,520)	-	(327,684)
Sewer system	(479,821)	(14,624)	-	(494,445)
Equipment	<u>(26,149)</u>	<u>(1,736)</u>	<u>-</u>	<u>(27,885)</u>
Total accumulated depreciation	<u>(820,134)</u>	<u>(29,880)</u>	<u>-0-</u>	<u>(850,014)</u>
Net capital assets being depreciated	<u>599,222</u>	<u>(29,880)</u>	<u>-0-</u>	<u>569,342</u>
Capital assets, net	<u>\$ 646,362</u>	<u>\$ 694,470</u>	<u>\$ -0-</u>	<u>\$ 1,340,832</u>

Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Village for the year ended December 31, 2007.

	Balance Jan. 1, 2007	Additions	Reductions	Balance Dec. 31, 2007	Amounts Due Within One Year
Business-type Activities					
2006 Sewage Disposal Bond	\$ 385,000	\$ -	\$ 10,000	\$ 375,000	\$ 10,000

In 2006 the Village issued \$385,000 in Revenue Bonds for the purpose of financing improvements to the Sewage Disposal System. Significant details regarding outstanding long-term debt (including current portion) are presented below:

Sanitary Sewer System Revenue Bonds

\$385,000 Sewage Disposal System Improvement Revenue Bonds dated October 30, 2006, due in annual installments ranging from \$10,000 to \$30,000 through May 1, 2026, with interest of 5.0 percent, payable semi-annually. \$ 375,000

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

Year Ending December 31,	Principal	Interest
2008	\$ 10,000	\$ 18,500
2009	15,000	17,875
2010	15,000	17,125
2011	15,000	16,375
2012	15,000	15,625
2013-2017	85,000	66,375
2018-2022	110,000	42,000
2023-2026	<u>110,000</u>	<u>11,500</u>
	<u>\$ 375,000</u>	<u>\$ 205,375</u>

NOTE H: FUND BALANCE RESERVES

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the fund balance reserves as of December 31, 2007:

<u>Fund Balance</u>	
PRIMARY GOVERNMENT	
General Fund	
Reserved for advance to other funds	<u>\$ 6,397</u>

Village of Maple Rapids

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE I: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2007:

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for	
Streets and highways	
Major streets	\$ 27,447
Local streets	<u>43,474</u>
	<u>\$ 70,921</u>

NOTE J: RISK MANAGEMENT

The Village participates in a pool, the Michigan Township Participating Plan with other municipalities for various risks of loss including employer's liability, errors and omissions, and property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Village has not been informed of any special assessments being required.

The Village also participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Village has not been informed of any special assessments being required.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Maple Rapids

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Current property taxes	\$ 118,007	\$ 118,007	\$ 132,014	\$ 14,007
Intergovernmental				
State shared revenue	65,000	65,000	65,592	592
Liquor license fees	500	500	628	128
Total intergovernmental	65,500	65,500	66,220	720
Charges for services				
Administrative and labor charges	20,000	20,000	32,088	12,088
Trash collection	24,000	24,000	27,551	3,551
Total charges for services	44,000	44,000	59,639	15,639
Interest and rents				
Interest	1,000	1,000	5,174	4,174
Rent	600	600	950	350
Rent - equipment	35,000	35,000	57,883	22,883
Total interest and rents	36,600	36,600	64,007	27,407
Other revenue				
Reimbursements	3,500	3,500	5,256	1,756
Miscellaneous	900	900	4,601	3,701
Total other revenue	4,400	4,400	9,857	5,457
TOTAL REVENUES	268,507	268,507	331,737	63,230
EXPENDITURES				
General government				
Legislative	4,100	4,500	4,350	150
Executive	3,370	3,376	3,376	-0-
Financial administration	27,934	27,253	20,778	6,475
Total general government	35,404	35,129	28,504	6,625
Public safety				
Police	37,700	40,900	28,987	11,913
Public works				
Department of Public Works	133,800	135,550	105,451	30,099
Trash collection	26,500	27,500	27,232	268
Street lighting	13,000	13,000	11,498	1,502
Total public works	173,300	176,050	144,181	31,869

Village of Maple Rapids

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES - CONTINUED				
Health and welfare				
Ambulance contracted services	\$ 1,700	\$ 1,700	\$ 1,608	\$ 92
Recreation and cultural				
Community center	5,650	8,550	6,378	2,172
Parks and recreation	7,000	4,500	3,775	725
Library	7,500	7,500	7,283	217
Total recreation and cultural	20,150	20,550	17,436	3,114
Other				
Fringe benefits	30,800	33,400	25,695	7,705
Insurance	43,000	43,000	31,894	11,106
Contracted services	-	10,000	9,295	705
Total other	73,800	86,400	66,884	19,516
Capital outlay	10,000	10,000	5,254	4,746
TOTAL EXPENDITURES	<u>352,054</u>	<u>370,729</u>	<u>292,854</u>	<u>77,875</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(83,547)	(102,222)	38,883	141,105
OTHER FINANCING USES				
Transfers out	<u>(7,000)</u>	<u>(7,000)</u>	<u>(7,000)</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	(90,547)	(109,222)	31,883	141,105
Fund balance, beginning of year	<u>180,417</u>	<u>180,417</u>	<u>180,417</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 89,870</u>	<u>\$ 71,195</u>	<u>\$ 212,300</u>	<u>\$ 141,105</u>

Village of Maple Rapids

Fire Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 194,750	\$ 194,750	\$ 103,735	\$ (91,015)
Charges for services	30,000	30,085	36,002	5,917
Interest	175	175	174	(1)
TOTAL REVENUES	224,925	225,010	139,911	(85,099)
EXPENDITURES				
Public safety				
Fire protection	35,600	35,650	13,388	22,262
Capital outlay	213,750	214,750	119,403	95,347
TOTAL EXPENDITURES	249,350	250,400	132,791	117,609
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(24,425)	(25,390)	7,120	32,510
OTHER FINANCING SOURCES				
Transfers in	7,000	7,000	7,000	-0-
NET CHANGE IN FUND BALANCE	(17,425)	(18,390)	14,120	32,510
Fund balance, beginning of year	74,735	74,735	74,735	-0-
Fund balance, end of year	<u>\$ 57,310</u>	<u>\$ 56,345</u>	<u>\$ 88,855</u>	<u>\$ 32,510</u>

OTHER SUPPLEMENTARY INFORMATION

Village of Maple Rapids
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 December 31, 2007

	Special	
	Major Street	Local Street
ASSETS		
Cash	\$ 28,430	\$ 45,500
Due from other governmental units	5,114	2,136
TOTAL ASSETS	\$ 33,544	\$ 47,636
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Due to other funds	\$ 6,097	\$ 1,162
Deferred revenue	-	3,000
TOTAL LIABILITIES	6,097	4,162
Fund balances		
Unreserved		
Undesignated, reported in Special revenue funds	27,447	43,474
TOTAL LIABILITIES AND FUND BALANCES	\$ 33,544	\$ 47,636

Revenue		Total Nonmajor Governmental Funds
Community Center	Lamplighter Festival	
\$ 2,524	\$ 5,186	\$ 81,640
-	-	7,250
<u>\$ 2,524</u>	<u>\$ 5,186</u>	<u>\$ 88,890</u>
\$ 720	\$ -	\$ 7,979
-	-	3,000
720	-0-	10,979
<u>1,804</u>	<u>5,186</u>	<u>77,911</u>
<u>\$ 2,524</u>	<u>\$ 5,186</u>	<u>\$ 88,890</u>

Village of Maple Rapids

Nonmajor Governmental Funds

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

Year Ended December 31, 2007

	Special	
	Major Street	Local Street
REVENUES		
Intergovernmental - State	\$ 35,513	\$ 14,763
Charges for services	-	-
Interest	452	1,381
Other	902	-
TOTAL REVENUES	36,867	16,144
EXPENDITURES		
Public works		
Administrative	1,800	1,580
Street maintenance	29,652	13,469
Recreation and cultural	-	-
Capital outlay	908	13,235
TOTAL EXPENDITURES	32,360	28,284
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,507	(12,140)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	2,243
Transfers out	(2,243)	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,243)	2,243
NET CHANGE IN FUND BALANCES	2,264	(9,897)
Fund balances, beginning of year	25,183	53,371
Fund balances, end of year	<u>\$ 27,447</u>	<u>\$ 43,474</u>

Revenue		Total Nonmajor Governmental Funds
Community Center	Lampighter Festival	
\$ -	\$ -	\$ 50,276
7,120	1,000	8,120
3	-	1,836
-	11,377	12,279
7,123	12,377	72,511
-	-	3,380
-	-	43,121
7,271	9,724	16,995
-	-	14,143
7,271	9,724	77,639
(148)	2,653	(5,128)
-	-	2,243
-	-	(2,243)
-0-	-0-	-0-
(148)	2,653	(5,128)
1,952	2,533	83,039
\$ 1,804	\$ 5,186	\$ 77,911

Village of Maple Rapids

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Passed through Michigan Economic Development Corporation Community Development Block Grants ^(a)	14.228	N/A	\$ 525,000
U.S. DEPARTMENT OF HOMELAND SECURITY Passed through Federal Emergency Management Agency Assistance to Firefighters Grant	97.044	N/A	<u>103,735</u>
TOTAL FEDERAL AWARD EXPENDITURES			<u>\$ 628,735^(b)</u>

Village of Maple Rapids

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2007

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Village of Maple Rapids and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) - (b) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Denotes program tested as "major program".
- (b) The following reconciles the intergovernmental revenues reported in the December 31, 2007 fund financial statements to the expenditures of the Village administered federal programs reported on the Schedule of Expenditures of Federal Awards:

Intergovernmental Revenue (per financial statements)	
Governmental funds	\$ 220,231
Sewer Fund	525,000
<u>Less: Portions of intergovernmental revenues considered "State" funding</u>	<u>(116,496)</u>
	<u>\$ 628,735</u> ^(b)

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

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

To the Honorable President and
Members of the Village Council
Village of Maple Rapids
Maple Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Maple Rapids as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 15, 2008. 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 Maple Rapids' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described as 2007-1, 2007-2, and 2007-3 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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's internal control. We believe that the significant deficiencies described as 2007-1 and 2007-2 are material weaknesses.

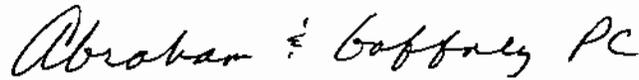
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Maple Rapids' 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 Maple Rapids, in a separate letter dated May 15, 2008.

The Village of Maple Rapids' responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Village of Maple Rapids' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the President and Members of the Village Council of the Village of Maple Rapids, others within the entity, 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.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 15, 2008

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable President and
Members of the Village Council
Village of Maple Rapids
Maple Rapids, Michigan

Compliance

We have audited the compliance of the Village of Maple Rapids with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The Village of Maple Rapids' major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Village of Maple Rapids' management. Our responsibility is to express an opinion on the Village of Maple Rapids' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Maple Rapids' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of Maple Rapids' compliance with those requirements.

In our opinion, the Village of Maple Rapids complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

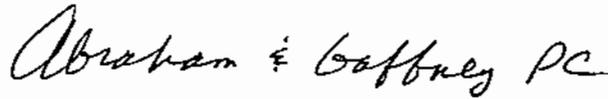
The management of the Village of Maple Rapids is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Maple Rapids' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village of Maple Rapids' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the President and Members of the Village Council of the Village of Maple Rapids, others within the entity, 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.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 15, 2008

Village of Maple Rapids

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weakness(es)? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weakness(es)? Yes None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings

2007-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP

Condition: It has historically been common for many governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP) has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls. This issue was noted and reported in our prior year audit comments.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended December 31, 2007

Section II - Financial Statement Findings - Continued

2007-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP - CONTINUED

Criteria: Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. Responsibility for the financial statements of the Village rests with the Village's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting). The auditor cannot be a part of internal controls.

Effect: As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the Village's annual financial statements and notes to the financial statements in accordance with GAAP. The Village relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

Recommendation: We recommend the Village consider obtaining proper training for the appropriate members of the Village's administration to assure that they are able to fully understand the requirements of preparing GAAP financial statements. This understanding is essential for the Village's administration to be able to accept responsibility for the amounts and disclosures included in the Village's financial statements.

Corrective Action Response: The Village of Maple Rapids' employee and management are part time. At this point it is not feasible to train the Village's staff with all of the knowledge required to prepare the full financial statement in accordance with GAAP.

2007-2 MATERIAL JOURNAL ENTRIES

Condition: Material journal entries for the adjustment of accounts payable, due from other governmental units, capital assets, and depreciation were proposed by the auditors. These misstatements were not detected by the Village's internal control over financial reporting.

Criteria: Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. Responsibility for the financial statements of the Village rests with the Village's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting). By definition, the independent auditors cannot be a part of internal controls.

Effect: Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the Village's internal controls.

Recommendation: We recommend that the Village take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: The Village of Maple Rapids' employee and management are part time. At this time it is not feasible to train the Village's staff with all the knowledge required to prepare all material journal entries in accordance with GAAP.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended December 31, 2007

Section II - Financial Statement Findings - Continued

2007-3 FRAUD RISK MANAGEMENT PROGRAM

Condition: During the course of our audit, we noted that the Village has not developed or implemented a fraud risk management program.

Criteria: Management is responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team should be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Effect: Due to the Village not developing a fraud risk assessment and monitoring program it is unable to assess the Village's vulnerabilities to fraudulent activity and whether any of those exposures could result in material misstatement of the financial statements.

Recommendation: We recommend that the Village develop and formally implement a fraud risk management program that is appropriate to the size and complexity of the organization. Such a fraud risk management program may involve actively searching for fraudulent transactions through the use of techniques such as data mining, but should also include informing management and employees as to the nature of fraud and actions expected to be taken if fraud is suspected. This would include publishing a definition of fraud, a statement that fraud will not be tolerated within the organization, and instructions for reporting fraud within the chain of command.

Corrective Action Response: The Village of Maple Rapids has received examples of fraud risk management programs. It is a goal of the Village in 2008 to develop and implement the appropriate documentation and steps to be followed to have an appropriate fraud risk management program in place.

Section III - Federal Award Findings and Questioned Costs

None

Village of Maple Rapids

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended December 31, 2007

There were no findings disclosed for the past two years.

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

MANAGEMENT LETTER

To the Honorable President and
Members of the Village Council
Village of Maple Rapids
Maple Rapids, Michigan

As you know, we have recently completed our audit of the Village of Maple Rapids, Michigan for the year ended December 31, 2007. In connection with the audit, we offer the following comments for your consideration.

1. Transfers between Major and Local Street Funds

Public Act 9 of 2004 allows an entity to transfer surplus Major Street system funds for the preservation of the Local Street system. This authorization will end December 31, 2008. Effective January 1, 2009, Major Street funds may not be transferred to Local Streets except to the extent matched by local revenues expended on the Major Street system of State Trunkline highways.

We suggest the Village consider this when the budget for 2009 is prepared.

2. Bank reconciliations for community center accounts

Each year the Treasurer of the Community Center submits financial information and reports for the Village's audit. This financial information submitted does not contain bank reconciliations for the Community Center's bank accounts. As a result, the auditors typically prepare bank reconciliations from the information provided. This issue was noted and reported in our audit comments last year.

We suggest that the Treasurer of the Community Center prepare bank reconciliations monthly for all bank accounts and have them ready for audit each year.

This report is intended solely for the information of management, the President and Members of the Village Council of the Village of Maple Rapids and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 15, 2008