

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 <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Standish	County Arenac
Fiscal Year End June 30, 2007	Opinion Date December 27, 2007	Date Audit Report Submitted to State December 28, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Yeo & Yeo, PC		Telephone Number (989) 793-9830	
Street Address 3023 Davenport Avenue		City Saginaw	State MI
Authorizing CPA Signature		Printed Name David R. Youngstrom	Zip 48638
		License Number 262757	

<i>Paul Ruppstein</i>		
-----------------------	--	--

City of Standish

Standish, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2007

Table of Contents

<u>Section</u>	<u>Page</u>
1 List of Elected and Appointed Officials	1 – 1
2 Independent Auditors’ Report	2 – 1
3 Management’s Discussion and Analysis	3 – 1
4 Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	4 – 1
Statement of Activities	4 – 2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4 – 3
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities	4 – 4
Statement of Revenues, Expenditures and Changes in Fund Balances	4 – 5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 – 7
Proprietary Funds	
Statement of Net Assets	4 – 8
Statement of Revenues, Expenses and Changes in Fund Net Assets	4 – 9
Statement of Cash Flows	4 – 10
Notes to Financial Statements	4 – 12

<u>Section</u>	<u>Page</u>	
5	Required Supplemental Information	
	Budgetary Comparison Schedule	
	General Fund	5 – 1
	Major Street Fund	5 – 3
	Local Street Fund	5 – 4
	Street Capital Projects Fund	5 – 5
6	Other Supplemental Information	
	Nonmajor Governmental Funds	
	Combining Balance Sheet	6 – 1
	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	6 – 2
	Component Unit – Downtown Development Authority	
	Budgetary Comparison Schedule	6 – 3
	Schedule of Indebtedness	6 – 4

City of Standish
List of Elected and Appointed Officials
June 30, 2007

City Council

Kevin King	Mayor
Jerry Nelson	Mayor Pro-Tem
Clark Sanford	Councilmember
Mark Winslow	Councilmember
Tim Campau	Councilmember
Lester Cousineau	Councilmember
Richard Vollbach, Jr.	Councilmember

Other Officers and Officials

Tori D. Kelly	City Manager
---------------	--------------

Independent Auditors' Report

To the City Council
City of Standish
Standish, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Standish as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Standish's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Standish as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2007 on our consideration of the City of Standish internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Standish's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

December 27, 2007
Saginaw, Michigan

City of Standish
Management's Discussion and Analysis
Year Ended June 30, 2007

Our discussion and analysis of the City of Standish's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2007.

Total net assets related to the City's governmental activities are \$2,846,460. The unrestricted portions of net assets are \$(94,890) (see table of statement of net assets on the following page).

Tax revenues, the City's largest revenue source, increased by approximately \$130,000 from 2006. This is representative of new construction that the City experienced in the prior year as well as an increase in taxable value for those properties that were sold in the current year. Without new development, the City will be faced with declining tax revenue, a direct result of Proposal A, which is a major concern to the City.

State shared revenues, our second largest revenue source, were reduced for a third year by about \$46,000 by the State of Michigan. In light of continuing State budget problems, and constant threat to take away all revenue sharing, the City has reacted by invoking tighter controls over all expenditures, while attempting to encourage economic growth. The City was fortunate this fiscal year to again experience an increase in tax revenues. We are hopeful that with a continuing drive to improve services available to residents and businesses, our tax base will consistently increase each year.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City of Standish as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the City.

City of Standish
Management's Discussion and Analysis
Year Ended June 30, 2007

The City of Standish as a Whole

The following table shows, in a condensed format, the statement of net assets as of June 30, 2006 and 2007.

	Governmental Activities <u>2006</u>	Governmental Activities <u>2007</u>	Business-type Activities <u>2006</u>	Business-type Activities <u>2007</u>	Total <u>2006</u>	Total <u>2007</u>
Current assets	\$ 458,340	\$ 631,359	\$ 642,084	\$ 675,355	\$ 1,100,424	\$ 1,306,714
Capital assets	<u>3,635,611</u>	<u>3,966,933</u>	<u>13,939,829</u>	<u>13,994,489</u>	<u>17,575,440</u>	<u>17,961,422</u>
Total assets	<u>4,093,951</u>	<u>4,598,292</u>	<u>14,581,913</u>	<u>14,669,844</u>	<u>18,675,864</u>	<u>19,268,136</u>
Current liabilities	179,501	759,723	400,373	497,352	579,874	1,257,075
Long term liabilities	<u>1,041,613</u>	<u>992,109</u>	<u>5,088,000</u>	<u>4,980,500</u>	<u>6,129,613</u>	<u>5,972,609</u>
Total liabilities	<u>1,221,114</u>	<u>1,751,832</u>	<u>5,488,373</u>	<u>5,477,852</u>	<u>6,709,487</u>	<u>7,229,684</u>
Total net assets	<u>\$ 2,872,837</u>	<u>\$ 2,846,460</u>	<u>\$ 9,093,540</u>	<u>\$ 9,191,992</u>	<u>\$ 11,966,377</u>	<u>\$ 12,038,452</u>

The City's net assets for governmental activities are \$2,846,460 and \$9,191,992 for business type activities; of these amounts \$(94,890) (governmental) and \$308,003 (business-type) are unrestricted assets.

City of Standish
Management's Discussion and Analysis
Year Ended June 30, 2007

	Governmental Activities <u>2006</u>	Governmental Activities <u>2007</u>	Business-type Activities <u>2006</u>	Business-type Activities <u>2007</u>	Total <u>2006</u>	Total <u>2007</u>
Revenue						
Program revenue						
Charges for services	\$ 64,848	\$ 73,008	\$ 879,925	\$ 981,475	\$ 944,773	\$ 1,054,483
Operating grants and contributions	125,878	134,923	-	-	125,878	134,923
Capital grants and contributions	73,362	221,372	1,535,250	541,897	1,608,612	763,269
General revenue						
Property taxes	605,992	618,648	36,997	-	642,989	618,648
State-shared revenue	246,468	200,407	-	-	246,468	200,407
Unrestricted investment earnings	6,240	11,553	4,834	-	11,074	11,553
Miscellaneous revenue	<u>152,933</u>	<u>156,369</u>	<u>40,570</u>	<u>23,644</u>	<u>193,503</u>	<u>180,013</u>
Total revenue	<u>1,275,721</u>	<u>1,416,280</u>	<u>2,497,576</u>	<u>1,547,016</u>	<u>3,773,297</u>	<u>2,963,296</u>
Program expenses						
General government	637,468	543,517	528,866	-	1,166,334	543,517
Public safety	117,472	140,312	99,282	-	216,754	140,312
Public works	519,485	786,312	559,493	-	1,078,978	786,312
Recreation and culture	49,880	97,600	11,421	-	61,301	97,600
Interest and long-term debt	68,039	4,921	20,416	-	88,455	4,921
Water and sewer	<u>-</u>	<u>55,904</u>	<u>948,638</u>	<u>1,273,564</u>	<u>948,638</u>	<u>1,329,468</u>
Total program expenses	<u>1,392,344</u>	<u>1,628,566</u>	<u>2,168,116</u>	<u>1,273,564</u>	<u>3,560,460</u>	<u>2,902,130</u>
Transfers	<u>200,000</u>	<u>175,000</u>	<u>(200,000)</u>	<u>(175,000)</u>	<u>-</u>	<u>-</u>
Changes in net assets	<u>\$ 83,377</u>	<u>\$ (37,286)</u>	<u>\$ 129,460</u>	<u>\$ 98,452</u>	<u>\$ 212,837</u>	<u>\$ 61,166</u>

City of Standish
Management's Discussion and Analysis
Year Ended June 30, 2007

Governmental Activities

The City's total governmental activity revenues were significantly higher when compared to the prior year, which is attributed to the operating grants and contributions.

Governmental activity expenditures were approximately \$276,000 higher in 2007 than in 2006, which includes costs associated with the capital improvement projects underway in the current fiscal year, specifically the Water System Improvement Project. To offset these increases in cost, the City closely monitored its spending in all other areas.

Business Type Activities

The City of Standish's business-type activities consist of Water Fund and Sewer Fund. The water and sewer funds are combined major funds.

The City provides treated water to the city residents. Raw water is purchased from Saginaw-Midland Water Supply System. The City also provides water to approximately 42 Standish and Lincoln Township customers. The City has revenue bonds and a general obligation bond debt for recent system wide improvements.

The City also provides municipal sanitary sewer to its residents.

The City increased water rates in fiscal year 2006 in order to meet bond debt requirements for the 2004 Water System Improvement Project, the first increase since 1993. In addition, increased mandate requirements being passed by State and Federal legislation will be passed on to users of the system.

City of Standish Funds

The fund financial statements provide detailed information about the most significant funds, not the City of Standish as a whole. The City Council creates funds to help manage money for specific purposes as well as show accountability for certain activities, such as State of Michigan Act 51, and Major and Local Street funds for 2007. The City's major governmental funds include the General Fund, Major Street Fund, Local Street Fund, and Capital Projects Fund.

City of Standish
Management's Discussion and Analysis
Year Ended June 30, 2007

a) **General Fund**

Functions relating to the general governmental activities of the City, which are financed by property tax levies, by distribution of State revenues, and from fees charged for various municipal activities and services are recorded in the General Fund. The City Council's approved budget for the 2007 fiscal year included the use of \$116,037 fund balance in the General Fund. The City actually used \$67,687 and left \$48,350 in fund balance at year end.

b) **Major and Local Street Funds**

The State of Michigan provides municipalities revenues from gas and weight taxes to reimburse expenditures for the maintenance and construction of the City's street system. The State requires that these expenditures be segregated into a Major Street component and a Local Street component. The City uses these funds for improvements to the City street system, along with contributions from the General Fund.

c) **Capital Project Fund**

The Capital Project Fund handles all construction and significant maintenance of the Major and Local Street Funds. During the current year, projects for Cedar Street and other street repairs were tracked in the account. Bond proceeds for the projects are expected to be received in fiscal year 2008. As these were not received prior to year end, the fund had a net fund balance deficit of \$334,968 at year end.

General Fund Budgetary Highlights

Over the course of the year, the City Council and City administration monitor and amend the budget to account for unanticipated events during the year. The most significant change was a decrease in State shared revenue, additional unfunded mandates, increased benefit costs, and the creation of a City Police Department. Prudent budgeting and continued monitoring of all expenditures reduced the effect of these issues.

Capital Asset and Debt Administration

At the end of 2007 the City of Standish has \$11,812,768 invested in a wide range of capital assets, including land, buildings, equipment, computer equipment, and water and sewer lines. The value of the governmental infrastructure assets, net of depreciation contained in this report, is \$1,585,391 at the end of 2007.

City of Standish
Management's Discussion and Analysis
Year Ended June 30, 2007

Debt reported in these financial statements is related to the construction of the above-mentioned infrastructure assets and buildings and is reported as a liability on the statement of net assets.

Economic Factors and Next Year's Budgets and Rates

The City of Standish's budget for the upcoming fiscal year includes a substantial increase over the audited fiscal year's budget. The City has continued with street and sidewalk improvements in accordance with the Capital Improvement Project List adopted by the Standish City Council. In addition, the City continues construction of the Water System Improvement Project, which includes many upgrades to existing water mains, hydrant additions, dual transmission line installation, and a new treatment plant.

The City needs to continue to monitor its budget very closely. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase by less than inflation, the mathematical result of this is that the total taxable value for the City will grow less than inflation, before considering new property additions. State revenue-sharing payments were decreased again this past year with the potential to decrease again due to State cutbacks and less sales tax receipts at the State level. These factors, coupled with recent decreases from historical norms in other revenues, including charges for services and interest on investments, continue to have a concern on the City's ability to balance its budget.

Despite these concerns, the City will continue to operate as efficiently as possible in the next fiscal year. With a decreased amount of funds budgeted for general operations and the restructuring of employee benefits, the City is hopeful to offset the decrease in revenues that will continue to exist.

To encourage additional growth the City has taken advantage of all grant opportunities available. While a financial match is often required of the City for grant funded projects, the City has taken a fiscally responsible approach of ensuring adequate funds are available for such projects. In addition, the City has continued to view economic development as a primary focus. While economic concerns are often left behind in difficult financial times, the City has taken the approach that without ensuring a solid future tax base the tough times will only continue to exist.

Contacting the City of Standish's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City of Standish's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the City.

City of Standish
Statement of Net Assets
June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 284,578	\$ 364,755	\$ 649,333	\$ 67,462
Receivables				
Customers	105,107	205,245	310,352	-
Special assessments	22,760	-	22,760	-
Due from other units of government	221,372	102,897	324,269	-
Internal balances	(2,458)	2,458	-	27,766
Capital assets not being depreciated	1,185,291	5,709,825	6,895,116	-
Capital assets - net of accumulated depreciation	<u>2,781,642</u>	<u>8,284,664</u>	<u>11,066,306</u>	<u>-</u>
Total assets	<u>4,598,292</u>	<u>14,669,844</u>	<u>19,268,136</u>	<u>95,228</u>
Liabilities				
Checks written against future deposits	209,873	185,234	395,107	-
Accounts payable	445,404	115,161	560,565	-
Accrued and other liabilities	17,835	66,957	84,792	-
Due to component unit	27,766	-	27,766	-
Noncurrent liabilities				
Due within one year	58,845	130,000	188,845	-
Due in more than one year	<u>992,109</u>	<u>4,980,500</u>	<u>5,972,609</u>	<u>-</u>
Total liabilities	<u>1,751,832</u>	<u>5,477,852</u>	<u>7,229,684</u>	<u>-</u>
Net assets				
Invested in capital assets, net of related debt	2,928,779	8,883,989	11,812,768	-
Restricted for:				
Debt service	12,571	-	12,571	-
Unrestricted (deficit)	<u>(94,890)</u>	<u>308,003</u>	<u>213,113</u>	<u>95,228</u>
Total net assets	<u>\$ 2,846,460</u>	<u>\$ 9,191,992</u>	<u>\$ 12,038,452</u>	<u>\$ 95,228</u>

See Accompanying Notes to Financial Statements

City of Standish
Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 543,517	\$ -	\$ -	\$ -	\$ (543,517)	\$ -	\$ (543,517)	\$ -
Public safety	140,312	-	134,923	-	(5,389)	-	(5,389)	-
Public works	786,312	73,008	-	221,372	(491,932)	-	(491,932)	-
Community and economic development	97,600	-	-	-	(97,600)	-	(97,600)	-
Recreation and culture	4,921	-	-	-	(4,921)	-	(4,921)	-
Interest on long-term debt	55,904	-	-	-	(55,904)	-	(55,904)	-
Total governmental activities	<u>1,628,566</u>	<u>73,008</u>	<u>134,923</u>	<u>221,372</u>	<u>(1,199,263)</u>	<u>-</u>	<u>(1,199,263)</u>	<u>-</u>
Business-type activities								
Sewer	783,294	415,010	-	-	-	(368,284)	(368,284)	-
Water	490,270	566,465	-	541,897	-	618,092	618,092	-
Total business-type activities	<u>1,273,564</u>	<u>981,475</u>	<u>-</u>	<u>541,897</u>	<u>-</u>	<u>249,808</u>	<u>249,808</u>	<u>-</u>
Total primary government	<u>\$ 2,902,130</u>	<u>\$ 1,054,483</u>	<u>\$ 134,923</u>	<u>\$ 763,269</u>	<u>(1,199,263)</u>	<u>249,808</u>	<u>(949,455)</u>	<u>-</u>
Component unit								
Downtown Development Authority	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>-</u>
General revenues								
Property taxes					618,648	-	618,648	27,766
State shared revenue					200,407	-	200,407	-
Unrestricted investment earnings					11,553	-	11,553	-
Miscellaneous					156,369	23,644	180,013	4,606
Transfers					175,000	(175,000)	-	-
Total general revenues and transfers					<u>1,161,977</u>	<u>(151,356)</u>	<u>1,010,621</u>	<u>32,372</u>
Change in net assets					(37,286)	98,452	61,166	32,372
Net assets - beginning of year					<u>2,883,746</u>	<u>9,093,540</u>	<u>11,977,286</u>	<u>62,856</u>
Net assets - end of year					<u>\$ 2,846,460</u>	<u>\$ 9,191,992</u>	<u>\$ 12,038,452</u>	<u>\$ 95,228</u>

See Accompanying Notes to Financial Statements

City of Standish
Governmental Funds
Balance Sheet
June 30, 2007

	<u>Special Revenue Funds</u>			<u>Capital Project Fund</u>	Nonmajor Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Street Capital Project Fund</u>		
Assets						
Cash and cash equivalents	\$ 135,858	\$ 126,266	\$ 10,677	\$ -	\$ 11,777	\$ 284,578
Receivables						
Customers	68,799	18,331	6,137	-	11,840	105,107
Special assessments	-	-	-	-	22,760	22,760
Due from other units of government	-	-	-	221,372	-	221,372
Due from other funds	5,923	-	-	-	7,280	13,203
Total assets	<u>\$ 210,580</u>	<u>\$ 144,597</u>	<u>\$ 16,814</u>	<u>\$ 221,372</u>	<u>\$ 53,657</u>	<u>\$ 647,020</u>
Liabilities						
Checks written against future deposits	\$ -	\$ -	\$ -	\$ 200,078	\$ 9,795	\$ 209,873
Accounts payable	82,643	557	5,379	356,262	563	445,404
Accrued and other liabilities	5,627	109	199	-	-	5,935
Due to other funds	9,738	-	-	-	5,923	15,661
Due to component unit	27,766	-	-	-	-	27,766
Deferred revenue	36,456	18,331	6,137	-	22,760	83,684
Total liabilities	<u>162,230</u>	<u>18,997</u>	<u>11,715</u>	<u>556,340</u>	<u>39,041</u>	<u>788,323</u>
Fund balances						
Reserved for:						
Debt service	-	-	-	-	12,571	12,571
Unreserved, reported in:						
General fund	48,350	-	-	-	-	48,350
Special revenue funds	-	125,600	5,099	-	2,045	132,744
Capital project funds (deficit)	-	-	-	(334,968)	-	(334,968)
Total fund balances (deficit)	<u>48,350</u>	<u>125,600</u>	<u>5,099</u>	<u>(334,968)</u>	<u>14,616</u>	<u>(141,303)</u>
Total liabilities and fund balances	<u>\$ 210,580</u>	<u>\$ 144,597</u>	<u>\$ 16,814</u>	<u>\$ 221,372</u>	<u>\$ 53,657</u>	<u>\$ 647,020</u>

See Accompanying Notes to Financial Statements

City of Standish
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
June 30, 2007

Total fund balances for governmental funds	\$ (141,303)
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,966,933
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	83,684
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(11,900)
Compensated absences	(12,800)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(1,038,154)</u>
Net assets of governmental activities	<u>\$ 2,846,460</u>

City of Standish
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2007

	<u>Special Revenue Funds</u>			<u>Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Street Capital Project Fund</u>		
Revenues						
Taxes	\$ 571,569	\$ -	\$ -	\$ -	\$ 47,079	\$ 618,648
Licenses and permits	12,689	-	-	-	-	12,689
Federal grants	-	-	-	221,372	-	221,372
State revenue sharing	204,170	-	-	-	-	204,170
Other state grants	-	97,441	37,482	-	-	134,923
Local contributions	-	5,906	-	-	-	5,906
Charges for services	8,500	-	-	-	37,899	46,399
Interest income	1,030	2,675	108	-	1,834	5,647
Rental income	13,920	-	-	-	-	13,920
Other revenue	146,570	8,662	-	-	5,677	160,909
Total revenues	<u>958,448</u>	<u>114,684</u>	<u>37,590</u>	<u>221,372</u>	<u>92,489</u>	<u>1,424,583</u>
Expenditures						
Current						
General government	536,954	-	-	-	-	536,954
Public safety	140,312	-	-	-	-	140,312
Public works	324,580	23,130	35,604	-	35,885	419,199
Community and economic development	97,600	-	-	-	-	97,600
Recreation and culture	1,500	-	-	-	-	1,500
Capital outlay	8,295	33,137	43,284	612,794	-	697,510
Debt service						
Principal retirement	27,072	-	-	-	67,075	94,147
Interest and fiscal charges	54,188	-	-	-	1,716	55,904
Total expenditures	<u>1,190,501</u>	<u>56,267</u>	<u>78,888</u>	<u>612,794</u>	<u>104,676</u>	<u>2,043,126</u>
Excess (deficiency) of revenues over expenditures	<u>(232,053)</u>	<u>58,417</u>	<u>(41,298)</u>	<u>(391,422)</u>	<u>(12,187)</u>	<u>(618,543)</u>

See Accompanying Notes to Financial Statements

City of Standish
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2007

	<u>Special Revenue Funds</u>		<u>Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>		
Other financing sources (uses)					
Transfers in	\$ 218,184	\$ -	\$ 39,892	\$ -	\$ 261,894
Transfers out	<u>(53,818)</u>	<u>(32,675)</u>	<u>-</u>	<u>(401)</u>	<u>(86,894)</u>
Total other financing sources (uses)	<u>164,366</u>	<u>(32,675)</u>	<u>39,892</u>	<u>3,417</u>	<u>175,000</u>
Net change in fund balance	(67,687)	25,742	(1,406)	(8,770)	(443,543)
Fund balance - beginning of year	<u>116,037</u>	<u>99,858</u>	<u>6,505</u>	<u>23,386</u>	<u>302,240</u>
Fund balance (deficit) - end of year	<u>\$ 48,350</u>	<u>\$ 125,600</u>	<u>\$ 5,099</u>	<u>\$ 14,616</u>	<u>\$ (141,303)</u>

See Accompanying Notes to Financial Statements

City of Standish
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balances - Total governmental funds \$ (443,543)

Total change in net assets reported for governmental activities in the statement of activities is different because:

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.

Depreciation expense	(151,958)
Capital outlay	472,371

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

State shared revenue	(3,763)
Special assessments	(4,113)
Grants	(427)

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments of long-term debt	94,147
------------------------------	--------

Change in net assets of governmental activities	\$ (37,286)
--	--------------------

City of Standish
Proprietary Funds
Statement of Net Assets
June 30, 2007

	Enterprise Funds		
	Sewer	Water	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 364,755	\$ -	\$ 364,755
Receivables			
Customers	78,843	126,402	205,245
Due from other units of government	-	102,897	102,897
Due from other funds	2,458	-	2,458
Total current assets	<u>446,056</u>	<u>229,299</u>	<u>675,355</u>
Noncurrent assets			
Capital assets not being depreciated	-	5,709,825	5,709,825
Capital assets - net of accumulated depreciation	6,728,454	1,556,210	8,284,664
Total noncurrent assets	<u>6,728,454</u>	<u>7,266,035</u>	<u>13,994,489</u>
Total assets	<u>7,174,510</u>	<u>7,495,334</u>	<u>14,669,844</u>
Liabilities			
Current liabilities			
Checks written against future deposits	-	185,234	185,234
Accounts payable	571	114,590	115,161
Accrued and other liabilities	28,530	38,427	66,957
Current portion of noncurrent liabilities	53,000	77,000	130,000
Total current liabilities	<u>82,101</u>	<u>415,251</u>	<u>497,352</u>
Noncurrent liabilities			
Long-term debt net of current portion	1,827,000	3,153,500	4,980,500
Total liabilities	<u>1,909,101</u>	<u>3,568,751</u>	<u>5,477,852</u>
Net assets			
Invested in capital assets, net of related debt	4,848,454	4,035,535	8,883,989
Unrestricted (deficit)	416,955	(108,952)	308,003
Total net assets	<u>\$ 5,265,409</u>	<u>\$ 3,926,583</u>	<u>\$ 9,191,992</u>

See Accompanying Notes to Financial Statements

City of Standish
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2007

	Enterprise Funds		
	Sewer	Water	Total
Operating revenue			
Customer fees	\$ 415,010	\$ 566,465	\$ 981,475
Penalties	3,569	7,269	10,838
Other revenue	3,684	9,122	12,806
Total operating revenue	<u>422,263</u>	<u>582,856</u>	<u>1,005,119</u>
Operating expenses			
Personnel services	89,812	73,002	162,814
Supplies	27,401	93,713	121,114
Contractual services	65,347	5,674	71,021
Utilities	60,074	35,247	95,321
Repairs and maintenance	-	7,704	7,704
Other expenses	12,527	218,933	231,460
Depreciation	438,046	55,997	494,043
Total operating expenses	<u>693,207</u>	<u>490,270</u>	<u>1,183,477</u>
Operating income (loss)	<u>(270,944)</u>	<u>92,586</u>	<u>(178,358)</u>
Nonoperating revenue (expenses)			
Property taxes	-	-	-
Interest expense	(90,087)	-	(90,087)
Total nonoperating revenues (expenses)	<u>(90,087)</u>	<u>-</u>	<u>(90,087)</u>
Income (loss) before contributions and transfers out	(361,031)	92,586	(268,445)
Capital contributions	-	541,897	541,897
Transfers out	(75,000)	(100,000)	(175,000)
Change in net assets	(436,031)	534,483	98,452
Net assets - beginning of year	<u>5,701,440</u>	<u>3,392,100</u>	<u>9,093,540</u>
Net assets - end of year	<u>\$ 5,265,409</u>	<u>\$ 3,926,583</u>	<u>\$ 9,191,992</u>

See Accompanying Notes to Financial Statements

City of Standish
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2007

	Enterprise Funds		
	Sewer	Water	Total
Cash flows from operating activities			
Receipts from customers	\$ 419,508	\$ 501,391	\$ 920,899
Payments to other funds	-	(18,985)	(18,985)
Payments to suppliers	(165,558)	(254,598)	(420,156)
Payments to employees	(89,812)	(73,002)	(162,814)
Net cash provided by operating activities	<u>164,138</u>	<u>154,806</u>	<u>318,944</u>
Cash flows from noncapital financing activities			
Transfers to other funds	(75,000)	(100,000)	(175,000)
Cash flows from capital and related financing activities			
Capital contributions	-	541,897	541,897
Purchases/construction of capital assets	-	(548,703)	(548,703)
Principal and interest paid on long-term debt	(140,087)	(48,000)	(188,087)
Net cash used by capital and related financing activities	<u>(140,087)</u>	<u>(54,806)</u>	<u>(194,893)</u>
Net decrease in cash and cash equivalents	(50,949)	-	(50,949)
Cash and cash equivalents - beginning of year	<u>415,704</u>	<u>-</u>	<u>415,704</u>
Cash and cash equivalents - end of year	<u>\$ 364,755</u>	<u>\$ -</u>	<u>\$ 364,755</u>

See Accompanying Notes to Financial Statements

City of Standish
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2007

	Enterprise Funds		
	Sewer	Water	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (270,944)	\$ 92,586	\$ (178,358)
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	438,046	55,997	494,043
Changes in assets and liabilities			
Receivables (net)	(2,755)	(81,465)	(84,220)
Accounts payable	214	106,700	106,914
Accrued and other liabilities	(423)	(27)	(450)
Checks written against future deposits	-	(18,985)	(18,985)
	<u>\$ 164,138</u>	<u>\$ 154,806</u>	<u>\$ 318,944</u>

See Accompanying Notes to Financial Statements

City of Standish
Notes to Financial Statements
June 30, 2007

Note 1 - Summary of Significant Accounting Policies

Reporting entity

City of Standish is governed by an elected seven-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Blended Component Units –The City of Standish Building Authority is governed by a board appointed by the City Council. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.

Discretely Presented Component Units – The component unit column in the entity wide financial statements includes the financial data of the City's Downtown Development Authority. This unit is reported in a separate column to emphasize that it is legally separate from the City. The members of the Governing Board of the Downtown Development Authority are appointed by the City Council. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority. The Downtown Development Authority does not issue any other form of financial statements except as contained in the City of Standish annual financial statements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net

assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

City of Standish
Notes to Financial Statements
June 30, 2007

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 provider 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government'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 Major Street Fund accounts for the maintenance and

improvement activities for streets designated as "major" within the City. Funding is primarily through state shared gas and weight taxes.

The Local Street Fund accounts for maintenance and improvement activities for streets designated as "local" within the City. Funding is primarily through state shared gas and weight taxes.

The Street Capital Project Fund handles construction and significant maintenance of the Major and Local Street Funds.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution system.

Additionally, the government reports the following:

The nonmajor special revenue fund, Rubbish Collection Fund, accounts for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

The Debt Service Fund accounts for the accumulation of resources for, and payment of governmental activities principal, interest and related costs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance

City of Standish
Notes to Financial Statements
June 30, 2007

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-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer 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 sewer and water funds 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 sewer and water funds 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 restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Additionally, each funds' equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. Shared pooled investment income is allocated to each fund based on its percentage of the balance in the pool.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2006 taxable valuation of the government totaled \$37,693,268, on which ad valorem taxes consisted of 15.5 mills for operating purposes, 1.0 mill for street debt service, and 1.2242 mills for sewer debt service. This resulted in over \$570,000 for operating expenses, over \$47,000 for street debt, and just under \$28,000 for sewer debt service, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

City of Standish
Notes to Financial Statements
June 30, 2007

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

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

Land improvements	20 years
Building and building improvements	25 to 50 years
Utility systems	25 to 50 years
Roads	20 years
Other infrastructure	20 years
Vehicles	8 years
Heavy duty equipment	10 to 20 years
Machinery, furniture, and equipment	5 to 15 years
Computer equipment	5 years

Compensated absences – Full time regular employees will be credited with Paid Time Off hours each pay period earning no more than 288 hours per year. An employee can accrue up to 50% of his/her annual number of allocated hours for any given year; however, at no time shall the accrued balance exceed 432 hours. All accumulated paid time off is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is

reported in governmental funds only for terminations as of year end.

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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

Comparative data

Comparative data is not included in the government's financial statements.

City of Standish
Notes to Financial Statements
June 30, 2007

Note 2 - Stewardship, Compliance, and Accountability

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to June 30, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to May 10.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The City Manager is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the City Council.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Excess of expenditures over appropriations

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Department of public works	\$ 253,297	\$ 324,580	\$ 71,283
Planning	12,360	97,600	85,240
Capital outlay	-	8,295	8,295
Debt service	63,917	81,260	17,343
Transfers out	43,818	53,818	10,000
Street Capital Projects Fund			
Capital outlay	-	612,794	612,794

Note 3 - Deposits and Investments

At year end the government's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Cash and Cash Equivalents</u>
Governmental activities	\$ 284,578
Business-type activities	<u>364,755</u>
Total primary government	649,333
Component unit	<u>67,462</u>
Total	<u>\$ 716,795</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 648,899	\$ 67,462
Petty cash and cash on hand	<u>434</u>	<u>-</u>
	<u>\$ 649,333</u>	<u>\$ 67,462</u>

City of Standish
Notes to Financial Statements
June 30, 2007

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit risk – State statutes and the government’s investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The government’s policy states that no more than 60% of the City’s total investment portfolio be invested in a single security type and no more than 80% with a single financial institution.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government’s deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$ 126,894 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Receivables and Deferred Revenue

The only receivables not expected to be collected within one year are as follows:

	Due After One Year	Fund
Primary government		
Special assessments	\$ 22,760	General

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable
Primary government	
State shared revenue	\$ 36,456
Special assessments	22,760
Grants	24,468
	\$ 83,684

City of Standish
Notes to Financial Statements
June 30, 2007

Note 5 - Capital Assets

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 701,160	\$ -	\$ -	\$ 701,160
Construction in progress	11,760	472,371	-	484,131
Total capital assets not being depreciated	<u>712,920</u>	<u>472,371</u>	<u>-</u>	<u>1,185,291</u>
Capital assets being depreciated				
Land improvements	148,906	-	-	148,906
Infrastructure	1,794,850	-	-	1,794,850
Buildings, additions and improvements	1,431,948	-	-	1,431,948
Machinery and equipment	991,328	-	-	991,328
Total capital assets being depreciated	<u>4,367,032</u>	<u>-</u>	<u>-</u>	<u>4,367,032</u>
Less accumulated depreciation for				
Land improvements	113,820	2,064	-	115,884
Infrastructure	52,992	89,743	-	142,735
Buildings, additions and improvements	462,667	23,511	-	486,178
Machinery and equipment	803,953	36,640	-	840,593
Total accumulated depreciation	<u>1,433,432</u>	<u>151,958</u>	<u>-</u>	<u>1,585,390</u>
Net capital assets being depreciated	<u>2,933,600</u>	<u>(151,958)</u>	<u>-</u>	<u>2,781,642</u>
Governmental activities capital assets, net	<u>\$ 3,646,520</u>	<u>\$ 320,413</u>	<u>\$ -</u>	<u>\$ 3,966,933</u>

The City transferred partially depreciated capital assets from the airport fund, which was closed into the general fund at year end, to the general fund of \$ 148,906.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Construction in progress	\$ 5,161,122	\$ 548,703	\$ -	\$ 5,709,825
Capital assets being depreciated				
Water system	2,539,313	-	-	2,539,313
Sewer system	12,425,005	-	-	12,425,005
Total capital assets being depreciated	<u>14,964,318</u>	<u>-</u>	<u>-</u>	<u>14,964,318</u>
Less accumulated depreciation for				
Water system	927,106	55,997	-	983,103
Sewer system	5,258,505	438,046	-	5,696,551
Total accumulated depreciation	<u>6,185,611</u>	<u>494,043</u>	<u>-</u>	<u>6,679,654</u>
Net capital assets being depreciated	<u>8,778,707</u>	<u>(494,043)</u>	<u>-</u>	<u>8,284,664</u>
Business-type capital assets, net	<u>\$ 13,939,829</u>	<u>\$ 54,660</u>	<u>\$ -</u>	<u>\$ 13,994,489</u>

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

Governmental activities		
General government		\$ 6,563
Public works		141,974
Recreation and culture		3,421
Total governmental activities		<u>151,958</u>
Business-type activities		
Sewer		438,046
Water		55,997
Total business-type activities		<u>494,043</u>
Total primary government		<u>\$ 646,001</u>

City of Standish
Notes to Financial Statements
June 30, 2007

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due from/to other funds		
Sewer	General	\$ 2,458
Street Debt Service	General	7,280
General	Debt Service	5,923
Component Unit	Governmental Activities	<u>27,766</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
Major Street	General	\$ 30,000
Sewer	General	75,000
Water	General	100,000
General	Local Street	50,000
General	Debt Service	<u>4,219</u>
		<u>\$ 259,219</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. Transfers to the general fund were to cover administrative charges.

Note 7 – LEASES

Capital leases

The City has a capital lease for an Elgin Street Sweeper. The future minimum lease payments are as follows:

<u>June 30,</u> <u>Fiscal Year</u>	
2008	<u>\$ 9,341</u>
Total minimum lease payments	10,998
Less amount representing interest	<u>1,657</u>
Present value of minimum lease payments	<u>\$ 9,341</u>
Asset	
Machinery and equipment	\$ 157,330
Less accumulated depreciation	<u>45,888</u>
Total	<u>\$ 111,442</u>

City of Standish
Notes to Financial Statements
June 30, 2007

Note 8 - Long-Term Debt

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government.

Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the City) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the General Fund.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Special assessment bonds									
1997	\$ 75,000	1/1/11	5.20-5.40%	\$5,000 - \$10,000	\$ 35,000	\$ -	\$ 5,000	\$ 30,000	\$ 5,000
Building authority bonds	260,000	9/1/15	5.30-5.80%	10,000 - 25,000	175,000	-	10,000	165,000	15,000
Capital improvement bonds	875,000	10/1/29	4.40%	28,000 - 50,000	850,000	-	25,000	825,000	25,000
Installment loans - Silverado	13,470	5/22/09	4.49%	4,504	13,120	-	4,307	8,813	4,504
Capitalized lease - Sweeper	157,330	8/1/07	4.76%	4,661	59,181	-	49,840	9,341	9,341
Total bonds and lease payable					1,132,301	-	94,147	1,038,154	58,845
Compensated absences					12,800	-	-	12,800	-
Total governmental activities					\$ 1,145,101	\$ -	\$ 94,147	\$ 1,050,954	\$ 58,845
Business-type activities									
Bonds and notes payable									
General obligation bonds									
1999 Water	\$ 1,308,000	11/1/24	4.75%	\$43,000 - \$98,000	\$ 1,163,000	\$ -	\$ 41,000	\$ 1,122,000	\$ 43,000
Limited tax general obligation bonds									
2005-A Water supply bonds	2,383,000	11/1/44	4.50%	24,500 - 123,000	2,360,500	-	23,500	2,337,000	24,500
2005-B Water supply bonds	740,000	11/1/44	4.50%	7,500 - 39,000	733,000	-	7,000	726,000	7,500
Revenue bonds									
1998 Sewer	400,000	11/1/38	4.75%	5,000 - 23,000	373,000	-	4,000	369,000	5,000
2000 Sewer	425,000	11/1/38	4.75%	5,000 - 22,000	394,000	-	5,000	389,000	5,000
1994 Water	450,000	11/1/09	5.6-5.90%	45,000 - 50,000	185,000	-	40,000	145,000	45,000
Total bonds payable					\$ 5,208,500	\$ -	\$ 120,500	\$ 5,088,000	\$ 130,000

City of Standish
Notes to Financial Statements
June 30, 2007

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 44,504	\$ 46,487	\$ 130,000	\$ 233,986
2009	54,309	43,969	140,500	227,304
2010	45,000	41,546	143,000	220,177
2011	45,000	39,332	98,500	214,348
2012-2016	260,000	158,890	566,500	998,482
2017-2021	175,000	107,250	730,000	851,400
2022-2026	210,000	65,560	698,500	671,533
2027-2031	195,000	17,160	542,500	535,985
2032-2036	-	-	679,500	399,297
2037-2041	-	-	751,000	231,586
2042-2044	-	-	608,000	72,410
	<u>\$ 1,028,813</u>	<u>\$ 520,194</u>	<u>\$ 5,088,000</u>	<u>\$ 4,895,626</u>

Note 9 - Risk Management

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

Note 10 - Employee Retirement and Benefit Systems

Defined benefit pension plan

Plan description – The government participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the government. The system provides retirement, disability and death

benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

Funding policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the government's competitive bargaining units and requires a contribution from the employees of 6 percent of gross wages for General employees.

Annual pension costs – For year ended June 30, 2007, the government's annual pension cost of \$ 12,445 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the actual age cost method. Significant actuarial assumptions used include: 1) an 8% investment rate of return; 2) projected salary increases of 4.5 percent per year; and 3) 2.5 percent per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, 2006 follows:

	2006	2005	2004
Annual pension cost	\$ 53,565	\$ 22,395	\$ 48,222
Percentage of APC contributed	100%	100%	100%
Actuarial value of assets	1,403,259	1,331,884	1,294,789
Actuarial accrued liabilities	2,225,205	1,897,549	1,730,003
Unfunded AAL	821,946	565,665	435,214
Funded ratio	63.0%	70.0%	75.0%
Covered payroll	226,050	177,827	262,608
UAAL as a percentage of covered payroll	364%	318%	166%

City of Standish
Notes to Financial Statements
June 30, 2007

The City of Standish has a defined contribution pension plan for City employees hired after January 1, 2001 through ICMA. The City of Standish is the only non-employee contributor to the pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contribution to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to a participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. As established by state statute, all full-time municipal employees of the City must participate in the pension plan from the date they are hired. The City is required to contribute an amount equal to 6% of the employee's gross earnings, and up to an additional 3% based on employee contributions. The City's contributions for the year were approximately \$ 3,000.

City of Standish
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 607,981	\$ 570,025	\$ 571,569	\$ 1,544
Penalties and interest	1,550	578	-	(578)
Licenses and permits	7,970	10,799	12,689	1,890
State revenue sharing	208,000	244,716	204,170	(40,546)
Charges for services	1,100	6,900	8,500	1,600
Interest income	9,000	1,578	1,030	(548)
Rental income	16,220	14,580	13,920	(660)
Other revenue	73,338	77,729	146,570	68,841
Transfer in	305,000	205,000	218,184	13,184
Total revenues	<u>1,230,159</u>	<u>1,131,905</u>	<u>1,176,632</u>	<u>44,727</u>
Expenditures				
General government				
Township board	172,784	179,157	144,589	(34,568)
Manager	131,009	114,359	103,730	(10,629)
Accounting	7,300	6,169	4,238	(1,931)
Clerk	106,204	107,980	99,056	(8,924)
Board of review	2,184	1,625	1,396	(229)
Treasurer	62,548	64,409	60,555	(3,854)
Assessor	31,649	25,164	25,807	643
Buildings and grounds	72,961	93,814	89,476	(4,338)
Cemetery	9,874	8,559	8,107	(452)
Total general government	<u>596,513</u>	<u>601,236</u>	<u>536,954</u>	<u>(64,282)</u>
Public safety				
Police	138,964	106,664	96,905	(9,759)
Fire department	41,154	43,407	43,407	-
Total public safety	<u>180,118</u>	<u>150,071</u>	<u>140,312</u>	<u>(9,759)</u>

City of Standish
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public works				
Department of public works	\$ 139,258	\$ 253,297	\$ 324,580	\$ 71,283
Community and economic development				
Planning	10,660	12,360	97,600	85,240
Recreation and culture				
Parks and recreation	1,000	-	-	-
Library	1,500	1,500	1,500	-
Total recreation and culture	2,500	1,500	1,500	-
Capital outlay	30,000	-	8,295	8,295
Debt service				
Principal retirement	20,211	9,729	27,072	17,343
Interest and fiscal charges	54,188	54,188	54,188	-
Total debt service	74,399	63,917	81,260	17,343
Contingencies reserve	152,893	5,706	-	(5,706)
Transfers out	43,818	43,818	53,818	10,000
Total expenditures	1,230,159	1,131,905	1,244,319	112,414
Excess (deficiency) of revenues over expenditures	-	-	(67,687)	(67,687)
Fund balance - beginning of year	116,037	116,037	116,037	-
Fund balance - end of year	\$ 116,037	\$ 116,037	\$ 48,350	\$ (67,687)

City of Standish
Required Supplemental Information
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Other state grants	\$ 118,537	\$ 107,427	\$ 97,441	\$ (9,986)
Local contributions	-	-	5,906	5,906
Interest income	300	2,000	2,675	675
Other revenue	8,000	5,946	8,662	2,716
	<u>126,837</u>	<u>115,373</u>	<u>114,684</u>	<u>(689)</u>
Total revenues				
Expenditures				
Current				
Public works	127,901	37,558	23,130	(14,428)
Capital outlay	-	-	33,137	33,137
Contingencies reserve	-	47,815	-	(47,815)
Transfers out	30,000	30,000	32,675	2,675
	<u>157,901</u>	<u>115,373</u>	<u>88,942</u>	<u>(26,431)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(31,064)	-	25,742	25,742
Fund balance - beginning of year	<u>99,858</u>	<u>99,858</u>	<u>99,858</u>	<u>-</u>
Fund balance - end of year	<u>\$ 68,794</u>	<u>\$ 99,858</u>	<u>\$ 125,600</u>	<u>\$ 25,742</u>

City of Standish
Required Supplemental Information
Budgetary Comparison Schedule
Local Street Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Other state grants	\$ 39,707	\$ 35,865	\$ 37,482	\$ 1,617
Interest income	150	75	108	33
Other revenue	-	15,000	-	(15,000)
Transfers in	40,000	40,000	39,892	(108)
	<u>79,857</u>	<u>90,940</u>	<u>77,482</u>	<u>(13,458)</u>
Total revenues				
Expenditures				
Current				
Public works	53,124	42,514	35,604	(6,910)
Capital outlay	34,200	51,795	43,284	(8,511)
	<u>87,324</u>	<u>94,309</u>	<u>78,888</u>	<u>(15,421)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(7,467)	(3,369)	(1,406)	1,963
Fund balance - beginning of year	6,505	6,505	6,505	-
Fund balance (deficit) - end of year	<u>\$ (962)</u>	<u>\$ 3,136</u>	<u>\$ 5,099</u>	<u>\$ 1,963</u>

City of Standish
Required Supplemental Information
Budgetary Comparison Schedule
Street Capital Projects Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Federal grants	\$ -	\$ -	\$ 221,372	\$ 221,372
Interest income	275	500	-	(500)
Bond/note proceeds	<u>2,427,900</u>	<u>2,600,000</u>	<u>-</u>	<u>(2,600,000)</u>
Total revenues	<u>2,428,175</u>	<u>2,600,500</u>	<u>221,372</u>	<u>(2,379,128)</u>
Expenditures				
Capital outlay	<u>-</u>	<u>-</u>	<u>612,794</u>	<u>612,794</u>
Excess (deficiency) of revenues over expenditures	2,428,175	2,600,500	(391,422)	(2,991,922)
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>56,454</u>	<u>56,454</u>
Fund balance (deficit) - end of year	<u>\$ 2,428,175</u>	<u>\$ 2,600,500</u>	<u>\$ (334,968)</u>	<u>\$ (2,935,468)</u>

See Accompanying Notes to Financial Statements

City of Standish
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	
	<u>Rubbish Collection Fund</u>	<u>Street Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ -	\$ 11,777	\$ 11,777
Customers	11,840	-	11,840
Special assessments	-	22,760	22,760
Due from other funds	-	7,280	7,280
	<u>-</u>	<u>7,280</u>	<u>7,280</u>
Total assets	<u>\$ 11,840</u>	<u>\$ 41,817</u>	<u>\$ 53,657</u>
Liabilities			
Checks written against future deposits	\$ 9,795	\$ -	\$ 9,795
Accounts payable	-	563	563
Deferred revenue	-	22,760	22,760
	<u>-</u>	<u>22,760</u>	<u>22,760</u>
Total liabilities	<u>9,795</u>	<u>29,246</u>	<u>39,041</u>
Fund balances			
Reserved for:			
Debt service	-	12,571	12,571
Unreserved			
Undesignated	2,045	-	2,045
	<u>2,045</u>	<u>-</u>	<u>2,045</u>
Total fund balances	<u>2,045</u>	<u>12,571</u>	<u>14,616</u>
Total liabilities and fund balances	<u>\$ 11,840</u>	<u>\$ 41,817</u>	<u>\$ 53,657</u>

City of Standish
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Rubbish Collection Fund</u>	<u>Street Debt Service Fund</u>	
Revenues			
Taxes	\$ -	\$ 47,079	\$ 47,079
Charges for services	37,899	-	37,899
Interest income	-	1,834	1,834
Other revenue	-	5,677	5,677
Total revenues	<u>37,899</u>	<u>54,590</u>	<u>92,489</u>
Expenditures			
Current			
Public works	35,885	-	35,885
Debt service			
Principal retirement	-	67,075	67,075
Interest and fiscal charges	-	1,716	1,716
Total expenditures	<u>35,885</u>	<u>68,791</u>	<u>104,676</u>
Excess (deficiency) of revenues over expenditures	<u>2,014</u>	<u>(14,201)</u>	<u>(12,187)</u>
Other financing sources (uses)			
Transfers in	-	3,818	3,818
Transfers out	-	(401)	(401)
Total other financing sources and uses	<u>-</u>	<u>3,417</u>	<u>3,417</u>
Net change in fund balance	2,014	(10,784)	(8,770)
Fund balance - beginning of year	<u>31</u>	<u>23,355</u>	<u>23,386</u>
Fund balance - end of year	<u>\$ 2,045</u>	<u>\$ 12,571</u>	<u>\$ 14,616</u>

City of Standish
Other Supplemental Information
Component Unit - Downtown Development Authority
Budgetary Comparison Schedule
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 27,766	\$ 27,766	\$ 27,766	\$ -
Interest income	1,234	1,234	-	(1,234)
Other revenue	-	-	4,606	4,606
	<u>29,000</u>	<u>29,000</u>	<u>32,372</u>	<u>3,372</u>
Total revenues				
Expenditures				
Current				
Community and economic development	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Excess (deficiency) of revenues over expenditures	(1,000)	(1,000)	32,372	33,372
Fund balance - beginning of year	<u>62,856</u>	<u>62,856</u>	<u>62,856</u>	<u>-</u>
Fund balance - end of year	<u>\$ 61,856</u>	<u>\$ 61,856</u>	<u>\$ 95,228</u>	<u>\$ 33,372</u>

City of Standish
Other Supplemental Information
Schedule of Indebtedness
June 30, 2007

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount of Annual Maturity</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities						
Special assessment bonds -1997	5.20-5.40%	10/1/2007	\$ 5,000	\$ 794	\$ 664	\$ 6,458
		10/1/2008	10,000	664	401	11,065
		10/1/2009	5,000	401	269	5,670
		10/1/2010	5,000	269	135	5,404
		10/1/2011	5,000	135	-	5,135
			<u>30,000</u>	<u>2,263</u>	<u>1,469</u>	<u>33,732</u>
Building authority bonds	5.30-5.80%	9/1/2007	15,000	4,690	4,285	23,975
		9/1/2008	15,000	4,285	3,873	23,158
		9/1/2009	15,000	3,873	3,453	22,326
		9/1/2010	15,000	3,453	3,025	21,478
		9/1/2011	20,000	3,025	2,455	25,480
		9/1/2012	20,000	2,455	1,880	24,335
		9/1/2013	20,000	1,880	1,305	23,185
		9/1/2004	20,000	1,305	725	22,030
		9/1/2015	25,000	725	-	25,725
			<u>165,000</u>	<u>25,691</u>	<u>21,001</u>	<u>211,692</u>
Capital improvement bonds	4.40%	10/1/2007	25,000	18,150	17,600	60,750
		10/1/2008	25,000	17,600	17,050	59,650
		10/1/2009	25,000	17,050	16,500	58,550
		10/1/2010	25,000	16,500	15,950	57,450
		10/1/2011	30,000	15,950	15,290	61,240
		10/1/2012	30,000	15,290	14,630	59,920
		10/1/2013	30,000	14,630	13,970	58,600
		10/1/2014	30,000	13,970	13,310	57,280
		10/1/2015	30,000	13,310	12,650	55,960
		10/1/2016	35,000	12,650	11,880	59,530
		10/1/2017	35,000	11,880	11,110	57,990
		10/1/2018	35,000	11,110	10,340	56,450
		10/1/2019	35,000	10,340	9,570	54,910
		10/1/2020	35,000	9,570	8,800	53,370
		10/1/2021	40,000	8,800	7,920	56,720
		10/1/2022	40,000	7,920	7,040	54,960
		10/1/2023	40,000	7,040	6,160	53,200
		10/1/2024	45,000	6,160	5,170	56,330
		10/1/2025	45,000	5,170	4,180	54,350
		10/1/2026	45,000	4,180	3,190	52,370
		10/1/2027	45,000	3,190	2,200	50,390
		10/1/2028	50,000	2,200	1,100	53,300
		10/1/2029	50,000	1,100	-	51,100
			<u>825,000</u>	<u>243,760</u>	<u>225,610</u>	<u>1,294,370</u>

City of Standish
Other Supplemental Information
Schedule of Indebtedness
June 30, 2007

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount of Annual Maturity</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities						
Installment loans - Silverado	4.49%	6/20/2008	\$ 4,504	\$ 304	\$ -	\$ 4,808
		6/20/2009	4,309	96	-	4,405
			<u>8,813</u>	<u>400</u>	<u>-</u>	<u>9,213</u>
Capitalized lease -Sweeper	4.76%	8/1/2007	<u>9,341</u>	<u>1,657</u>	<u>-</u>	<u>10,998</u>
Compensated absences			<u>12,800</u>	<u>-</u>	<u>-</u>	<u>12,800</u>
Total governmental activities			<u>\$ 1,050,954</u>	<u>\$ 273,771</u>	<u>\$ 248,080</u>	<u>\$ 1,572,805</u>
Business-type Activities						
General obligation bonds -1999 water	4.75%	11/1/2008	\$ 43,000	\$ 26,624	\$ 26,624	\$ 96,248
		11/1/2009	46,000	25,603	25,603	97,206
		11/1/2010	47,000	24,510	24,510	96,020
		11/1/2011	50,000	23,394	23,394	96,788
		11/1/2012	53,000	22,206	22,206	97,412
		11/1/2013	55,000	20,948	20,948	96,896
		11/1/2014	58,000	19,641	19,641	97,282
		11/1/2015	61,000	18,264	18,264	97,528
		11/1/2016	64,000	16,815	16,815	97,630
		11/1/2017	67,000	15,295	15,295	97,590
		11/1/2018	71,000	13,704	13,704	98,408
		11/1/2019	74,000	12,018	12,018	98,036
		11/1/2020	78,000	10,260	10,260	98,520
		11/1/2021	81,000	8,408	8,408	97,816
		11/1/2022	86,000	6,484	6,484	98,968
		11/1/2023	90,000	4,441	4,441	98,882
		11/1/2024	98,000	2,304	2,304	102,608
			<u>1,122,000</u>	<u>270,919</u>	<u>270,919</u>	<u>1,663,838</u>

City of Standish
Other Supplemental Information
Schedule of Indebtedness
June 30, 2007

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount of Annual Maturity</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
Business-type Activities						
2005-A Water supply bonds	4.50%	11/1/2007	\$ 24,500	\$ 52,583	\$ 52,583	\$ 129,666
		11/1/2008	25,500	52,031	52,031	129,562
		11/1/2009	26,500	51,458	51,458	129,416
		11/1/2010	28,000	50,861	50,861	129,722
		11/1/2011	29,000	50,231	50,231	129,462
		11/1/2012	30,500	49,579	49,579	129,658
		11/1/2013	31,500	48,893	48,893	129,286
		11/1/2014	33,000	48,184	48,184	129,368
		11/1/2015	34,500	47,441	47,441	129,382
		11/1/2016	36,000	46,665	46,665	129,330
		11/1/2017	38,000	45,855	45,855	129,710
		11/1/2018	39,500	45,000	45,000	129,500
		11/1/2019	41,500	44,111	44,111	129,722
		11/1/2020	43,000	43,178	43,178	129,356
		11/1/2021	45,000	42,210	42,210	129,420
		11/1/2022	47,000	41,198	41,198	129,396
		11/1/2023	49,000	40,140	40,140	129,280
		11/1/2024	51,500	39,038	39,038	129,576
		11/1/2025	53,500	37,879	37,879	129,258
		11/1/2026	56,000	36,675	36,675	129,350
		11/1/2027	58,500	35,415	35,415	129,330
		11/1/2028	61,500	34,099	34,099	129,698
		11/1/2029	64,000	32,715	32,715	129,430
		11/1/2030	67,000	31,275	31,275	129,550
		11/1/2031	70,000	29,768	29,768	129,536
		11/1/2032	73,000	28,193	28,193	129,386
		11/1/2033	76,500	26,550	26,550	129,600
		11/1/2034	80,000	24,829	24,829	129,658
		11/1/2035	83,500	23,029	23,029	129,558
		11/1/2036	87,000	21,150	21,150	129,300
		11/1/2037	91,000	19,193	19,193	129,386
		11/1/2038	95,000	17,145	17,145	129,290
		11/1/2039	99,500	15,008	15,008	129,516
		11/1/2040	104,000	12,769	12,769	129,538
		11/1/2041	108,500	10,429	10,429	129,358
		11/1/2042	113,500	7,988	7,988	129,476
		11/1/2043	118,500	5,434	5,434	129,368
		11/1/2044	123,000	2,768	2,768	128,536
			<u>2,337,000</u>	<u>1,290,967</u>	<u>1,290,967</u>	<u>4,918,934</u>

City of Standish
Other Supplemental Information
Schedule of Indebtedness
June 30, 2007

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount of Annual Maturity</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
Business-type Activities						
2005-B Water supply bonds	4.50%	11/1/2007	\$ 7,500	\$ 16,335	\$ 16,335	\$ 40,170
		11/1/2008	8,000	16,166	16,166	40,332
		11/1/2009	8,500	15,986	15,986	40,472
		11/1/2010	8,500	15,795	15,795	40,090
		11/1/2011	9,000	15,604	15,604	40,208
		11/1/2012	9,500	15,401	15,401	40,302
		11/1/2013	10,000	15,188	15,188	40,376
		11/1/2014	10,500	14,963	14,963	40,426
		11/1/2015	11,000	14,988	14,988	40,976
		11/1/2016	11,000	14,479	14,479	39,958
		11/1/2017	11,500	14,231	14,231	39,962
		11/1/2018	12,000	13,973	13,973	39,946
		11/1/2019	13,000	13,703	13,703	40,406
		11/1/2020	13,500	13,410	13,410	40,320
		11/1/2021	14,000	13,106	13,106	40,212
		11/1/2022	14,500	12,791	12,791	40,082
		11/1/2023	15,500	12,465	12,465	40,430
		11/1/2024	16,000	12,116	12,116	40,232
		11/1/2025	16,500	11,756	11,756	40,012
		11/1/2026	17,500	11,385	11,385	40,270
		11/1/2027	18,000	10,991	10,991	39,982
		11/1/2028	19,000	10,586	10,586	40,172
		11/1/2029	20,000	10,159	10,159	40,318
		11/1/2030	21,000	9,709	9,709	40,418
		11/1/2031	21,500	9,236	9,236	39,972
		11/1/2032	22,500	8,753	8,753	40,006
		11/1/2033	23,500	8,246	8,246	39,992
		11/1/2034	25,000	7,718	7,718	40,436
		11/1/2035	26,000	7,155	7,155	40,310
		11/1/2036	27,000	6,570	6,570	40,140
		11/1/2037	28,000	5,963	5,963	39,926
		11/1/2038	29,500	5,333	5,333	40,166
		11/1/2039	31,000	4,669	4,669	40,338
		11/1/2040	32,000	3,971	3,971	39,942
		11/1/2041	33,500	3,251	3,251	40,002
		11/1/2042	35,000	2,498	2,498	39,996
		11/1/2043	37,000	1,710	1,710	40,420
		11/1/2044	39,000	878	878	40,756
			<u>726,000</u>	<u>401,237</u>	<u>401,237</u>	<u>1,528,474</u>

City of Standish
Other Supplemental Information
Schedule of Indebtedness
June 30, 2007

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount of Annual Maturity</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
Business-type Activities						
1998 Sewer revenue bonds	4.75%	11/1/2007	\$ 5,000	\$ 8,764	\$ 8,645	\$ 22,409
		11/1/2008	5,000	8,645	8,526	22,171
		11/1/2009	5,000	8,526	8,408	21,934
		11/1/2010	6,000	8,408	8,265	22,673
		11/1/2011	6,000	8,265	8,123	22,388
		11/1/2012	6,000	8,123	7,980	22,103
		11/1/2013	7,000	7,980	7,814	22,794
		11/1/2014	7,000	7,814	7,648	22,462
		11/1/2015	7,000	7,648	7,481	22,129
		11/1/2016	8,000	7,481	7,291	22,772
		11/1/2017	8,000	7,291	7,101	22,392
		11/1/2018	8,000	7,101	6,911	22,012
		11/1/2019	9,000	6,911	6,698	22,609
		11/1/2020	9,000	6,698	6,484	22,182
		11/1/2021	10,000	6,484	6,246	22,730
		11/1/2022	10,000	6,246	6,009	22,255
		11/1/2023	11,000	6,009	5,748	22,757
		11/1/2024	11,000	5,748	5,486	22,234
		11/1/2025	12,000	5,486	5,201	22,687
		11/1/2026	12,000	5,201	4,916	22,117
		11/1/2027	13,000	4,916	4,608	22,524
		11/1/2028	14,000	4,608	4,275	22,883
		11/1/2029	14,000	4,275	3,943	22,218
		11/1/2030	15,000	3,943	3,586	22,529
		11/1/2031	16,000	3,586	3,206	22,792
		11/1/2032	16,000	3,206	2,826	22,032
		11/1/2033	18,000	2,826	2,399	23,225
		11/1/2034	18,000	2,399	1,971	22,370
		11/1/2035	19,000	1,971	1,520	22,491
		11/1/2036	20,000	1,520	1,045	22,565
		11/1/2037	21,000	1,045	546	22,591
		11/1/2038	23,000	546	-	23,546
			<u>369,000</u>	<u>179,670</u>	<u>170,906</u>	<u>719,576</u>

City of Standish
Other Supplemental Information
Schedule of Indebtedness
June 30, 2007

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount of Annual Maturity</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
Business-type Activities						
2000 Sewer revenue bonds	4.75%	11/1/2007	\$ 5,000	\$ 9,263	\$ 9,144	\$ 23,407
		11/1/2008	6,000	9,144	9,001	24,145
		11/1/2009	6,000	9,001	8,859	23,860
		11/1/2010	6,000	8,859	8,716	23,575
		11/1/2011	7,000	8,716	8,550	24,266
		11/1/2012	7,000	8,550	8,384	23,934
		11/1/2013	7,000	8,384	8,218	23,602
		11/1/2014	8,000	8,218	8,028	24,246
		11/1/2015	8,000	8,028	7,838	23,866
		11/1/2016	8,000	7,838	7,648	23,486
		11/1/2017	9,000	7,648	7,434	24,082
		11/1/2018	9,000	7,434	7,220	23,654
		11/1/2019	10,000	7,220	6,983	24,203
		11/1/2020	10,000	6,983	6,745	23,728
		11/1/2021	10,000	6,745	6,508	23,253
		11/1/2022	11,000	6,508	6,246	23,754
		11/1/2023	11,000	6,246	5,985	23,231
		11/1/2024	12,000	5,985	5,700	23,685
		11/1/2025	13,000	5,700	5,391	24,091
		11/1/2026	13,000	5,391	5,083	23,474
		11/1/2027	14,000	5,083	4,750	23,833
		11/1/2028	14,000	4,750	4,418	23,168
		11/1/2029	15,000	4,418	4,061	23,479
		11/1/2030	16,000	4,061	3,681	23,742
		11/1/2031	16,000	3,681	3,301	22,982
		11/1/2032	18,000	3,301	2,874	24,175
		11/1/2033	18,000	2,874	2,446	23,320
		11/1/2034	19,000	2,446	1,995	23,441
		11/1/2035	20,000	1,995	1,520	23,515
		11/1/2036	21,000	1,520	1,021	23,541
		11/1/2037	22,000	1,021	499	23,520
		11/1/2038	20,000	499	-	20,499
			<u>389,000</u>	<u>187,510</u>	<u>178,247</u>	<u>754,757</u>
1994 Water revenue bonds	5.50-5.90%	11/1/2007	45,000	4,173	2,913	52,086
		11/1/2008	50,000	2,913	1,475	54,388
		11/1/2009	50,000	1,475	-	51,475
			<u>145,000</u>	<u>8,561</u>	<u>4,388</u>	<u>157,949</u>
Total business-type activities			<u>\$ 5,088,000</u>	<u>\$ 2,338,864</u>	<u>\$ 2,316,641</u>	<u>\$ 5,072,528</u>

City of Standish
Standish, Michigan
Single Audit Report
June 30, 2007

Table of Contents

	<u>Page</u>
Single Audit Compliance	
Report on Schedule of Federal Awards	1
Schedule of Expenditures of Federal Awards	2
Notes to the Schedule of Expenditures of Federal Awards	3
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	6
Schedule of Findings and Questioned Costs	8
Summary Schedule of Prior Audit Findings	11



3023 Davenport
Saginaw, MI 48602
Phone (989) 793-9830 / (800) 968-0010
Fax (989) 793-0186

Report on Schedule of Federal Awards

To the City Council
City of Standish
Standish, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Standish for the year ended June 30, 2007, and have issued our report thereon dated December 27, 2007. These financial statements are the responsibility of the City of Standish's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

Our audit was made for the purpose of forming opinions on the basic financial statements of the City of Standish taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Saginaw, Michigan
December 27, 2007

City of Standish
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture Rural Development Grant	10.760	<u>\$ 541,897</u>
U.S. Department of Transportation, Federal Highway Administration Passed through State of Michigan Highway Research Planning & Construction	20.205	<u>221,372</u>
Total expenditures of Federal Awards		<u><u>\$ 763,269</u></u>

City of Standish
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2007

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the City Council
City of Standish
Standish, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Standish as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Standish's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Standish's internal control over financial reporting. Accordingly, we not express an opinion on the effectiveness of the City of Standish's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A significant deficiency is described in the accompanying schedule of findings and questioned costs as item 07-1.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We also noted certain additional matters that we reported to management of the City of Standish in a separate letter dated December 27, 2007.

The City of Standish's response to the significant deficiency identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Standish's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan
December 27, 2007

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the City Council
City of Standish
Standish, Michigan

Compliance

We have audited the compliance of the City of Standish with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City of Standish's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Standish's management. Our responsibility is to express an opinion on the City of Standish's compliance based on our audit.

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

In our opinion, the City of Standish complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We noted a certain matter involving the internal control over compliance and its operation that we consider to be a significant deficiency.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan
December 27, 2007

City of Standish
Schedule of Findings and Questioned Costs
June 30, 2007
(continued)

SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS

Finding 07-1 – Segregation of Duties

Specific requirement: In accordance with government auditing standards, accounting duties should be segregated to help safeguard the City's assets from errors, and potential misappropriation.

Condition: A few individuals have complete control over the recording and processing of financial data.

Questioned Costs: None

Context: A few individuals are performing a variety of accounting duties of which some are incompatible.

Cause/Effect: Procedures need to be established to prevent significant deficiencies in the organization's ability to record, process, summarize, and report financial data.

Recommendation: We recommend the City make a list of the personnel and the accounting duties they perform and isolate any incompatible accounting functions that are the responsibility of one employee and reassign those responsibilities as soon as possible.

Management Response: The City's current accounting function is operated by the City Clerk and City Treasurer. The City Manager will continue to review responsibilities, provide oversight, and attempt to segregate duties as much as possible giving weight to the staffing needs of the City and its fiscal responsibility to its citizens. In addition, subsequent to year end, a part-time administrative assistant was promoted to a full-time office manager position shifting some of the duties.

City of Standish
Schedule of Findings and Questioned Costs
June 30, 2007
(continued)

SECTION III - FEDERAL AWARD FINDINGS

See finding 07-1 identified under Section II.

City of Standish
Summary Schedule of Prior Audit Findings
June 30, 2007

SECTION IV – PRIOR AUDIT FINDINGS

Segregation of Duties

Again in the current year accounting duties were not reviewed to isolate incompatible accounting functions.



3023 Davenport
Saginaw, MI 48602
Phone (989) 793-9830 / (800) 968-0010
Fax (989) 793-0186

December 27, 2007

To the City Council
City of Standish
Standish, Michigan

In planning and performing our audit of the basic financial statements of the City of Standish for the year ended June 30, 2007, we considered the City's internal control system to determine our audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our engagement, we became aware of a few items that offer an opportunity to strengthen internal controls and operating efficiency. The following paragraphs summarize our comments and recommendations regarding those matters. This letter does not affect our report dated December 27, 2007, on the basic financial statements of the City of Standish. The comments are opportunities to strengthen the internal control system in place at the City.

CURRENT YEAR COMMENTS

ACCOUNTING RECORDS

Although the clerk has an understanding of the City and its operations, she struggles with understanding the accounting concepts needed for proper recording. As a result, several audit adjustments were required. We recommend that opportunities for additional training be provided to the staff.

To be in compliance with new accounting standards effective for the June 30, 2007 audit, the accounting staff and management need to have internal control documentation completed. In addition to providing additional training for staff, this documentation will help ensure that duties are reviewed to ensure adequate safeguarding of assets is in place.

We continue to recommend that a formal evaluation of the staffing needs of the City as it relates to its accounting functions are in order. We continue to recommend that management continue to make improvements in this area to make sure the City Council is getting the most accurate and up to date information on which to make decisions.

CREDIT CARD POLICY

During the year the City implemented the use of credit cards by department heads. While the use of the cards follows the purchasing policy with respect to limits, there is no formal credit card policy in place. While there is review of the activity prior to payment of the bill, the State of Michigan requires that a formal policy discussing the use of the credit cards be in place. We recommend that the City create and implement a credit card policy.

STATUS OF PRIOR YEAR COMMENTS

ACCOUNT RECONCILIATIONS

Again in the current year some account reconciliations were not being completed timely. While the operating and payroll accounts were reconciled timely, miscellaneous accounts, such as the DDA, were not reconciled. The accounts that were not reconciled timely are ones that historically have not been reconciled until year end. Some of these items could have been completed through some of the following: basic general ledger account reconciliations, basic general ledger posting, and simple double entry accounting.

While there has been improvement in this area, we continue to recommend that monthly reconciliations be completed for all accounts.

CASH AND INVESTMENT POLICY

We noted no issues of compliance with the State of Michigan requirements related to cash deposits during our audit; however, the City is in violation of its own policy to maintain no more than 80% of cash and investments at one financial institution.

We continue to encourage management to review the policy to make sure that the limitations set forth in the policy reflect the financial needs and goals of the City.

TAX COLLECTION FUND

In prior years the City maintained excess funds in the winter tax fund after final payouts. This situation was corrected in the current year.

We would like to thank Ms. Kelly and the entire City staff for their assistance during our audit. We will review the status of our comments at our next engagement, and as always please feel free to contact us if you would like assistance in resolving any of our recommendations.

We appreciate the opportunity to serve the City of Standish.

Very truly yours,

Yeo & Yeo, P.C.
CPAs and Business Consultants

A handwritten signature in black ink, appearing to read "David R. Youngstrom". The signature is fluid and cursive, with a long horizontal stroke at the end.

David R. Youngstrom, CPA