VILLAGE OF BUCKLEY
BUCKLEY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

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

Local Unit of Government Type	Local Unit Name	County
☐County ☐City ☐Twp ☒Village ☐Other	Village of Buckley	Wexford

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
February 28, 2006	August 20, 2006	August 26, 2006

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☒	
Other (Describe)	☒	Internal control and compliance report

Certified Public Accountant (Firm Name)	Telephone Number		
Barry E. Gaudette, CPA, PC	(231) 946-8930		
Street Address	**City**	**State**	**Zip**
1107 E. Eighth Street	Traverse City	MI	49686
Authorizing CPA Signature	**Printed Name**	**License Number**	
Barry E. Gaudette, CPA	Barry E. Gaudette, CPA	11050	

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INTRODUCTORY SECTION

Village of Buckley
List of Elected Officials and Village Officers
February 28, 2006

Dennis Kuhn	President
Larry Cade	Vice President /Trustee
Dennis Kuhn II	Clerk
Jacqueline Cade	Treasurer
Lex Armour	Trustee
Verneta Hartzell	Trustee
Wayne Kellogg	Trustee
Mary Jo Lance	Trustee
Kevin Krause	Trustee

FINANCIAL SECTION

Barry E. Gaudette, CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
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Fax (231) 946-1377

INDEPENDENT AUDITORS' REPORT

Members of the Village Council
Village of Buckley
Buckley, Michigan

I 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 Buckley, Michigan, as of and for the year ended February 28, 2006, 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 Buckley, 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.

In my 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 Buckley, Michigan, as of February 28, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note IV, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted, as of February 28, 2006.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 20, 2006, on my consideration of the Village of Buckley, 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.

Gary E. Vandetti, CPA, PC

August 20, 2006

BASIC FINANCIAL STATEMENTS

Village of Buckley
Statement of Net Assets
February 28, 2006

	Governmental Activities	Business -Type Activities	Totals
ASSETS			
Cash and cash equivalents	$ 66,366	$ 32,609	$ 98,975
Receivables, net	64,476	7,354	71,830
Prepaid expenses		3,888	3,888
Restricted cash	7,000	9,589	16,589
Investments:			
Unrestricted	50,527		50,527
Restricted	9,672		9,672
Capital assets (net of accumulated depreciation):			
Land and improvements	190,732	800	191,532
Buildings & improvements	345,442		345,442
Machinery and equipment	45,423	19,974	65,397
Fire trucks	69,245		69,245
Water system		306,137	306,137
Total assets	848,883	380,351	1,229,234
LIABILITIES			
Accounts payable	4,689	21,923	26,612
Accrued interest		2,192	2,192
Noncurrent liabilities:			
Due within one year	5,000	6,000	11,000
Due in more than one year	180,000	86,281	266,281
Total liabilities	189,689	116,396	306,085
NET ASSETS			
Invested in capital assets, net of related debt	650,842	326,911	977,753
Restricted for:			
Fire equipment	16,672		16,672
Debt service		9,589	9,589
Unrestricted	(8,320)	(72,545)	(80,865)
Total net assets	$ 659,194	$ 263,955	$ 923,149

See notes to financial statements

Village of Buckley
Statement of Activities
For the Year Ended February 28, 2006

Functions /Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:				
Legislative	$ 7,020	$	$	$
General Government	34,675	14,053		
Public safety	88,528		23,322	
Public works	106,072			
Health & welfare	5,173			
Community/ economic development	3,818			
Recreation & culture	375			
Interest expense	9,487			
Total governmental activities	255,148	14,053	23,322	
Business-type activities:				
Water	79,062	54,908		
Total	$ 334,210	$ 68,961	$ 23,322	$

General revenues:
Property taxes & administrative fees
Licenses & fees
State aid
Interest earnings
Rentals

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
$(7,020)	$	$(7,020)
(20,622)		(20,622)
(65,206)		(65,206)
(106,072)		(106,072)
(5,173)		(5,173)
(3,818)		(3,818)
(375)		(375)
(9,487)		(9,487)
(217,773)		(217,773)
	(24,154)	(24,154)
(217,773)	(24,154)	(241,927)
111,715		111,715
1,691		1,691
107,779		107,779
1,503	326	1,829
30,057	31,600	61,657
252,745	31,926	284,671
34,972	7,772	42,744
624,222	256,183	880,405
$ 659,194	$ 263,955	$ 923,149

Village of Buckley
Balance Sheet
Governmental Funds
February 28, 2006

	General	Major Street	Local Street	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 24,529	$ 28,918	$ 12,919	$ 66,366
Cash-reserved	7,000			7,000
Investments:				
Unrestricted	50,527			50,527
Reserved	9,672			9,672
Taxes receivable	33,483			33,483
Due from state	15,171	7,631	3,080	25,882
Accounts receivable	5,111			5,111
Due from other funds		7,500		7,500
Total assets	$ 145,493	$ 44,049	$ 15,999	$ 205,541
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 4,689	$	$	$ 4,689
Due to other funds			7,500	7,500
Total liabilities	4,689		7,500	12,189
Fund balances:				
Reserved	16,672			16,672
Unreserved, reported in:				
General fund	124,132			124,132
Major street fund		44,049		44,049
Local street fund			8,499	8,499
Total fund balances	140,804	44,049	8,499	193,352
Total liabilities and fund balances	$ 145,493	$ 44,049	$ 15,999	$ 205,541

See notes to financial statements

Village of Buckley
Reconciliation of the Governmental Funds
Balance Sheet
with the Statement of Net Assets
February 28, 2006

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

Total Fund Balance - Governmental Funds	$ 193,352
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:	
Cost of capital assets	978,804
Accumulated depreciation	(327,962)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(185,000)
Total Net Assets - Governmental Activities	$ 659,194

See notes to financial statements

Village of Buckley
Statement of Revenues, Expenditures, and Changes In Fund Balance
Governmental Funds
For the Year Ended February 28, 2006

	General	Major Street	Local Street	Total Governmental Funds
REVENUES				
Taxes & adm. fees	$ 111,715	$	$	$ 111,715
Licenses & fees	1,691			1,691
State aid	48,413	42,296	17,070	107,779
Contributions from local units	23,322			23,322
Interest earnings	1,192	221	90	1,503
Equipment rents	30,057			30,057
Sale of land	49,395			49,395
Ambulance services	10,803			10,803
Reimbursements	3,250			3,250
Total revenues	279,838	42,517	17,160	339,515
EXPENDITURES				
Current:				
Legislative	7,020			7,020
General government	34,675			34,675
Public safety	72,012			72,012
Public works	54,736	17,786	19,139	91,661
Health & welfare	5,173			5,173
Community/economic development	3,818			3,818
Recreation & culture	375			375
Debt payments:				
Principal	5,000			5,000
Interest	9,487			9,487
Capital outlays	12,336			12,336
Total expenditures	204,632	17,786	19,139	241,557
Excess(deficiency) of revenues over(under) expenditures	75,206	24,731	(1,979)	97,958
OTHER FINANCING SOURCES(USES)				
Transfers in(out)		(7,500)	7,500	
Net changes in fund balances	75,206	17,231	5,521	97,958
Fund balances - beginning	65,598	26,818	2,978	95,394
Fund balances - ending	$ 140,804	$ 44,049	$ 8,499	$ 193,352

See notes to financial statements

Village of Buckley
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, 2006

Amounts reported for governmental activities in the statement of activities are different because:		
Total net change in fund balances - total governmental funds		$ 97,958
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 exceeded depreciation in the current period.		
	Capital outlays	12,336
	Depreciation	(30,927)
Governmental funds report the sale of fixed assets as revenue, without considering the cost of the asset. The change in net assets subtracts the cost of the asset from the sale proceeds to reflect the gain or loss.		
	Sale of fixed asset	(49,395)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		5,000
Change in net assets of governmental activities		$ 34,972

See notes to financial statements

Village of Buckley
Statement of Net Assets
Proprietary Funds
February 28, 2006

	Business-type Activities -Enterprise Funds	
	Water Fund	
	Prior Year	Current Year
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,758	$ 32,609
Receivables, net	1,760	7,354
Prepaid insurance	3,460	3,888
Due from other funds	11,500	
Total current assets	23,478	43,851
Noncurrent assets:		
Restricted cash and cash equivalents	2,879	1,213
Restricted investments	8,221	8,376
Capital assets:		
Land	800	800
Buildings & improvements	83,440	83,440
Vehicles & equipment	5,371	26,396
Water distribution system	670,718	674,834
Meters	26,581	28,873
Less accumulated depreciation	(459,571)	(487,432)
Total noncurrent assets	338,439	336,500
Total assets	361,917	380,351
LIABILITIES		
Current liabilities:		
Accounts payable		21,923
Accrued interest	2,453	2,192
Current portion of revenue bonds	6,000	6,000
Total current liabilities	8,453	30,115
Noncurrent liabilities:		
Bonds payable	97,281	86,281
Total liabilities	105,734	116,396
NET ASSETS		
Invested in capital assets, net of related debt	327,339	326,911
Restricted for debt service	11,100	9,589
Unrestricted	(82,256)	(72,545)
Total net assets	$ 256,183	$ 263,955

See notes to financial statements

Village of Buckley
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended February 28, 2006

	Business-type Activities -Enterprise Funds	
	Water Year	
	Prior Year	Current Year
Operating revenues:		
Charges for services	$ 52,201	$ 54,908
Rents	18,100	31,600
Total operating revenues	70,301	86,508
Operating expenses:		
Depreciation	30,633	27,861
Wages	27,232	18,363
Repairs, maintenance & supplies	5,607	7,319
Equipment rental expense		5,760
Insurance	8,918	7,969
Utilities	5,027	4,906
Total operating expenses	77,417	72,178
Operating income(loss)	(7,116)	14,330
Nonoperating revenue(expenses):		
Investment earnings	435	326
Interest expense	(7,430)	(6,884)
Total nonoperating revenue(expenses)	(6,995)	(6,558)
Change in net assets	(14,111)	7,772
Total net assets-beginning	270,294	256,183
Total net assets-ending	$ 256,183	$ 263,955

See notes to financial statements

Village of Buckley
Statement of Cash Flows
Proprietary Funds
For the Year Ended February 28, 2006

	Business-type Activities -Enterprise Funds	
	Water Fund	
	Prior Year	Current Year
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 72,295	$ 80,912
Payments to suppliers	(19,922)	(4,457)
Payments to employees	(27,232)	(18,363)
Net cash provided by operating activities	25,141	58,092
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Due from other funds	(12,600)	11,500
Net cash provided (used) by noncapital financing activities	(12,600)	11,500
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of meters & connections	(20,296)	(6,408)
Purchase of equipment		(21,025)
Interest expense	(7,572)	(7,145)
Payment of principal on long-term debt	(6,000)	(11,000)
Net cash (used) by capital and related financing activities	(33,868)	(45,578)
CASH FLOWS FROM INVESTING ACTIVITIES		
Restricted cash	(357)	1,511
Interest received	435	326
Net cash provided by investing activities	78	1,837

Village of Buckley
Statement of Cash Flows
Proprietary Funds
For the Year Ended February 28, 2006
(Continued)

	Business-type Activities -Enterprise Funds	
	Water Fund	
	Prior Year	Current Year
Net increase (decrease) in cash and cash equivalents	(21,249)	25,851
Cash and cash equivalents, beginning	28,007	6,758
Cash and cash equivalents, ending	$ 6,758	$ 32,609

Village of Buckley
Statement of Cash Flows
Proprietary funds
For the Year Ended February 28, 2006
(Continued)

	Business-type Activities - Enterprise Funds	
	Water Fund	
	Prior Year	Current Year
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income(loss)	$(7,116)	$ 14,330
Adjustments to reconcile operating income to net cash provided(used) by operating activities:		
Depreciation expense	30,633	27,861
(Increase) decrease in accounts receivable	1,994	(5,594)
prepaid insurance	(370)	(429)
(Decrease) increase in accounts payable		21,924
Total adjustments	32,257	43,762
Net cash provided (used) by operating activities	$ 25,141	$ 58,092

See notes to financial statements

Village of Buckley
Notes to the Financial Statements
February 28, 2006

I. Summary of significant accounting policies

The financial statements of the Village of Buckley (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 five-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. The Village does not have any fiduciary funds.

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 Wexford County, which advances the Village 100% for the delinquent taxes.

The 2005 real property taxable valuation of the Village totaled $11,519,716, on which ad valorem taxes levied consisted of 9.2070 mills for Village operating purposes. This amount is recognized in the General Fund as current tax revenue. A 1% administration fee was charged this year for the first time and totalled $1,104.

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 *water fund* accounts for activities of the business-type - Enterprise Fund of the Village. The intent of the Village's Board is that the costs of providing water service to the general public on a continuing basis be financed or recovered primarily through user charges.

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 general fund, and other charges between the government's water functions 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 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 water bills on the tax rolls on an annual basis.

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 water revenue bonds, 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 Village has two accounts at Honor State Bank in a certificate of deposit valued at $8,376 and a checking account (NOW account) with a balance of $1,213 as of February 28, 2006. These monies are reserved in the Water Fund for payment of future debt payments.

The General Fund has a certificate of deposit of $9,672 and a savings account of $7,000 reserved for the purchase of a fire truck in the future.

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:

Assets	Years
Buildings	40
Equipment	10
Water system	25
Park & recreation improvements	20
Fire hall & improvements	40
Fire vehicles	20
DPW vehicles & equipment	10

6. Compensated absences

The Village does not account for employee accrued sick and vacation pay. The Village's policy is to reimburse its employees for any sick and/or vacation pay unused at year-end.

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.

9. Comparative data/reclassifications

Comparative total data for the prior year have been presented for the individual enterprise fund in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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 not 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, 2006, expenditures exceeded appropriations in the following activities:

	Final Budget	Actual	Variance
General Fund:			
Health & welfare:			
Ambulance services	$ 5,000	$ 5,173	$(173)
Debt payments	10,000	14,487	(4,487)

These overexpenditures were funded by available fund balances, respectively.

III. Detailed notes on all funds

A. Deposits, investments and credit risk

Deposits

At year-end, the carrying amount of the Village's deposits were $107,188 and the bank balance was $119,307, of which $119,307 was covered by federal depository insurance.

Investments

The Village had the following investment at the Honor State Bank as of February 28, 2006:

The Honor State Bank - CD	(#3500000109)	$ 50,527
The Honor State Bank - CD	(#3424401)	9,672
The Honor State Bank - CD	(#3765504)	8,376
		$ 68,575

Interest Rate Risk - The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fail value losses arising from increasing interest rates.

Credit Risk - The Village's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Village shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation(FDIC), National Credit Union Share Insurance Fund(NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depositary of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Village shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Village held in trust by the financial institution or bank. The Village may

choose collateralization in the following form and percentages:

1. U.S. Treasury Notes	-	100%; or
2. U.S. Treasury Notes and/or Bonds	-	75% and
3. Mortgage Backed Securities	-	25%

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the following collateralization at a minimum once every quarter to the Village.

The Village has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Village places no limit on the amount the Village may invest in any one issuer. All of the Village's investments are reported in the General and Water Funds.

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	$ 107,188
Investments	68,575
Total	$ 175,763
Cash and cash equivalents:	
General, major and local street funds	$ 145,454
Water fund	42,428
Checks written in excess of deposits	(12,119)
Total	$ 175,763

B. Receivables

Receivables as of year end for the government's individual major funds consist of $15,171, $7,631 and $3,080, respectively in the general fund, major street and local street funds. These receivables represent monies owed from the State of Michigan for state revenue sharing, and Act 51 monies, and local road plan costs. The receivables in the enterprise funds consist of accounts receivable from customers of $7,354.

C. Capital assets

Capital asset activity for the year ended February 28, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land & improvements	$ 240,127	$	$ 49,395	$ 190,732
Total capital assets, not being depreciated	240,127		49,395	190,732
Capital assets, being depreciated:				
Buildings & improvements	478,076	8,706		486,782
Parks & recreation	26,600			26,600
Fire trucks	171,339			171,339
DPW machinery & equipment	96,641	2,775		99,416
Fire equipment	3,080	855		3,935
Total capital assets being depreciated	775,736	12,336		788,072
Less accumulated depreciation for:				
Buildings & improvements	(129,177)	(12,163)		(141,340)
Parks & recreation	(26,600)			(26,600)
Fire trucks	(93,527)	(8,567)		(102,094)
DPW machinery & equipment	(47,423)	(9,804)		(57,227)
Fire equipment	(308)	(393)		(701)
Total accumulated depreciation	(297,035)	(30,927)		(327,962)
Total capital assets, being depreciated, net	478,701	(18,591)		460,110
Governmental activities capital assets, net	$ 718,828	$(18,591)	$ 49,395	$ 650,842

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities (Enterprise Funds)				
Capital assets, not being depreciated:				
Land	$ 800	$	$	$ 800
Capital assets, being depreciated:				
Buildings & improvements	83,440			83,440
Vehicles & equipment	5,371	21,025		26,396
Water distribution system	670,718	4,116		674,834
Meters	26,581	2,292		28,873
Total capital assets, being depreciated	786,110	27,433		813,543
Less accumulated depreciation for:				
Buildings & improvements	(83,440)			(83,440)
Vehicles & equipment	(5,371)	(1,051)		(6,422)
Water distribution system	(344,179)	(26,810)		(370,989)
Meters	(26,581)			(26,581)
Total accumulated depreciation	(459,571)	(27,861)		(487,432)
Total capital assets, being depreciated, net	326,539	(428)		326,111
Business-type activities capital assets, net	$ 327,339	$(428)	$	$ 326,911

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

Governmental activities:	
Public works	$ 14,411
Public safety	16,516
Total depreciation expense-governmental activities	$ 30,927
Business-type activities:	
Water	$ 27,861

Total depreciation expense-business-type activities	$ 27,861

D. Interfund receivables, payables, and transfers

Interfund transfers:

	Transfer In:		
Transfer out:	Major Street Fund	Local Street Fund	Total
Major Street Fund	$	$ 7,500	$ 7,500
Total transfers in	$	$ 7,500	$ 7,500

The composition of interfund balances as of February 28, 2006, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Major street	Local street	$ 7,500
Total		$ 7,500

E. Long-term debt

Revenue bonds

The Village issued bonds on May 1, 1983 to be paid from the revenues of the water system. The bonds were issued for the water supply system, a business-type activity. The original amount of the bond was $175,000. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Business-type activities	7.125%	$ 92,281

Revenue bond debt service requirements to maturity are as follows:

Year Ending February 28,	Principal	Interest
2007	$ 6,000	$ 6,575
2008	6,000	6,148
2009	6,000	5,720
2010	6,000	5,293
2011	6,000	4,865
2012-2016	33,000	17,700
2017-2021	29,281	5,333
Total	$ 92,281	$ 51,634

Changes in long-term liabilities

Long-term liability activity for the year ended February 28, 2006, was as follows:

	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-type activities:				
Bonds payable:				
Revenue bonds	$ 103,281	$(11,000)	$ 92,281	$ 6,000

General Obligation Bonds

The Village issued bonds on December 12, 2002 to be paid from the limited tax, full faith, credit and resources of the Village. The bonds were issued for pay for the cost of constructing and equipping a new fire hall, from the general funds of the Village. The original amount of the bond was $200,000. General obligation bonds outstanding at year are as follows:

Purpose	Interest Rates	Amount
Governmental funds	5.0934947%	$ 185,000

General obligation debt service requirements to maturity are as follows:

Year Ending February 28,	Principal	Interest
2007	$ 5,000	$ 9,200
2008	5,000	8,912
2009	5,000	8,638
2010	5,000	8,362
2011	10,000	8,100
2012-2016	50,000	33,155
2017-2021	70,000	20,090
2022-2023	35,000	2,880
Total	$ 185,000	$ 99,337

Changes in long-term liabilities

Long-term liability activity for the year ended February 28, 2006, was as follows:

	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental activities:				
Bonds payable:				
General obligation bonds	$ 190,000	$ 5,000	$ 185,000	$ 5,000

F. Segment information

The Village issued revenue bonds on May 1, 1983 to help finance improvements to the Water Supply System consisting of water mains, wells, pumps, a 100,000 gallon elevated tank, water meters, together with all necessary attachments and appurtenances. Summary financial information for the water department is presented below.

CONDENSED STATEMENT OF NET ASSETS

Assets:	
Current assets	$ 43,851
Restricted assets	9,589
Capital assets	326,911
Total assets	380,351
Liabilities:	
Current liabilities	30,115
Bonds payable-noncurrent	86,281
Total liabilities	116,396
Net assets:	
Invested in capital assets, net of related debt	326,911
Restricted	9,589
Unrestricted	(72,545)
Total net assets	$ 263,955

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

Water charges (pledged against bonds)	$ 52,895
Penalties & late charges	1,109
New service hookups	904
Rents	31,600
Depreciation expense	(27,861)
Other operating expenses	(44,317)
Operating income(loss)	14,330
Nonoperating revenues(expenses):	
Investment earnings	326
Interest expense	(6,884)
Change in net assets	7,772
Beginning net assets	256,183
Ending net assets	$ 263,955

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:	
Operating activities	$ 58,092
Noncapital financing activities	11,500
Capital and related financing activities	(45,578)
Investing activities	1,837
Net increase (decrease)	25,851
Beginning cash and cash equivalents	6,758
Ending cash and cash equivalents	$ 32,609

G. Schedule of investment in capital assets

Changes in the investment in capital assets(formerly contributed equity) in the enterprise fund type for the year ended February 28, 2006, consist of the following:

Balance - beginning	$ 327,339
Deduct: Depreciation of assets purchased from contributed equity	(428)
Balance - ending	$ 326,911

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 elected to cover its employees under a pension plan through Municipal Retirement Systems, Inc. The election was effective on July 1, 1991 and was in lieu of coverage under the social security system. The plan is known as a Money Purchase Pension plan and the Village is required to contribute 50% of the cost for each employee. The Village contributed $3,777 during the fiscal year ended February 28, 2006.

Eligibility:	Minimum Age: 18 Maximum Age: 75 Years of Service: 0
Contribution Formula:	The Employer contributes 6.0% of the Employee's annual compensation; Employee contributes 6.0% of his/her annual compensation.
Optional Past Service:	The Employer contributes 3.0% of the Employee's current annual compensation for each eligible year of past service up to a maximum of 10 years.
Ownership of Funds:	Vesting (ownership) is 100% immediate. All funds deposited belong to the Employee in the event of death, disability, retirement or job severance. Includes contributions for future and past service and funds transferred from another plan.
Retirement Benefit:	Life and Ten Year Certain Annuity. Guarantees you a monthly check for <u>as long as you live</u>; and also in case of your death, continues payments to your beneficiary until a combined sum of 120 payments have been made to you and your beneficiary. Other options are available.

Funding Vehicle:	Flexible Premium Annuity.
Insurance Company:	USG Annuity and Life Company, a subsidiary of The Equitable Life of Iowa.
Interest Rate:	Current rate plus 'bonus' interest equals 8.1%.
Normal Retirement Date:	At age 65, or if age 61 or older at entry, at the completion of five years of plan participation.
Plan Expenses:	Participant Fees - None Sales Charges - None Asset Charges - None Administration Fee - $100 annually

C. Implementation of new accounting standard

As of and for the year ended February 28, 2006, the Village implemented GASB Statement Number 34 - *Basic Financial Statements -and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

Required Supplementary Information

Village of Buckley
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended February 28, 2006

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Property taxes and related fees	$ 98,350	$ 98,350	$111,715	$ 13,365
Licenses and fees	1,750	1,750	1,691	(59)
State aid	62,500	50,000	48,413	(1,587)
Contributions from local units	11,500	37,500	23,322	(14,178)
Interest earnings	750	750	1,192	442
Equipment rents	26,750	30,000	30,057	57
Sale of land		50,000	49,395	(605)
Ambulance services			10,803	10,803
Reimbursements	25,750		3,250	3,250
Total revenues	227,350	268,350	279,838	11,488
EXPENDITURES				
Current:				
Legislative:				
Village council	9,500	15,500	7,020	8,480
General government:				
President	3,000	4,000	2,525	1,475
Elections	3,000	3,000	1,882	1,118
General administrative	12,000	12,750	9,853	2,897
Clerk	11,400	12,225	11,157	1,068
Treasurer	9,025	13,500	9,258	4,242
Total general government	38,425	45,475	34,675	10,800

Village of Buckley
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended February 28, 2006
(Continued)

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
EXPENDITURES (CONTINUED):				
Current:				
Public safety:				
Fire:				
Wages	4,950	11,000	9,513	1,487
Operating supplies	7,500	20,000	8,202	11,798
Gas & oil	2,000	3,000	772	2,228
Communications	1,500	1,500		1,500
Utilities	9,750	9,750	8,529	1,221
Insurance	8,000	10,000	9,755	245
Education & training	2,000	2,000	1,578	422
Equipment		30,000	8,663	21,337
Hydrant rental	11,500	25,000	25,000	
Total public safety	47,200	112,250	72,012	40,238
Public works:				
DPW:				
Salaries	35,000	17,500	16,693	807
Fringe benefits	4,250	6,500	3,634	2,866
Supplies	15,000	12,500	2,680	9,820
Gas and oil	1,500	3,500	2,373	1,127
Communications		2,000		2,000
Insurance	14,500	14,500	14,242	258
Utilities	5,450	5,000	4,461	539
Total DPW	75,700	61,500	44,083	17,417
Street lighting	14,000	14,000	10,653	3,347
Total public works	89,700	75,500	54,736	20,764
Health & welfare:				
Ambulance services	10,000	5,000	5,173	(173)
Community/economic development:				
Planning commission	4,500	6,500	3,818	2,682

Village of Buckley
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended February 28, 2006
(Continued)

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
EXPENDITURES (CONTINUED):				
Current:				
Recreation & culture:				
Parks & recreation		500	375	125
Debt payments:				
Principal & interest	20,000	10,000	14,487	(4,487)
Capital outlay	5,000	12,450	12,336	114
Total expenditures	224,325	283,175	204,632	78,543
Net change in fund balances	3,025	(14,825)	75,206	90,031
Fund balances-beginning	109,412	109,413	65,598	(43,815)
Fund balances-ending	$112,437	$ 94,588	$140,804	$ 46,216

See notes to financial statements

Village of Buckley
Major Street Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended February 28, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
State aid	$ 49,500	$ 49,500	$ 42,296	$(7,204)
Interest earnings	450	450	221	(229)
Total revenues	49,950	49,950	42,517	(7,433)
EXPENDITURES				
Public works:				
Routine maintenance	26,500	24,500	17,786	6,714
Total expenditures	26,500	24,500	17,786	6,714
Excess (deficiency) of revenues over (under) expenditures	23,450	25,450	24,731	(719)
OTHER FINANCING SOURCES(USES)				
Transfers in (out)	(7,500)	(7,500)	(7,500)	
Net change in fund balances	15,950	17,950	17,231	(719)
Fund balances-beginning	41,287	41,287	26,818	(14,469)
Fund balances-ending	$ 57,237	$ 59,237	$ 44,049	$(15,188)

See notes to financial statements

Village of Buckley
Local Street Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended February 28, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
State aid	$ 19,750	$ 19,750	$ 17,070	$(2,680)
Interest earnings	100	100	90	(10)
Total revenues	19,850	19,850	17,160	(2,690)
EXPENDITURES				
Public works:				
Routine maintenance	35,000	22,000	19,139	2,861
Total expenditures	35,000	22,000	19,139	2,861
Excess (deficiency) of revenues over (under) expenditures	(15,150)	(2,150)	(1,979)	171
OTHER FINANCING SOURCES(USES)				
Transfers in (out)	17,500	7,500	7,500	
Net change in fund balances	2,350	5,350	5,521	171
Fund balances-beginning	3,057	3,057	2,978	(79)
Fund balances-ending	$ 5,407	$ 8,407	$ 8,499	$ 92

See notes to financial statements

Barry E. Gaudette, CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

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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*

Members of the Village Council
Village of Buckley
Buckley, Michigan

I have audited the financial statements of the business-type activities of the Village of Buckley, Michigan, (Village) as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements and have issued my report thereon dated August 20, 2006. 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'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 assurance 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 operations that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the

Compliance and Other Matters - Continued

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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, 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.

Barry E. Vandell, CPA, PC

August 20, 2006

COMMENTS AND RECOMMENDATIONS

Barry E. Gaudette, CPA, P.C.
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Members of the Village Council
Village of Buckley
Buckley, 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, 2006, and requirements of the Farmers Home Administration USDA's audit guide.

Internal Control

An evaluation was made of the system of internal control. Some of the internal controls include the use of software for the collection of water receipts, prenumbered receipts, the bank reconcilement is done by the treasurer and checked by the clerk, the general ledger is prepared by the clerk, check disbursements are signed and approved by the treasurer and clerk, and the council approves all disbursements.

Chart of Accounts

The Village uses the State of Michigan uniform chart of accounts.

Control over Assets

The Village has adequate physical control over its assets. The assets are being recorded as purchased in their funds, thus maintaining accounting control of the assets.

Loan Agreements

The Village appears to be in compliance with loan agreements, including the maintenance of cash reserves.

Accounting Records

The financial reports included in the audit are in agreement with the Village's accounting records.

Cash and Cash Equilvalents

At year end, the carrying amount of the Village's deposits were $107,188 and the bank balance was $119,307. Of the bank balance, $119,307 was covered by Federal Deposit Insurance Corporation (FDIC). The Village also has Certificate of Deposits of $68,575. There were no Village funds uninsured at February 28, 2006.

Bond and Insurance Policies

Bond and insurance policies were examined. The Village reviews it insurance coverage on an annual basis.

Bond Requirements

As of February 28, 2006, the Village is in compliance with the requirements set forth for the water system's bonds.

Income Tax Status

The Village is exempt from federal income tax.

Aging of Accounts Receivable

Water accounts are billed monthly. An aging of the accounts receivable is as follows:

Fund	Total	Over 90 Days
Water	$ 7,354	$ 7,354

Cash Flows

The water fund cash flow during the current year was $25,851, which is $47,100 more than the prior year. The water rates were increased.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management, the Township Board, the Michigan Department of Treasury and USDA and should not be used for any other purpose.

Gary E Vandette, CPA, PC

August 20, 2006