

VILLAGE OF SOUTH RANGE
SOUTH RANGE, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other			Local Unit Name Village of South Range	County Houghton
Fiscal Year End February 28, 2007	Opinion Date May 23, 2007	Date Audit Report Submitted to State June 23, 2007		

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

- | | | | |
|---|-----|----|---|
| <table border="0"> <tr> <td style="text-align: center;">YES</td> <td style="text-align: center;">NO</td> </tr> </table> | YES | NO | <p>Check each applicable box below. (See instructions for further detail.)</p> <ol style="list-style-type: none"> 1. <input checked="" type="checkbox"/> <input type="checkbox"/> All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. 2. <input checked="" type="checkbox"/> <input type="checkbox"/> There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. 3. <input checked="" type="checkbox"/> <input type="checkbox"/> The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. 4. <input checked="" type="checkbox"/> <input type="checkbox"/> The local unit has adopted a budget for all required funds. 5. <input checked="" type="checkbox"/> <input type="checkbox"/> A public hearing on the budget was held in accordance with State statute. 6. <input checked="" type="checkbox"/> <input type="checkbox"/> The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. 7. <input checked="" type="checkbox"/> <input type="checkbox"/> The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. 8. <input checked="" type="checkbox"/> <input type="checkbox"/> The local unit only holds deposits/investments that comply with statutory requirements. 9. <input checked="" type="checkbox"/> <input type="checkbox"/> The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i>, as revised (see Appendix H of Bulletin). 10. <input checked="" type="checkbox"/> <input type="checkbox"/> There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. 11. <input checked="" type="checkbox"/> <input type="checkbox"/> The local unit is free of repeated comments from previous years. 12. <input checked="" type="checkbox"/> <input type="checkbox"/> The audit opinion is UNQUALIFIED. 13. <input checked="" type="checkbox"/> <input type="checkbox"/> The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). 14. <input checked="" type="checkbox"/> <input type="checkbox"/> The board or council approves all invoices prior to payment as required by charter or statute. 15. <input checked="" type="checkbox"/> <input type="checkbox"/> To our knowledge, bank reconciliations that were reviewed were performed timely. |
| YES | NO | | |

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Report on Compliance and Internal Controls	
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 731 S. Garfield Avenue		City Traverse City	State MI
		Zip 49686	
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA	License Number 11050

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INTRODUCTORY SECTION

Village of South Range
List of Elected Officials
February 28, 2007

ELECTED OFFICIALS

Michael Rompf	President
Elvira Detki	Clerk
Marlene Perfetti	Treasurer
Naomi Fish	Trustee
Donald Beck	Trustee
Erich Sporbert	Trustee
Arbutus Paoli	Trustee
Martin Steinmetz	Trustee
Robert Raffaelli	Trustee

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Village Council
Village of South Range
South Range, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of South Range, Michigan, as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of South Range, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

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

Since it was not practical to extend my auditing procedures into the prior unaudited year, I am unable to express an opinion on the consistency of application of accounting principles with the preceding year.

Village of South Range
Independent Auditors' Report
Page Two

In my opinion, except for the omission of the information mentioned in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of South Range, Michigan, as of February 28, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 23, 2007, on my consideration of the Village of South Range, Michigan's internal control over financial reporting and on my 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 my 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 conjunction with this report in considering the results of my audit.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.



May 23, 2007

BASIC FINANCIAL STATEMENTS

**Village of South Range
Statement of Net Assets
February 28, 2007**

	<u>Governmental</u>	<u>Business</u>	<u>Totals</u>
	<u>Activities</u>	<u>-Type</u>	<u>Activities</u>
ASSETS			
Cash and cash equivalents	\$ 380,233	\$ 159,404	\$ 539,637
Receivables, net	17,781	27,050	44,831
Inventory	1,000	5,400	6,400
Restricted cash		104,139	104,139
Prepaid expenses	8,335		8,335
Capital assets (net of accumulated depreciation):			
Land and improvements	83,087	3,262	86,349
Land held for development	51,579		51,579
Buildings and improvements	148,642		148,642
Machinery and equipment	158,443		158,443
Vehicles	248,229		248,229
Park improvements	3,845		3,845
Memorial	21,896		21,896
Sewer system		2,027,656	2,027,656
Water system		394,667	394,667
Total assets	<u>1,123,070</u>	<u>2,721,578</u>	<u>3,844,648</u>
LIABILITIES			
Accounts payable	7,742	1,840	9,582
Accrued interest	2,172	12,188	14,360
Customer deposits		6,310	6,310
Noncurrent liabilities:			
Due within one year	6,000	20,000	26,000
Due in more than one year	<u>123,000</u>	<u>945,000</u>	<u>1,068,000</u>
Total liabilities	<u>138,914</u>	<u>985,338</u>	<u>1,124,252</u>
NET ASSETS			
Invested in capital assets, net of related debt	586,721	1,460,585	2,047,306
Restricted for:			
Debt service		104,139	104,139
Unrestricted	<u>397,435</u>	<u>171,516</u>	<u>568,951</u>
Total net assets	<u>\$ 984,156</u>	<u>\$1,736,240</u>	<u>\$2,720,396</u>

See notes to financial statements

Village of South Range
Statement of Activities
For the Year Ended February 28, 2007

<u>Functions /Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Legislative General Government	\$ 22,019	\$	\$	\$
Public safety	46,630		376	
Public works	36,070			
Parks	169,087		11,037	2,055
Other	5,847			
Equipment	91,728			13,000
	132,235	129,699		
Total governmental activities	503,616	129,699	11,413	15,055
Business-type activities:				
Sewer	143,541	115,615		
Water	54,159	49,600		
Garbage	46,770	43,779		
Total	\$ 748,086	\$338,693	\$ 11,413	\$ 15,055

General revenues:
Property taxes
Federal aid
State aid
Interest earnings
Rentals
Gain of sale of fixed assets
Miscellaneous
Refunds and reimbursements

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements.

**Net (Expense) Revenue and
Changes in Net Assets**

Governmental Activities	Business-type Activities	Total
\$ (22,019)	\$	\$ (22,019)
(46,254)		(46,254)
(36,070)		(36,070)
(155,995)		(155,995)
(5,847)		(5,847)
(78,728)		(78,728)
<u>(2,536)</u>	<u> </u>	<u>(2,536)</u>
 (347,449)		 (347,449)
	(27,926)	(27,926)
	(4,559)	(4,559)
<u> </u>	<u>(2,991)</u>	<u>(2,991)</u>
 <u>(347,449)</u>	 <u>(35,476)</u>	 <u>(382,925)</u>
 129,887,		129,887
45,000		45,000
176,565		176,565
11,840	8,437	20,277
7,525		7,525
11,238		11,238
14,434		14,434
<u>4,244</u>	<u>7,852</u>	<u>12,096</u>
 <u>400,733</u>	 <u>16,289</u>	 <u>417,022</u>
53,284	(19,187)	34,097
<u>930,872</u>	<u>1,755,427</u>	<u>2,686,299</u>
 <u>\$ 984,156</u>	 <u>\$1,736,240</u>	 <u>\$ 2,720,396</u>

Village of South Range
Balance Sheet
Governmental Funds
February 28, 2007

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 142,606	\$ 8,293	\$ 95,785	\$ 246,684
Receivables:				
Taxes receivables	1,764			1,764
Due from State	10,872			10,872
Snow removal	5,145			5,145
Prepaid expenses	8,335			8,335
Due from other funds		469		469
	<u>\$ 168,722</u>	<u>\$ 8,762</u>	<u>\$ 95,785</u>	<u>\$ 273,269</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,966	\$	\$	\$ 2,966
Accrued interest	2,172			2,172
Due to other funds			469	469
	<u>5,138</u>	<u></u>	<u>469</u>	<u>5,607</u>
Fund balances:				
Reserved for:				
Unreserved, reported in:				
General fund	163,584			163,584
Major street fund		8,762		8,762
Local street fund			95,316	95,316
	<u>163,584</u>	<u>8,762</u>	<u>95,316</u>	<u>267,662</u>
Total fund balances	<u>163,584</u>	<u>8,762</u>	<u>95,316</u>	<u>267,662</u>
Total liabilities and fund balances	<u>\$ 168,722</u>	<u>\$ 8,762</u>	<u>\$ 95,785</u>	<u>\$ 273,269</u>

See notes to financial statements

Village of South Range
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
February 28, 2007

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

Total Fund Balance - Governmental Funds	\$ 267,662
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

Cost of capital assets	597,945
Accumulated depreciation	(135,226)

Loan proceeds received in governmental activities are reported as other financing resources in governmental funds but as a noncurrent liability in the Statement of Net Assets.	(129,000)
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Internal service funds are used by management to charge the costs of equipment to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	382,775
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Total Net Assets - Governmental Activities	\$ 984,156
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See notes to financial statements

Village of South Range
Statement of Revenues, Expenditures, and Changes
In Fund Balances
Governmental Funds
For the Year Ended February 28, 2007

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes & adm. fees	\$ 104,961	\$	\$ 24,926	\$ 129,887
Intergovernmental revenue from state:				
State revenue sharing	84,839			84,839
Streets & highways		58,209	33,517	91,726
Ball field relocation	13,000			13,000
Metro Act	2,055			2,055
Contribution from local units:				
Houghton County			11,037	11,037
Interest and rents:				
Interest	4,726	177	2,872	7,775
Rents	7,525			7,525
Other revenue:				
Miscellaneous	14,434			14,434
Sale of assets	11,238			11,238
Private contributions	376			376
All other refunds & rebates	<u>4,244</u>			<u>4,244</u>
 Total revenues	 <u>247,398</u>	 <u>58,386</u>	 <u>72,352</u>	 <u>378,136</u>
EXPENDITURES				
Current:				
Legislative	22,019			22,019
General government	37,694			37,694
Public safety	30,510			30,510
Public works	57,269	54,586	57,232	169,087
Parks	2,540			2,540
Other	91,728			91,728
Capital outlays	<u>225,073</u>			<u>225,073</u>
 Total expenditures	 <u>466,833</u>	 <u>54,586</u>	 <u>57,232</u>	 <u>578,651</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(219,435)</u>	 <u>3,800</u>	 <u>15,120</u>	 <u>(200,515)</u>

Village of South Range
Statement of Revenues, Expenditures, and Changes
in Fund Balances
Governmental Funds
For the Year Ended February 28, 2007
(Continued)

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Governmental Funds</u>
OTHER FINANCING				
SOURCES (USES)				
Transfers in(out)		(6,834)	6,834	
Loan proceeds	129,000			129,000
Federal grant	<u>45,000</u>			<u>45,000</u>
 Total other financing sources (uses)	 <u>174,000</u>	 <u>(6,834)</u>	 <u>6,834</u>	 <u>174,000</u>
 Net changes in fund balances	 (45,435)	 (3,034)	 21,954	 (26,515)
 Fund balances - beginning	 <u>209,019</u>	 <u>11,796</u>	 <u>73,362</u>	 <u>294,177</u>
 Fund balances - ending	 <u>\$ 163,584</u>	 <u>\$ 8,762</u>	 <u>\$ 95,316</u>	 <u>\$ 267,662</u>

See notes to financial statements

Village of South Range
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For the Year Ended February 28, 2007

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

Total net change in fund balances - total governmental funds	\$(26,515)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays was more than depreciation in the current period.	207,270
Governmental funds report loan proceeds as other financing sources.	(129,000)
Internal service funds are used by management to charge the costs of equipment to individual funds.	
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>1,529</u>
Change in net assets of governmental activities	<u>\$ 53,284</u>

See notes to financial statements

Village of South Range
Statement of Net Assets
Proprietary Funds
February 28, 2007

Business-type Activities
- Enterprise Funds

	<u>Sewer</u>	<u>Water</u>	<u>Garbage</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 86,425	\$ 59,202	\$ 13,777
Receivables, net	19,113	1,805	6,132
Inventory	400	5,000	
Total current assets	<u>105,938</u>	<u>66,007</u>	<u>19,909</u>
Noncurrent assets:			
Restricted cash and cash equivalents	104,139		
Capital assets:			
Land	3,262		
Buildings			
Machinery & equipment	9,105		
Sewer system	2,801,807		
Water system		619,294	
Less accumulated depreciation	(783,256)	(224,627)	
Total noncurrent assets	<u>2,135,057</u>	<u>394,667</u>	
Total assets	<u>2,240,995</u>	<u>460,674</u>	<u>19,909</u>
LIABILITIES			
Current liabilities:			
Accounts payable	296	1,544	
Accrued interest	12,188		
Customer deposits		6,310	
Bonds payable	20,000		
Total current liabilities	<u>32,484</u>	<u>7,854</u>	
Noncurrent liabilities:			
Bonds payable	945,000		
Total liabilities	<u>977,484</u>	<u>7,854</u>	
NET ASSETS			
Invested in capital assets, net of related debt	1,065,918	394,667	
Restricted for debt service	104,139		
Unrestricted	93,454	58,153	19,909
Total net assets	<u>\$ 1,263,511</u>	<u>\$ 452,820</u>	<u>\$ 19,909</u>

See notes to financial statements

**Business-type
Activities
Enterprise Funds**

**Governmental
Activities-
Internal
Service
Funds**

<u>Totals</u>	
\$ 159,404	\$ 133,549
27,050	
<u>5,400</u>	<u>1,000</u>
<u>191,854</u>	<u>134,549</u>
104,139	
3,262	
9,105	80,349
2,801,807	428,200
619,294	
<u>(1,007,883)</u>	<u>(255,547)</u>
<u>2,529,724</u>	<u>253,002</u>
<u>2,721,578</u>	<u>387,551</u>
1,840	4,776
12,188	
6,310	
<u>20,000</u>	<u> </u>
40,338	4,776
945,000	
<u>985,338</u>	<u>4,776</u>
1,460,585	253,002
104,139	
<u>171,516</u>	<u>129,773</u>
<u>\$ 1,736,240</u>	<u>\$ 382,775</u>

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

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Garbage
Operating revenues:			
Charges for services	\$ 110,971	\$ 47,451	\$ 43,779
Other services	4,644	2,149	
Total operating revenues	115,615	49,600	43,779
Operating expenses:			
Depreciation	55,006	10,541	
Equipment rental	9,348	5,210	10,500
Fringes	5,080	3,118	3,204
Insurance	799		
Landfill fees			22,387
Meter reader		522	
Office supplies	100	800	
Professional services	160	96	
Purchase of water		18,449	
Repairs			
Salaries	16,934	9,870	10,679
Supplies	2,371	3,989	
Testing	2,160	857	
Utilities	2,125		
Other expenses	458	707	
Total operating expenses	94,541	54,159	46,770
Operating income(loss)	21,074	(4,559)	(2,991)
Nonoperating revenues			
(expenses):			
Reimbursements	7,852		
Investment earnings	6,153	1,831	453
Interest expense	(49,000)		
Total nonoperating			
revenue(expenses)	(34,995)	1,831	453
Change in net assets	(13,921)	(2,728)	(2,538)
Total net assets-beginning	1,277,432	455,548	22,447
Total net assets-ending	\$ 1,263,511	\$ 452,820	\$ 19,909

See notes to financial statements

**Business-type
Activities
Enterprise Funds**

**Governmental
Activities-
Internal
Service
Funds**

<u>Totals</u>	<u>Funds</u>
\$ 202,201	\$ 129,518
6,793	181
<u>208,994</u>	<u>129,699</u>
65,547	41,404
25,058	
11,402	5,885
799	6,895
22,387	
522	
900	
256	
18,449	
	27,342
37,483	19,616
6,360	25,262
3,017	
2,125	5,781
1,165	50
<u>195,470</u>	<u>132,235</u>
<u>13,524</u>	<u>(2,536)</u>
7,852	
8,437	4,065
<u>(49,000)</u>	<u></u>
<u>(32,711)</u>	<u>4,065</u>
(19,187)	1,529
<u>1,755,427</u>	<u>381,246</u>
<u>\$ 1,736,240</u>	<u>\$ 382,775</u>

Village of South Range
Statement of Cash Flows
Proprietary Funds
For the Year Ended February 28, 2007

Business-type Activities
- Enterprise Funds

	<u>Sewer</u>	<u>Water</u>	<u>Garbage</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 116,045	\$ 52,322	\$ 43,648
Payments to suppliers	(17,225)	(30,536)	(32,887)
Payments to employees	<u>(22,014)</u>	<u>(12,988)</u>	<u>(13,883)</u>
Net cash provided (used) by operating activities	<u>76,806</u>	<u>8,798</u>	<u>(3,122)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Reimbursement	<u>7,852</u>		
Net cash provided by noncapital financing activities	<u>7,852</u>		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest expense	(49,250)		
Payment of principal on long-term debt	(30,000)		
Purchases of capital assets			
Net cash (used) by capital and related financing activities	<u>(79,250)</u>		
CASH FLOWS FROM INVESTING ACTIVITIES			
Restricted cash	4,194		
Interest received	<u>6,153</u>	<u>1,831</u>	<u>453</u>
Net cash provided by investing activities	<u>10,347</u>	<u>1,831</u>	<u>453</u>

**Business-type
Activities
Enterprise Funds**

**Governmental
Activities-
Internal
Service
Funds**

<u>Totals</u>	<u>Funds</u>
\$ 212,015	\$ 129,699
(80,648)	(65,663)
<u>(48,885)</u>	<u>(25,501)</u>
<u>82,482</u>	<u>38,535</u>
<u>7,852</u>	<u> </u>
<u>7,852</u>	<u> </u>
(49,250)	
(30,000)	
<u> </u>	<u>(62,765)</u>
<u>(79,250)</u>	<u>(62,765)</u>
4,194	
<u>8,437</u>	<u>4,065</u>
<u>12,631</u>	<u>4,065</u>

Village of South Range
 Statement of Cash Flows
 Proprietary Funds
 For the Year Ended February 28, 2007
 (Continued)

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Garbage
Net increase (decrease) in cash and cash equivalents	15,755	10,629	(2,669)
Cash and cash equivalents, beginning	70,670	48,573	16,446
Cash and cash equivalents, ending	\$ 86,425	\$ 59,202	\$ 13,777

See notes to financial statements

<u>Business-type Activities Enterprise Funds</u>	<u>Governmental Activities- Internal Service Funds</u>
<u>Totals</u>	<u>Funds</u>
23,715	(20,165)
<u>135,689</u>	<u>153,714</u>
<u>\$ 159,404</u>	<u>\$ 133,549</u>

Village of South Range
 Statement of Cash Flows
 Proprietary funds
 For the Year Ended February 28, 2007
 (Continued)

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Garbage
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income(loss)	\$ 21,074	\$(4,559)	\$(2,991)
Adjustments to reconcile operating income to net cash provided(used) by operating activities:			
Depreciation expense	55,006	10,541	
(Increase) decrease in accounts receivable	430	2,722	(131)
Increase (decrease) in accounts payable	296	(356)	
Increase (decrease) in customer deposits	_____	450	_____
Total adjustments	55,732	13,357	(131)
Net cash provided (used) by operating activities	\$ 76,806	\$ 8,798	\$(3,122)

See notes to financial statements

**Business-type
Activities
Enterprise Funds**

**Governmental
Activities-
Internal
Service
Funds**

Totals

\$ 13,524

\$ (2,536)

65,547

41,404

3,021

(60)

(333)

450

68,958

41,071

\$ 82,482

\$ 38,535

Village of South Range
Statement of Fiduciary Funds
Fiduciary Funds
February 28, 2007

	<u>Non- Expendable Trust</u>
ASSETS	
Cash and cash equivalents	\$ 14,148
Total assets	<u>14,148</u>
LIABILITIES	
Payroll tax withholdings	<u>3,829</u>
Total liabilities	<u>3,829</u>
NET ASSETS	
Held in trust for other purposes	<u>\$ 10,319</u>

See notes to financial statements.

Village of South Range
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended February 28, 2007

	<u>Non-Expendable Trust</u>
ADDITIONS	
Charges for services	\$ 47,270
Refunds	900
Interest earnings	590
Health insurance reimbursements	7,328
Other	<u>2</u>
Total additions	<u>56,090</u>
DEDUCTIONS	
Social security and medicare taxes	12,870
Health insurance	38,654
Worker's compensation	5,226
Sick pay	2,940
Vacation pay	5,462
Holiday pay	2,800
Funeral pay	138
Unemployment taxes	2,485
Miscellaneous	<u>469</u>
Total deductions	<u>71,044</u>
Changes in net assets	(14,954)
Net assets - beginning	<u>25,273</u>
Net assets , - ending	<u><u>\$ 10,319</u></u>

See notes to financial statements

Village of South Range
Notes to the Financial Statements
February 28, 2007

I. Summary of significant accounting policies

The financial statements of the Village of South Range (the Village) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

A. Reporting entity

The Village is governed by an elected nine-member board. The accompanying financial statements present the Village's operations for which the government is considered to be financially accountable. The Village has no component units and is not responsible for any jointly governed organizations.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of the interfund activity has been removed from 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.

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

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

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Village as of the preceding December 31st. Real property taxes not collected as of October 15th are turned over to Houghton County, which advances the Village 100% for the delinquent taxes.

The 2006 taxable valuation of the Village totaled \$8,724,117, on which ad valorem taxes levied consisted of 11.9020 mills for Village operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees of \$1,284 to collect the taxes and applicable interest. Also, the Village has a street millage levy that was voted for by the Village residents of 2.8616 mills.

The Village reports the following major governmental funds:

The *general fund* is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted

for in another fund.

The *special revenue funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes. These funds include the Major and Local Street Funds.

The Village reports the following major proprietary funds:

The *sewer, water, and garbage funds* account for activities of the business-type - Enterprise Fund of the Village. The intent of the Village's Board is that the costs of providing sewer, water, and garbage services to the general public on a continuing basis be financed or recovered primarily through user charges.

Additionally, the government reports the following fund types:

Internal service funds account for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Village's equipment fund is an internal service fund.

The *employee benefit fund* accounts for the activities of the employees payroll taxes and benefits in a trustee capacity or as an agent for employees of the Village or other funds. The measurement focus of Non-Expendable Trust Funds is similar to Proprietary Funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in 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 government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of equipment charges to the equipment fund, payments to the employee benefit fund and other charges between the government's water, sewer, and garbage function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special

assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 government's enterprise fund, and of the government's internal service fund are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Village to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Village is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds"

(i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on October 15th of the following year, at which time penalties and interest are assessed.

It is the Village's policy to place delinquent sewer, water, and garbage bills on the tax rolls on an annual basis. Delinquent water bill customers also have their service shut off until the bills are paid in full.

3. Inventories and prepaid items

Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of the Village's sewer revenue bonds and the general fund, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

The Sewer Fund has a Sewage Disposal System Revenue Bond Ordinance (1992 issue), which sets forth certain requirements which are listed below in order of priority. The Village was in compliance with these requirements as of February 28, 2007.

A. Maintain an "Operations and Maintenance Fund" adequate to administer, operate and maintain, in good repair, the Sewer Supply System.

B. Maintain a "Bond and Interest Redemption Fund" for the payment of bonds and interest. An amount equal to the next requirement of interest and principal should be in the fund at any one time. Usually, the transfers from the receiving

fund would be made quarterly. As of February 28, 2007 a balance of \$37,612 is in this account.

C. Establish a "Bond Reserve Account" to be held in reserve in case the "Bond and Interest Redemption Fund" is unable to meet the bond payment. This account is to be funded by transfers annually of \$6,700 until the lesser of \$67,000 or the maximum annual debt service on the bonds is on deposit. As of February 28, 2007, a balance of \$66,527 is in this account.

5. Capital assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Vehicles	5-20
Buildings	20-30
Water system	30-50
Sewer system	30-50
Furniture, fixtures, & equipment	5
Park improvements & memorial	15

6. Compensated absences

The Village maintains a policy providing sick and vacation benefits for its employees and allows a carryover of unused benefits for sick leave only. No more than 70 days may be accumulated, of which one-half will be reimbursed upon termination. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type

activities, or proprietary fund type statement of net assets.

8. Fund equity

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

10. Comparative data/reclassifications

Comparative total data for the prior year would have been presented for the individual enterprise and internal service funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds, but the prior year was not audited.

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

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

1. The President submits to the Village Council a proposed budget for the fiscal year commencing on March 1st. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to February 28, the budget is legally adopted by the Village Council as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.

4. The President is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the general, major street and local street funds.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to March 1st.

B. Excess of expenditures over appropriations

For the year ended February 28, 2007, expenditures exceeded appropriations in the following activities:

	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government:			
Treasurer	\$ 4,825	\$ 5,435	\$(610)
Hall & grounds	14,700	16,749	(2,049)
Public Safety:			
Fire protection	11,830	12,558	(728)
Other:			
Equipment rental	35,000	40,707	(5,707)
Insurance	3,300	5,216	(1,916)
Major Street Fund:			
Public Works	49,720	54,586	(4,866)
Local Street Fund:			
Public Works	46,370	57,232	(10,862)

These overexpenditures were funded by available fund balances, respectively.

III. Detailed notes on all funds

A. Deposits and investments

Deposits

The Village's policies regarding deposits of cash are discussed in Note 1. The table presented below is designed to disclose the level of custody credit risk assumed by the Village based upon how its deposits were insured or secured with collateral at February 28, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Village (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Village's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Village's name; or collateralized with no written or approved collateral agreement.

	<u>Custody Credit Risk</u>			Total
	<u>Bank</u>	<u>Category</u>	<u>Category</u>	<u>Category</u>
	<u>Balance</u>	<u>1</u>	<u>2</u>	<u>3</u>
Demand deposits	<u>\$314,864</u>	<u>\$308,380</u>	<u>\$</u>	<u>\$</u>
				<u>\$308,380</u>

Investments

The Village's policies and applicable laws regarding investments are discussed in Note 1. The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Village (or public trust) based upon whether the investments are insured or registered and upon who holds the security at February 28, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured or registered with securities held by the Village or its agent in the Village's name.

Category 2 - Uninsured and unregistered with securities held by counterparty's trust department or agent in the Village's name.

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

	<u>Custody Credit Risk</u>			Carrying	Fair
	<u>Category</u>	<u>Category</u>	<u>Category</u>	<u>Amount</u>	<u>Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Certificate of deposits	\$ 334,632	\$	\$	\$334,632	\$334,632
Bonds	<u>14,812</u>			<u>14,812</u>	<u>14,812</u>
	<u>\$ 349,444</u>	<u>\$</u>	<u>\$</u>	<u>\$349,444</u>	<u>\$349,444</u>

A reconciliation of cash as shown on the combined statement of net assets is as follows:

Cash on hand	\$	100
Carrying amount of deposits		308,380
Investments		<u>349,444</u>
Total	\$	<u>657,924</u>

Cash and investments:	
Enterprise activities	\$ 664,408
Enterprise activities - checks written in excess of deposits	<u>(6,484)</u>
Total	<u>\$ 657,924</u>

B. Receivables

Receivables as of year end for the government's individual major funds consist of \$17,781 in the general fund. This receivable consists of taxes owed the Village of \$1,764, state revenue sharing of \$10,872, and snow removal charges of \$5,145. The receivables in the enterprise funds consist of accounts receivable from customers of \$27,050.

C. Capital assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land & improvements	\$ 83,087	\$	\$	\$ 83,087
Land held for development	<u>61,579</u>	<u> </u>	<u>10,000</u>	<u>51,579</u>
Total capital assets, not being depreciated	<u>144,666</u>	<u> </u>	<u>10,000</u>	<u>134,666</u>
Capital assets, being depreciated:				
Buildings-DPW	80,349			80,349
Building improvements	158,154			158,154
Office equipment	3,267			3,267
Equipment-DPW	275,201	1,700		276,901
Vehicles-fire		222,383		222,383
Vehicles-DPW	151,299			151,299
Park improvements	46,921	2,690		49,611
Memorial	<u>29,864</u>	<u> </u>	<u> </u>	<u>29,864</u>
Total capital assets being depreciated	<u>745,055</u>	<u>226,773</u>	<u> </u>	<u>971,828</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings-DPW	(13,816)	(1,595)		(15,411)
Building improvements	(67,991)	(6,459)		(74,450)
Office equipment	(996)	(486)		(1,482)
Equipment-DPW	(96,727)	(23,516)		(120,243)
Vehicles-fire	(-)	(5,560)		(5,560)
Vehicles-DPW	(103,600)	(16,293)		(119,893)
Park improvements	(42,459)	(3,307)		(45,766)
Memorial	(5,977)	(1,991)		(7,968)
Total accumulated depreciation	<u>(331,566)</u>	<u>(59,207)</u>		<u>(390,773)</u>
Total capital assets, being depreciated, net	<u>413,489</u>	<u>167,566</u>		<u>581,055</u>
Governmental activities capital assets, net	<u>\$ 558,155</u>	<u>\$ 167,566</u>	<u>\$ 10,000</u>	<u>\$ 715,721</u>
Business-type activities (Enterprise Funds)				
Capital assets, not being depreciated:				
Land	<u>\$ 3,262</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,262</u>
Capital assets, being depreciated:				
Sewer collection system	2,801,807			2,801,807
Water distribution system	619,294			619,294
Equipment	<u>9,105</u>			<u>9,105</u>
Total capital assets, being depreciated	<u>3,430,206</u>			<u>3,430,206</u>
Less accumulated depreciation for:				
Sewer collection system	(719,145)	(55,006)		(774,151)
Water distribution system	(214,086)	(10,541)		(224,627)
Equipment	<u>(9,105)</u>			<u>(9,105)</u>
Total accumulated depreciation	<u>(942,336)</u>	<u>(65,547)</u>		<u>(1,007,883)</u>
Total capital assets, being depreciated, net	<u>2,487,870</u>	<u>(65,547)</u>		<u>2,422,323</u>
Business-type activities capital assets, net	<u>\$2,491,132</u>	<u>\$ (65,547)</u>		<u>\$2,425,585</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 8,936
Public safety	5,560
Parks	3,307
Internal service fund	<u>41,404</u>
Total depreciation expense- governmental activities	<u>\$ 59,207</u>
Business-type activities:	
Sewer	\$ 55,006
Water	<u>10,541</u>
Total depreciation expense- business-type activities	<u>\$ 65,547</u>

D. Interfund receivables, payables, and transfers

Interfund transfers:

Transfer out:	<u>Transfer In:</u>		
	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Total</u>
Major street fund	<u>\$</u>	<u>\$ 6,834</u>	<u>\$ 6,834</u>

The composition of interfund balances as of February 28, 2007, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major street	Local street	<u>\$ 469</u>

E. Long-term debt

2006 General Obligation Limited Tax Bond

The Village (general fund) on November 9, 2006 purchased a fire truck for \$218,084 and incurred related expenses of \$4,300 as of February 23, 2007. The cost of fire truck was paid with funds of \$48,384, a FmHA grant of \$45,000, and a FmHA loan of \$129,000. The terms of the agreement were fifteen annual payments. Interest is not to exceed 4.125% per annum, payable on October 1 and April 1 of each year until maturity or earlier prepayment of said installment. General Obligation bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	4.125%	<u>\$ 129,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending February 28,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 6,000	\$ 5,321
2009	6,000	5,074
2010	7,000	4,826
2011	7,000	4,538
2012	8,000	4,207
2013 - 2017	43,000	16,089
2018 - 2022	<u>52,000</u>	<u>6,270</u>
Total	<u>\$ 129,000</u>	<u>\$ 46,325</u>

Revenue bonds

The Village issued bonds on June 17, 1992 to be paid from the revenues of the sewer system. The bonds were issued for the sewage disposal system, a business-type activity. The original amount of the bond was \$1,150,000. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities	5.0%	<u>\$1,025,000</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending February 28,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 20,000	\$ 48,250
2009	20,000	47,250
2010	25,000	46,250
2011	25,000	45,000
2012	25,000	43,750
2013-2017	145,000	199,250
2018-2022	185,000	158,500
2023-2027	235,000	107,500
2028-2032	<u>285,000</u>	<u>45,250</u>
Total	<u>\$ 965,000</u>	<u>\$ 741,000</u>

Changes in long-term liabilities

Long-term liability activity for the year ended February 28, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:				
General fund				
Bonds payable	\$ <u> </u>	\$ <u>129,000</u>	\$ <u>129,000</u>	\$ <u>6,000</u>
Business-type activities:				
Bonds payable:				
Revenue bonds	\$ <u>995,000</u>	\$ <u>(30,000)</u>	\$ <u>965,000</u>	\$ <u>20,000</u>

F. Segment information

The Village issued revenue bonds on June 17, 1992 to help finance the sewage disposal system. Summary financial information for the sewer department is presented below.

CONDENSED STATEMENT OF NET ASSETS

Assets:	
Current assets	\$ 105,938
Restricted assets	104,139
Capital assets	<u>2,030,918</u>
Total assets	<u>2,240,995</u>
Liabilities:	
Current liabilities	32,484
Bonds payable-noncurrent	<u>945,000</u>
Total liabilities	<u>977,484</u>
Net assets:	
Invested in capital assets, net of related debt	1,065,918
Restricted	104,139
Unrestricted	<u>93,454</u>
Total net assets	<u>\$ 1,263,511</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Sewer charges (pledged against bonds)	\$ 115,615
Depreciation expense	(55,006)
Other operating expenses	<u>(39,535)</u>
Operating income	21,074
Nonoperating revenues(expenses):	
Reimbursements	7,852
Investment earnings	6,153
Interest expense	<u>(49,000)</u>
Change in net assets	<u>(13,921)</u>
Beginning net assets	<u>1,277,432</u>
Ending net assets	<u>\$ 1,263,511</u>

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:	
Operating activities	\$ 76,806
Noncapital financing activities	7,852
Capital and related financing activities	<u>(79,250)</u>
Investing activities	<u>10,347</u>
Net increase (decrease)	15,755
Beginning cash and cash equivalents	<u>70,670</u>
Ending cash and cash equivalents	<u>\$ 86,425</u>

IV. Other information

A. Risk management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation). The Village was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Village joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Village pays an annual premium to the pool for its general insurance coverage.

The Village has purchased commercial insurance for all other risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Village is unable to provide an estimate of the amounts of additional assessments.

B. Pension plan

The Village does not provide a pension plan for its employees.

Required Supplementary Information

**Village of South Range
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended February 28, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Property taxes and related fees	\$108,486	\$ 125,486	\$104,961	\$(20,525)
Intergovernmental revenue from state:				
State revenue sharing	84,000	84,000	84,839	839
Ball field relocation		13,000	13,000	
Metro Act	2,500	2,500	2,055	(445)
Liquor tax	1,200	1,200		(1,200)
Interest and rents:				
Interest	3,800	4,800	4,726	(74)
Rents	6,000	7,000	7,525	525
Other revenue:				
Miscellaneous	6,500	8,900	14,434	5,534
Sale of assets	500	11,300	11,238	(62)
Private contributions		375	376	1
All other refunds and rebates	<u>3,500</u>	<u>3,500</u>	<u>4,244</u>	<u>744</u>
Total revenues	<u>216,486</u>	<u>262,061</u>	<u>247,398</u>	<u>(14,663)</u>
EXPENDITURES				
Current:				
Legislative:				
Village council	<u>29,550</u>	<u>27,050</u>	<u>22,019</u>	<u>5,031</u>
General government:				
Elections	850	850	57	793
Clerk	17,400	15,900	15,373	527
Board of review	80	80	80	
Treasurer	5,125	4,825	5,435	(610)
Hall & grounds	<u>13,600</u>	<u>14,700</u>	<u>16,749</u>	<u>(2,049)</u>
Total general government	<u>37,055</u>	<u>36,355</u>	<u>37,694</u>	<u>(1,339)</u>
Public safety:				
Police protection	25,000	25,000	17,952	7,048
Fire protection	<u>13,980</u>	<u>11,830</u>	<u>12,558</u>	<u>(728)</u>
Total public safety	<u>38,980</u>	<u>36,830</u>	<u>30,510</u>	<u>6,320</u>

Village of South Range
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended February 28, 2007
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
(CONTINUED):				
Current:				
Public works:				
Salaries	44,200	44,200	38,085	6,115
Safety meetings	2,700	2,700	3,163	(463)
Supplies	6,500	5,500	4,605	895
Safety equipment	800	800	787	13
Street lights	11,000	11,000	10,629	371
Miscellaneous	500	500		500
Total public works	<u>65,700</u>	<u>64,700</u>	<u>57,269</u>	<u>7,431</u>
Culture & recreation:				
Parks	<u>5,650</u>	<u>2,250</u>	<u>2,540</u>	<u>(290)</u>
Other:				
Fringe benefits	21,378	21,378	20,086	1,292
Equipment rental	30,000	35,000	40,707	(5,707)
Capital outlays	53,200	225,983	225,073	910
Debt service	11,400	11,400	2,172	9,228
Insurance	7,000	3,300	5,216	(1,916)
Miscellaneous	300	10,800	10,547	253
Special item		<u>13,000</u>	<u>13,000</u>	
Total other	<u>123,278</u>	<u>320,861</u>	<u>316,801</u>	<u>4,060</u>
Total expenditures	<u>300,213</u>	<u>488,046</u>	<u>466,833</u>	<u>21,213</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(83,727)</u>	<u>(225,985)</u>	<u>(219,435)</u>	<u>6,550</u>

Village of South Range
 General Fund
 Statement of Revenues, Expenditures, and Changes
 in Fund Balance - Budget and Actual
 For the Year Ended February 28, 2007
 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
OTHER FINANCING				
SOURCES (USES)				
Loan proceeds		129,000	129,000	
Federal grant		45,000	45,000	
		<u>174,000</u>	<u>174,000</u>	
Total other financing sources (uses)		<u>174,000</u>	<u>174,000</u>	
Net change in fund balances	(83,727)	(51,985)	(45,435)	6,550
Fund balances- beginning			<u>209,019</u>	
Fund balances- ending	<u>\$(83,727)</u>	<u>\$(51,985)</u>	<u>\$163,584</u>	<u>\$ 6,550</u>

See notes to financial statements

Village of South Range
Major Street Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended February 28, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental				
revenue from state:				
Streets & highways	\$ 52,000	\$ 56,000	\$ 58,209	\$ 2,209
Interest earnings	<u>200</u>	<u>200</u>	<u>177</u>	<u>(23)</u>
Total revenues	<u>52,200</u>	<u>56,200</u>	<u>58,386</u>	<u>2,186</u>
EXPENDITURES				
Public works:				
Administration	6,500	6,500	7,217	(717)
Routine maintenance				
streets	4,300	5,750	5,035	715
Winter maintenance	23,355	29,155	33,865	(4,710)
Sweeping	1,455	2,605	2,796	(191)
State trunkline				
maintenance	590	5,510	5,484	26
Traffic services	700	200	189	11
Construction	<u>10,000</u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>46,900</u>	<u>49,720</u>	<u>54,586</u>	<u>(4,866)</u>
Excess (deficiency)				
of revenues over				
(under)				
expenditures	5,300	6,480	3,800	(2,680)
OTHER FINANCING				
SOURCES (USES)				
Transfers out	<u> </u>	<u>(7,000)</u>	<u>(6,834)</u>	<u>166</u>
Net change in fund				
balances	5,300	(520)	(3,034)	(2,514)
Fund balances-				
beginning	<u> </u>	<u> </u>	<u>11,796</u>	<u>11,796</u>
Fund balances-				
ending	<u>\$ 5,300</u>	<u>\$ (520)</u>	<u>\$ 8,762</u>	<u>\$ 9,282</u>

See notes to financial statements

Village of South Range
Local Street Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended February 28, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 25,000	\$ 25,000	\$ 24,926	\$(74)
Intergovernmental revenue from state:				
Streets & highways	30,000	30,000	33,517	3,517
Contributions from local units:				
County	11,000	11,000	11,037	37
Interest earnings	1,100	1,600	2,872	1,272
Other revenue	5,000	5,000	5,000	5,000
 Total revenues	<u>72,100</u>	<u>67,600</u>	<u>72,352</u>	<u>4,752</u>
 EXPENDITURES				
Public works:				
Administration	6,500	6,500	7,299	(799)
Routine maintenance streets	9,100	7,490	5,881	1,609
Winter maintenance	26,950	26,650	38,156	(11,506)
Sweeping	4,390	5,730	5,896	(166)
Construction	10,000	10,000	10,000	10,000
 Total expenditures	<u>56,940</u>	<u>46,370</u>	<u>57,232</u>	<u>(10,862)</u>
 Excess (deficiency) of revenues over (under) expenditures	15,160	21,230	15,120	(6,110)
 OTHER FINANCING SOURCES (USES)				
Transfers in	7,000	7,000	6,834	(166)
 Net change in fund balances	15,160	28,230	21,954	(6,276)
 Fund balances- beginning	73,362	73,362	73,362	73,362
 Fund balances-ending	<u>\$ 15,160</u>	<u>\$ 28,230</u>	<u>\$ 95,316</u>	<u>\$ 67,086</u>

See notes to financial statements

Members of the Village Council
Village of South Range
South Range, Michigan

**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**

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of South Range, Michigan, as of and for the year ended February 28, 2007, which collectively comprise the Village of South Range, Michigan's basic financial statements and have issued my report thereon dated May 23, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village of South Range's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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*
Village of South Range
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of South Range's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Village Council, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary A. Auld, CPA, PC

May 23, 2007

Members of the Village Council
Village of South Range
South Range, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

The following comments are based on observations made during the course of my examination for the year ended February 28, 2007, and requirements of the Farmers Home Administration USDA's audit guide.

Requirements of Farmers Home Administration USDA's Audit Guide

1. An evaluation was made of the system of internal control. The system of internal control appeared to be adequate.
2. The Village is presently using the State of Michigan uniform chart of accounts.
3. The Village, at present, has adequate physical control over assets. The assets are being recorded as purchased in various funds, thus maintaining accounting control of the assets.
4. The Village appears to be in compliance with loan agreements, including the maintenance of cash reserves.
5. Financial reports included in the audit appear to be in agreement with the Village's accounting records.
6. Cash and cash investments which consist of savings accounts, certificates of deposit and bonds are stated at cost. The Village had \$657,824 of cash and cash investments at February 28, 2007 of which \$657,824 was insured.
7. The Village is periodically reviewing the insurance coverage.
8. The Village is exempt from federal income tax.

9. An aging of the accounts receivable of the water, sewer and garbage funds is as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Garbage</u>
0-30 days	\$ 9,450	\$ 3,893	\$ 3,551
31-60 days	9,663	(2,088)	2,581
61-90 days	_____	_____	_____
Total	<u>\$19,113</u>	<u>\$ 1,805</u>	<u>\$ 6,132</u>

This letter supplements the information in the basic financial statements and notes to the financial statements.

It is intended solely for the information and use of management, the Village Council, the Michigan Department of Treasury, Local Government Audit Division, and Farmers Home Administration and is not intended to be and should not be used by anyone other than these specified parties.

Barry E. Standish, CPA, PC

May 23, 2007