

VILLAGE OF ARMADA
Macomb County, Michigan
AUDITED FINANCIAL STATEMENTS
For The Year Ended March 31, 2007

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 type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other			Local Unit Name VILLAGE OF ARMADA	County MACOMB
Fiscal Year End 3/31/2007	Opinion Date 7/06/2007	Date Audit Report Submitted to State 7/31/2007		

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

YES **NO** Check each applicable box below. (See instructions for further detail.)

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	
Other (Describe)	<input checked="" type="checkbox"/>	Significant deficiencies letter
Certified Public Accountant (Firm Name) MCBRIDE, MANLEY & MILLER PC		Telephone Number 810-765-4700
Street Address 1115 S PARKER ST, PO BOX 26		City MARINE CITY
		State MI
		Zip 48039
Authorizing CPA Signature 	Printed Name GLEN E MCBRIDE, CPA	License Number 1101008018

VILLAGE OF ARMADA

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VILLAGE OF ARMADA

Management's Discussion and Analysis

March 31, 2007

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 Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village as a Whole

The Village's combined net assets increased 3% from a year ago from \$7,976,000 to \$8,207,000. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities net assets increased by approximately \$81,000 during the year (3.7% increase). This was the result of an increase in Municipal Street Fund net assets. The business-type activities experienced a \$151,000 increase in net assets, primarily as a result of Water Fund net income of \$129,000. In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date to the prior year:

(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Current Assets	\$ 870	\$ 978	\$ 1,288	\$ 1,333	\$ 2,156	\$ 2,284
Noncurrent Assets	1,600	1,580	8,630	8,403	10,229	9,983
Total Assets	2,470	2,558	9,918	9,736	12,385	12,267
Long-Term Debt Outstanding	163	141	3,725	3,692	3,886	3,834
Other Liabilities	141	170	384	84	523	226
Total Liabilities	304	311	4,109	3,776	4,409	4,060
Net Assets						
Invested in Capital Assets - Net of Debt	1,405	1,418	4,578	4,646	5,984	6,064
Restricted	325	374	459	809	784	1,183
Unrestricted	436	455	772	505	1,208	960
Total Net Assets	\$ 2,166	\$ 2,247	\$ 5,809	\$ 5,960	\$ 7,976	\$ 8,207

Unrestricted net assets--the part of net assets that can be used to finance day to day operations, increased by \$19,000 for the governmental activities. This represents an increase of approximately 4%. The current level of unrestricted net assets for our governmental activities stands at \$455,000, or about 52% of expenditures. This exceeds the targeted range set by the Village during its last budget process.

VILLAGE OF ARMADA

Management's Discussion and Analysis

March 31, 2007

The following table shows the changes in net assets (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Program Revenues						
Charges for Services	\$ 63	\$ 44	\$ 875	\$ 931	\$ 938	\$ 975
Operating Grants and Contributions	129	163	35	-	164	163
Capital Grants and Contributions	465	-	247	-	712	-
General Revenues						
Property Taxes	575	591	-	-	575	591
State-Shared Revenues	154	156	-	-	154	156
Unrestricted Investment Earnings	16	22	20	30	36	52
Other	19	20	-	-	19	20
Transfers	-	(33)	-	-	-	(33)
Total Revenues	1,421	963	1,177	961	2,598	1,924
Program Expenses						
General Government	108	159	-	-	108	159
Public Safety	295	314	-	-	295	314
Public Works	274	271	-	-	274	271
Legislative	14	13	-	-	14	13
Community and Economic Development	9	10	-	-	9	10
Other	57	106	-	-	57	106
Debt Service	13	10	-	-	13	10
Water	-	-	213	341	213	341
Sewer	-	-	460	469	460	469
Total Expenses	770	883	673	810	1,443	1,693
Change in Net Assets	\$ 651	\$ 80	\$ 504	\$ 151	\$ 1,155	\$ 231

The Village's net assets continue to remain healthy. Net assets grew by \$231,000. This was primarily because of excess revenues in the Water and Sewer Utility Funds and the Municipal Street Fund.

Governmental Activities

The Village's governmental activities consist of the General Fund, the Major Street Fund, the Local Street Fund, and the Municipal Street Fund. The governmental activities experienced an increase in net assets due to a low level of expenses in the Municipal Street Fund for the year.

Business-Type Activities

The Village's business-type activities consist of the Water and Sewer Funds. The Village provides water and sewer to all Village residents (approximately 1,600). The Village experienced a decrease in our net operating income. This was due primarily to an increase in expenses associated with the Village's new water filtration plant.

VILLAGE OF ARMADA

Management's Discussion and Analysis

March 31, 2007

The Village's Funds

Our analysis of the Village's major funds begins on page 5, following the entity wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds include the General Fund, the Major Street Fund, the Local Street Fund, and the Municipal Street Fund.

The General Fund pays for most of the Village's governmental services. The most significant are public safety, general government, and public works, which incurred expenses totaling approximately \$744,000. These three functions are primarily supported by property taxes and State shared revenues totaling approximately \$747,000.

General Fund Budgetary Highlights

Over the course of the year, the Village made amendments to the original budget. The General Fund exceeded budget by \$16,000, resulting in total expenditures of \$757,000. The General Fund's fund balance increased from \$440,000 a year ago to \$451,000 at March 31, 2007.

Capital Asset and Debt Administration

At the end of March 31, 2007, the Village had \$9,982,000 invested in a broad range of capital assets, including buildings, police, public works equipment, and water and sewer lines. In addition, the Village has invested significantly in roads within the Village. Roads constructed prior to April 1, 2003, are not reported on the Village's financial statements.

Economic Factors and Next Year's Budgets and Rates

The Village budget for the year, including March 31, 2008, does not anticipate an increase in property tax rates. Because of the impact of Proposal A, however, the Village needs to continue to watch 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%. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Village may grow less than by inflation, before considering new construction.

Water and sewer rates are scheduled to rise at the rate of increase in the Consumer Price Index on an annual basis.

The Village of Armada entered into a low interest loan agreement through the State of Michigan Drinking Water Revolving Fund in the amount of \$3,750,000. These funds were used to construct a new water filtration plant and other water system improvements. There has been an increase in water rates to accommodate the repayment of the DWRF bonds over a 20 year period. The full operating impact of this will first appear during the fiscal year ending March 31, 2008.

VILLAGE OF ARMADA

Management's Discussion and Analysis

March 31, 2007

Contacting the Village's Management

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



**McBride, Manley
& Miller P.C.**

Certified Public Accountants

Marine City, MI (810) 765-4700

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INDEPENDENT AUDITORS' REPORT

July 6, 2007

Village Council
Village of Armada
Armada, Michigan 48005

Honorable Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Armada as of and for the year ended March 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Armada'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. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Armada, as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages i through iv is not a required part of the basic financial statements but is 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 an opinion on the financial statements that collectively comprise the Village of Armada's basic financial statements. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental 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.

Our report of comments and recommendations dated July 6, 2007 has been submitted under separate cover.

Respectfully submitted,



McBRIDE, MANLEY & MILLER P.C.
Certified Public Accountants



VILLAGE OF ARMADA

STATEMENT OF NET ASSETS

March 31, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets				
Cash in bank	\$ 833,188	\$ 318,577	\$ 1,151,765	\$ 450,712
Unrestricted investments	74,667	-	74,667	-
Restricted cash and investments	-	789,824	789,824	-
Prepaid expenses	5,302	-	5,302	-
Internal balances - current*	2,624	24,313	-	-
Due from other units	41,692	-	41,692	-
Accounts and assess. receivable (net of allowance of \$3,000)	20,267	175,934	196,201	-
Restricted receivables	-	22,139	22,139	-
Other assets	-	2,555	2,555	-
Total Current Assets	977,740	1,333,342	2,284,145	450,712
Other Assets				
Bond issuance costs	-	-	-	12,046
Bond discount	-	-	-	5,850
Capital assets, net of accumulated depreciation	1,579,610	8,403,334	9,982,944	-
TOTAL ASSETS	\$ 2,557,350	\$ 9,736,676	\$ 12,267,089	\$ 468,608
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 30,405	\$ 4,985	\$ 35,390	\$ 13,004
Accrued interest	2,864	2,946	5,810	-
Internal balances - current*	24,313	2,624	-	-
Accrued wages, vacation, and sick pay	27,631	8,387	36,018	-
Current portion of leases and notes payable	20,464	65,000	85,464	5,000
Deferred revenue	54,625	-	54,625	-
Other liabilities	9,075	-	9,075	-
Total Current Liabilities	169,377	83,942	226,382	18,004
Noncurrent Liabilities				
Bond to be paid from restricted assets	-	294,365	294,365	-
Long-term obligations, net of current portion	141,463	3,397,821	3,539,284	385,000
TOTAL LIABILITIES	\$ 310,840	\$ 3,776,128	\$ 4,060,031	\$ 403,004
NET ASSETS				
Investment in capital assets, net of related debt	\$ 1,417,683	\$ 4,646,148	\$ 6,063,831	\$ -
Restricted for asset replacement and debt	-	809,263	809,263	-
Restricted for streets	373,848	-	373,848	-
Unrestricted	454,979	505,137	960,116	65,604
TOTAL NET ASSETS	\$ 2,246,510	\$ 5,980,548	\$ 8,207,058	\$ 65,604

* amounts have been offset in total column



VILLAGE OF ARMADA

STATEMENT OF ACTIVITIES

For the year ended March 31, 2007

	Program Revenues						Net (Expense)		Component Unit
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue		Total		
					Governmental Activities	Primary Government Business-type Activities			
PRIMARY GOVERNMENT									
Governmental Activities									
Legislative	\$ 13,300	\$ -	\$ -	\$ -	\$ (13,300)	\$ -	\$ (13,300)		
General government	159,319	8,000	61,737	-	(89,582)	-	(89,382)		
Public safety	313,832	36,456	5,546	-	(271,830)	-	(271,830)		
Public works	271,373	-	95,622	-	(175,751)	-	(175,751)		
Community and economic development	9,749	-	-	-	(9,749)	-	(9,749)		
Other	105,622	-	-	-	(105,622)	-	(105,622)		
Debt service interest	10,352	-	-	-	(10,352)	-	(10,352)		
Total Governmental Activities	883,547	44,456	162,905	-	(676,186)	-	(676,186)		
Business-type Activities									
Water	340,931	442,376	-	-	-	101,445	101,445		
Sewer	469,304	488,724	-	-	-	19,420	19,420		
Total Business-type Activities	810,235	931,100	-	-	-	120,865	120,865		
TOTAL PRIMARY GOVERNMENT	\$ 1,693,782	\$ 975,556	\$ 162,905	\$ -	\$ (676,186)	\$ 120,865	\$ (555,321)		
COMPONENT UNIT									
Downtown development authority	\$ 5,012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5,012)		
TOTAL COMPONENT UNIT	\$ 5,012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5,012)		
GENERAL PURPOSE REVENUES									
Property taxes					591,287		591,287	20,411	
State shared revenues					156,140		156,140	-	
Investment earnings					21,907	30,365	52,272	580	
Other					19,991		19,991	-	
Transfers					(33,000)		(33,000)	33,000	
TOTAL GENERAL PURPOSE REVENUES AND TRANSFERS					756,325	30,365	786,690	53,991	
CHANGE IN NET ASSETS					80,139	151,230	231,369	48,979	
Net Assets at April 1, 2006					2,166,371	5,809,318	7,975,689	16,625	
NET ASSETS AT MARCH 31, 2007					\$ 2,246,510	\$ 5,960,548	\$ 8,207,058	\$ 65,604	



McBride, Manley
& Müller P.C.

VILLAGE OF ARMADA

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

March 31, 2007

	General	Major Street Fund	Local Street Fund	Municipal Street Fund	Total Governmental Funds
ASSETS					
Cash in bank	\$ 552,757	\$ 51,183	\$ 2,256	\$ 226,992	\$ 833,188
Investments	-	-	-	74,667	74,667
Accounts and assessments receivable	21,544	-	-	1,723	23,267
Due from other funds	3,934	-	1,892	36,212	42,038
Due from other units	24,515	12,489	4,688	-	41,692
TOTAL ASSETS	\$ 602,750	\$ 63,672	\$ 8,836	\$ 339,594	\$ 1,014,852
LIABILITIES					
Accounts payable	\$ 23,033	\$ 2,617	\$ 2,419	\$ 2,336	\$ 30,405
Due to other funds	38,104	24,848	775	-	63,727
Accrued wages	23,736	320	412	-	24,468
Other liabilities	9,075	-	-	-	9,075
Deferred revenue	57,582	-	-	1,151	58,733
TOTAL LIABILITIES	151,530	27,785	3,606	3,487	186,408
FUND EQUITY					
Unreserved, reported in:					
General fund	451,220	-	-	-	451,220
Special revenue funds	-	35,887	5,230	336,107	377,224
TOTAL FUND EQUITY	451,220	35,887	5,230	336,107	828,444
TOTAL LIABILITIES AND FUND EQUITY	\$ 602,750	\$ 63,672	\$ 8,836	\$ 339,594	\$ 1,014,852



VILLAGE OF ARMADA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS**

March 31, 2007

Total Fund Balance - Governmental Funds		\$	828,444
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.</p>			
Cost of capital assets	\$	2,221,600	
Less: accumulated depreciation		<u>(641,990)</u>	
<i>Net Capital Assets</i>			1,579,610
<p>Delinquent personal property taxes receivable, federal grant revenues receivable, and interest income receivable were not available soon enough after year end to pay the current period expenditures and, therefore, are deferred in the governmental funds.</p>			
			4,108
<p>Allowance for doubtful accounts for personal property taxes that are deemed uncollectible are not recorded in the governmental funds.</p>			
			(3,000)
<p>Prepaid expenses are not recorded in the governmental funds.</p>			
			5,302
<p>Long-term liabilities, including loans payable, are not due in the current period and, therefore, are not reported as liabilities in the governmental funds.</p>			
Loans payable	\$	161,927	
Accrued interest on loans		2,864	
Compensated absences		<u>3,163</u>	
<i>Total Long-Term Liabilities</i>			(167,954)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES			\$ <u>2,246,510</u>



VILLAGE OF ARMADA

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

For the year ended March 31, 2007

	General	Major Street Fund	Local Street Fund	Municipal Street Fund	Total Governmental Funds
Revenues:					
Tax collections	\$ 422,831	\$ -	\$ -	\$ 169,153	\$ 591,984
Distributions from State of Michigan	161,686	69,792	25,830	-	257,308
Licenses, permits, fines, and fees	31,822	-	-	-	31,822
Sales, services, and contributions	12,634	-	-	-	12,634
Grant proceeds and reimbursements	61,737	-	-	-	61,737
Interest and penalties earned	15,380	434	38	6,055	21,907
Miscellaneous revenue	19,466	-	-	525	19,991
Intergovernmental	43,264	-	-	-	43,264
TOTAL REVENUES	768,820	70,226	25,868	175,733	1,040,647
Other Financing Sources:					
Transfers from other funds	-	5,000	35,000	-	40,000
TOTAL REVENUES AND OTHER FINANCING SOURCES	768,820	75,226	60,868	175,733	1,080,647
Expenditures:					
Legislative	13,300	-	-	-	13,300
General government	168,014	2,555	2,584	950	174,103
Public safety	301,575	-	-	-	301,575
Public works	116,418	-	-	-	116,418
Community and economic development	9,749	-	-	-	9,749
Highways and streets	-	66,764	61,394	28,964	157,122
Other	105,622	-	-	-	105,622
Debt service - principal	32,132	-	-	-	32,132
- interest	10,750	-	-	-	10,750
TOTAL EXPENDITURES	757,560	69,319	63,978	29,914	920,771
Other Financing Uses:					
Transfers to other funds	-	-	-	73,000	73,000
TOTAL EXPENDITURES AND OTHER FINANCING USES	757,560	69,319	63,978	102,914	993,771
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	11,260	5,907	(3,110)	72,819	86,876
Fund Balance at April 1, 2006	439,960	54,293	8,340	263,288	765,881
Prior period adjustment	-	(24,313)	-	-	(24,313)
Restated Fund Balance at April 1, 2006	439,960	29,980	8,340	263,288	741,568
FUND BALANCE AT MARCH 31, 2007	\$ 451,220	\$ 35,887	\$ 5,230	\$ 338,107	\$ 828,444

VILLAGE OF ARMADA

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

March 31, 2007

Total Net Change in Fund Balances - Governmental Funds \$ 86,876

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, for government activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. Proceeds from the sale of capital assets are reported as revenue in the governmental funds. For government activities, these proceeds are reduced by the net book value of disposed assets to provide the gain or loss on sale of such assets in the statement of activities.

Capital outlay	\$ 76,767	
Less: depreciation	<u>(121,004)</u>	
		(44,237)

Delinquent personal property taxes receivable, federal grant revenues receivable, and interest income receivable were not available soon enough after year end to pay the current period expenditures and, therefore, are deferred in the governmental funds. 303

Prepaid expenses are not recorded in the governmental funds. 806

Repayment of loan principal is an expenditure, and loan proceeds are revenue in the governmental funds. Proceeds increase and repayments decrease liabilities in the statement of net assets and do not affect the statement of activities.

Loan principal payments	32,132
-------------------------	--------

Compensated absences are measured by the amount earned in the statement of activities. In the governmental funds, these items are measured by financial resources used. 2,749

Interest expenditures are recorded when financial resources are used in the governmental funds. Interest expense is recognized as the interest accrues regardless of when it is due in the statement of activities. 1,510

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 80,139**

VILLAGE OF ARMADA

**STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS**

March 31, 2007

	Sewer Fund	Water Fund	Total Proprietary Funds
ASSETS			
Current Assets			
Cash - checking and on hand	\$ 43,949	\$ 274,628	\$ 318,577
Due from other funds	2,875	36,469	39,344
Restricted cash and investments	605,753	184,071	789,824
Other assets	954	1,601	2,555
Accounts and assessments receivable	73,903	102,031	175,934
Restricted accounts receivable	22,139	-	22,139
<i>Total Current Assets</i>	<u>749,573</u>	<u>598,800</u>	<u>1,348,373</u>
Other Assets			
Capital assets, net of accumulated depreciation	4,234,619	4,168,715	8,403,334
TOTAL ASSETS	<u>\$ 4,984,192</u>	<u>\$ 4,767,515</u>	<u>\$ 9,751,707</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 2,403	\$ 2,582	\$ 4,985
Due to other funds	12,211	5,444	17,655
Accrued wages and vacation pay	3,490	4,897	8,387
Accrued interest	2,700	246	2,946
Current portion of long-term debt	65,000	-	65,000
<i>Total Current Liabilities</i>	<u>85,804</u>	<u>13,169</u>	<u>98,973</u>
Noncurrent Liabilities			
Long-term obligations, net of current portion	110,635	3,287,186	3,397,821
Bonds to be paid from restricted assets	294,365	-	294,365
TOTAL LIABILITIES	<u>\$ 490,804</u>	<u>\$ 3,300,355</u>	<u>\$ 3,791,159</u>
NET ASSETS			
Investment in capital assets, net of related debt	\$ 3,764,619	\$ 881,529	\$ 4,646,148
Unrestricted	103,577	401,560	505,137
Restricted - expendable	625,192	184,071	809,263
TOTAL NET ASSETS	<u>\$ 4,493,388</u>	<u>\$ 1,467,160</u>	<u>\$ 5,960,548</u>



VILLAGE OF ARMADA

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGE IN NET ASSETS - PROPRIETARY FUNDS**

For the year ended March 31, 2007

	Sewer Fund	Water Fund	Total Proprietary Funds
Operating Revenues:			
Metered sales	\$ 295,066	\$ 392,044	\$ 687,110
Hydrant rental and internal usage	-	8,999	8,999
Taps and meter sales	22,028	11,809	33,837
Miscellaneous	8,849	6,765	15,614
TOTAL OPERATING REVENUES	325,943	419,617	745,560
Operating Expenses:			
Water	-	267,940	267,940
Sewer	474,018	-	474,018
TOTAL OPERATING EXPENSES	474,018	267,940	741,958
NET INCOME (LOSS) FROM OPERATIONS	(148,075)	151,677	3,602
Nonoperating Revenue (Expense):			
Debt service revenue	162,781	43,241	206,022
Interest revenue	23,168	7,197	30,365
Interest expense and agent fees	(15,767)	(72,992)	(88,759)
TOTAL NONOPERATING REVENUE (EXPENSES)	170,182	(22,554)	147,628
CHANGE IN NET ASSETS	22,107	129,123	151,230
Net Assets at April 1, 2006	4,471,281	1,338,037	5,809,318
NET ASSETS AT MARCH 31, 2007	\$ 4,493,388	\$ 1,467,160	\$ 5,960,548

VILLAGE OF ARMADA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the year ended March 31, 2007

	Sewer Fund	Water Fund	Total Proprietary Funds
Cash Flows From Operating Activities:			
Receipts from customers	\$ 319,535	\$ 374,256	\$ 693,791
Payments to suppliers	(284,203)	(128,611)	(412,814)
Payments to employees	(15,683)	(49,965)	(65,648)
Other receipts (payments)	8,849	6,765	15,614
Net Cash Provided By Operating Activities	<u>28,498</u>	<u>202,445</u>	<u>230,943</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition of capital assets	(69,416)	(3,394)	(72,810)
Proceeds from bonds	-	62,411	62,411
Principal paid on bonds	(190,000)	(160,000)	(350,000)
Interest and paying agent fees paid on revenue bonds	(13,067)	(72,863)	(85,930)
Debt service charges	162,781	43,241	206,022
Net Cash Used In Capital and Related Financing Activities	<u>(109,702)</u>	<u>(130,605)</u>	<u>(240,307)</u>
Cash Flows From Investing Activities:			
Interest on investments	86,816	7,087	93,903
Net Cash Provided By Investing Activities	<u>88,818</u>	<u>7,087</u>	<u>93,903</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>5,812</u>	<u>78,927</u>	<u>84,539</u>
Cash and Cash Equivalents at April 1, 2006	601,184	379,772	980,956
CASH AND CASH EQUIVALENTS AT MARCH 31, 2007	<u>\$ 606,796</u>	<u>\$ 458,699</u>	<u>\$ 1,065,495</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:			
Operating income (loss)	\$ (148,075)	\$ 151,677	\$ 3,602
<i>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</i>			
Depreciation and amortization	180,747	118,553	299,300
<i>Change in assets and liabilities:</i>			
Accounts receivable	2,441	(2,127)	314
Due from other funds	-	(36,469)	(36,469)
Other assets	(4)	(136)	(140)
Accounts payable	(18,791)	(28,759)	(47,550)
Due to other funds	12,211	-	12,211
Accrued wages and vacation	(31)	(294)	(325)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 28,498</u>	<u>\$ 202,445</u>	<u>\$ 230,943</u>



VILLAGE OF ARMADA

STATEMENT OF FIDUCIARY NET ASSETS

March 31, 2007

	Tax Collection Fund
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 5,493
Certificates and savings	135,812
TOTAL ASSETS	\$ 141,305
<hr/>	
LIABILITIES	
Due to other funds	\$ 141,305
TOTAL LIABILITIES	\$ 141,305



VILLAGE OF ARMADA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		(Unfavorable) Final to Actual
Revenues:				
Tax collections	\$ 410,000	\$ 410,000	\$ 422,831	\$ 12,831
Distributions from State of Michigan	160,850	160,850	161,686	836
Licenses, permits, fines, and fees	16,800	16,800	31,822	15,022
Sales, services, and contributions	10,400	10,400	12,634	2,234
Grant proceeds and reimbursements	44,000	44,000	61,737	17,737
Interest and penalties earned	8,000	8,000	15,380	7,380
Miscellaneous revenue	23,000	23,000	19,466	(3,534)
Intergovernmental	58,906	58,906	43,264	(15,642)
TOTAL REVENUES	731,956	731,956	768,820	36,864
Expenditures:				
Legislative	14,400	14,400	13,300	1,100
General government	157,920	192,920	168,014	24,906
Public safety	277,025	277,025	301,575	(24,550)
Public works	103,958	104,958	116,418	(11,460)
Community and economic development	5,950	7,950	9,749	(1,799)
Recreation and cultural	8,000	9,000	-	9,000
Other	92,496	92,496	105,622	(13,126)
Debt service - principal	32,059	32,059	32,132	(73)
- interest	10,773	10,773	10,750	23
TOTAL EXPENDITURES	702,581	741,581	757,560	(15,979)
Other Financing Uses:				
Transfers to other funds	4,760	4,760	-	4,760
TOTAL EXPENDITURES AND OTHER FINANCING USES	707,341	746,341	757,560	(11,219)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	24,615	(14,385)	11,260	25,645
Fund Balance at April 1, 2006	439,960	439,960	439,960	-
FUND BALANCE AT MARCH 31, 2007	\$ 464,575	\$ 425,575	\$ 451,220	\$ 25,645



VILLAGE OF ARMADA

**MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues:				
Distributions from State of Michigan	\$ 70,000	\$ 70,000	\$ 69,792	\$ (208)
Interest and penalties earned	500	500	434	(66)
TOTAL REVENUES	70,500	70,500	70,226	(274)
Other Financing Sources:				
Transfers from other funds	20,000	20,000	5,000	(15,000)
TOTAL REVENUES AND OTHER FINANCING SOURCES	90,500	90,500	75,226	(15,274)
Expenditures:				
General government	2,416	2,416	2,555	(139)
Highways and streets	80,502	80,502	66,764	13,738
TOTAL EXPENDITURES	82,918	82,918	69,319	13,599
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,582	7,582	5,907	(1,675)
Fund Balance at April 1, 2006	54,293	54,293	54,293	-
Prior period adjustment	-	-	(24,313)	(24,313)
Restated Fund Balance at April 1, 2006	54,293	54,293	29,980	(24,313)
FUND BALANCE AT MARCH 31, 2007	\$ 61,875	\$ 61,875	\$ 35,887	\$ (25,988)



VILLAGE OF ARMADA

**LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues:				
Distributions from State of Michigan	\$ 25,000	\$ 25,000	\$ 25,830	\$ 830
Interest and penalties earned	75	75	38	(37)
TOTAL REVENUES	25,075	25,075	25,868	793
Other Financing Sources:				
Transfers from other funds	75,000	75,000	35,000	(40,000)
TOTAL REVENUES AND OTHER FINANCING SOURCES	100,075	100,075	60,868	(39,207)
Expenditures:				
General government	3,360	3,360	2,584	776
Highways and streets	79,116	79,116	61,394	17,722
TOTAL EXPENDITURES	82,476	82,476	63,978	18,498
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	17,599	17,599	(3,110)	(20,709)
Fund Balance at April 1, 2006	8,340	8,340	8,340	-
FUND BALANCE AT MARCH 31, 2007	\$ 25,939	\$ 25,939	\$ 5,230	\$ (20,709)



VILLAGE OF ARMADA

**MUNICIPAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues:				
Tax collections	\$ 160,000	\$ 160,000	\$ 169,153	\$ 9,153
Interest and penalties earned	500	500	6,055	5,555
Miscellaneous revenue	22,000	22,000	525	(21,475)
TOTAL REVENUES	182,500	182,500	175,733	(6,767)
Expenditures:				
General government	1,045	1,045	950	95
Highways and streets	74,005	74,005	28,964	45,041
TOTAL EXPENDITURES	75,050	75,050	29,914	45,136
Other Financing Uses:				
Transfers to other funds	95,000	128,000	73,000	55,000
TOTAL EXPENDITURES AND OTHER FINANCING USES	170,050	203,050	102,914	100,136
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	12,450	(20,550)	72,819	93,369
Fund Balance at April 1, 2006	263,288	263,288	263,288	-
FUND BALANCE AT MARCH 31, 2007	\$ 275,738	\$ 242,738	\$ 336,107	\$ 93,369



VILLAGE OF ARMADA

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF VILLAGE OPERATIONS AND FUND TYPES: The Village of Armada covers an area of one square mile. The Village operates under an elected President, Clerk, Treasurer, and Board of six Trustees and provides services, including law enforcement, to its residents (approximately 1,700).

REPORTING ENTITY: The financial reporting entity consists of the primary government of the Village of Armada and its discretely presented component unit. GASB Statement No. 14, as amended by GASB 39, states that the financial reporting entity consists of (a) the primary government; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria for determining the financial reporting entity are separately elected governing body, legally separate entity, fiscally independent, ability to appoint voting majority of governing body, ability to impose its will, and potential for benefit or burden. Certain other organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. A legally separate, tax-exempt organization would be reported as a component unit of the reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Using this criteria, the Downtown Development Authority has been determined to be a component unit of the Village of Armada. The Village Board appoints the governing body of this entity.

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; 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 revenue.



VILLAGE OF ARMADA

NOTES TO FINANCIAL STATEMENTS

(Continued)

March 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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 sixty 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes and other revenues are recognized in the accounting period when they become measurable and available to finance operations. Properties are assessed as of December 31, and the related property taxes are levied and become a lien on the following July 1. These taxes are due on September 14, with a final collection date of February 28, before they are added to the county tax rolls.

Revenues earned and susceptible to accrual are considered available and recognized if received within sixty days after the year end.

The government reports the following major governmental funds:

GENERAL FUND - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, protective services, and other intergovernmental revenues.

SPECIAL REVENUE FUNDS - The Major Street Fund, Local Street Fund, and Municipal Street Fund are used to account for specific governmental revenues (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

The government reports the following major proprietary funds:

ENTERPRISE FUNDS - The Water Supply and Sewage Disposal System Funds report operations that provide services which are financed by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes.



VILLAGE OF ARMADA

NOTES TO FINANCIAL STATEMENTS

(Continued)

March 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Residual balances between the business-type activities and the governmental activities are reported as "internal balances."

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to follow private sector standards issued after November 30, 1989, for its business-type activities.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

ASSETS, LIABILITIES, AND NET ASSETS

BANK DEPOSITS AND INVESTMENTS: Cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired are considered to be cash and cash equivalents. Investments are stated at fair value. Sewer Fund cash for Statement of Cash Flows excludes \$42,906 deposited in a long-term certificate of deposit.

RECEIVABLES AND PAYABLES: In general, outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of allowance for uncollectible amounts.



VILLAGE OF ARMADA

NOTES TO FINANCIAL STATEMENTS
(Continued)

March 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVENTORIES AND PREPAID ITEMS: Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements only.

CAPITAL ASSETS: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 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. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Infrastructure assets acquired prior to April 1, 2003, have not been capitalized and are omitted from the Statement of Net Assets.

Assets are depreciated using the straight-line method over the following useful lives:

Buildings	20 years
Water and Sewer System	20-40 years
Roads and Sidewalks	20 years
Machinery and Equipment	5-10 years
Water and Sewer Plant and Equipment	20 years

COMPENSATED ABSENCES: It is the policy of the Village to permit employees to accumulate a limited amount of earned, but unused, vacation leave. This leave will be paid upon separation from Village service. In governmental funds, accrued vacation leave has been recorded when paid. Proprietary funds accrue vacation leave in the period it is earned. Employees can accumulate up to 30 sick days. Upon termination, a formula is used to determine the unused sick days to be paid. Any amounts earned and unused above 30 days are paid annually each April 1.

All vacation and vested sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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.



VILLAGE OF ARMADA

NOTES TO FINANCIAL STATEMENTS

(Continued)

March 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

It is the policy of the Village to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS: P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets, as amended by the Village Council, were adopted at the departmental level and are shown in the supplemental schedules to this statement. Budget amendments require approval from a majority of the Village Council. Actual expenditures exceeded those budgeted as follows:

<u>General Fund</u>	
Police	\$21,723
Planning Commission	1,861
Inspections	2,827
Public Works	11,460
Zoning Board	300
Planning Board	1,861
Other	13,126



VILLAGE OF ARMADA

NOTES TO FINANCIAL STATEMENTS

(Continued)

March 31, 2007

NOTE 3: CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are at Michigan banks in the name of the Village of Armada Treasurer. Michigan Act 20 P.A. 1943 allows a village to make various investments with public monies including, but not limited to, the following:

1. Direct bonds and obligations of the U.S., its agencies or instrumentalities.
2. Certificates of deposit, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency and located in the State of Michigan.
3. Commercial paper - rated within 2 highest rate classifications by at least 2 rating services and matures not later than 270 days.
4. U.S. or agency repurchase agreements.
5. Mutual funds - investments which local unit can make directly.
6. Bankers' acceptances of U.S. banks.
7. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The deposits of the Village are in accordance with statutory authority.

Deposits and investments are recorded at cost. The carrying amounts are included on the balance sheet as "Cash," "Investments," and "Restricted assets."

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of March 31, 2007, \$1,307,969 of the government's bank balance of \$1,598,846 was exposed to custodial credit risk as follows:

	Insured (FDIC)	Uninsured and Uncollateralized	Carrying Amount	Bank Balance/ Market Value
<u>Deposits</u>				
Demand deposits	\$100,000	\$1,272,056	\$1,381,167	\$1,372,106
Certificate of deposit	190,927	35,813	226,740	226,740
Cash on hand	--	50	50	--
	<u>\$290,927</u>	<u>\$1,307,919</u>	<u>\$1,607,957</u>	<u>\$1,598,846</u>



VILLAGE OF ARMADA

NOTES TO FINANCIAL STATEMENTS
(Continued)

March 31, 2007

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments

As of March 31, 2007, the Village had the following investments:

<u>Description</u>	<u>Fair Value</u>
LaSalle Bank Public Funds Investment Trust Mutual Fund	<u>\$408,194</u>

Interest Rate Risk: The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the Village made no investments that have market value risk during the current fiscal year.

Credit Risk: State law limits investments as stated above. The Village's investment policy does not limit its investment choices beyond the statute. The authority to make investment decisions has been granted to the Village Treasurer.

Concentration of Credit Risk: The Village places no limit on the amount the Village may invest in any one issuer. 100% of the Village's investments are with LaSalle Bank Public Funds Investment Trust Mutual Fund. \$74,667 of these investments are reported in the Municipal Street Fund and \$333,527 are reported in the Sewer Fund. These are mutual funds whose investments are limited to those allowed by statute.

NOTE 4: RESTRICTED ASSETS, RELATED CURRENT LIABILITIES, AND RESTRICTED NET ASSETS - PROPRIETARY FUNDS

The Village has two ordinances requiring the collection of fees for specific use. Accumulated resources are reported as restricted investments and restricted assets on the balance sheet.

	<u>Sewer</u>
1987 Sewer Ordinance:	
Debt service	\$162,472
Asset replacement account	333,527
1991 Sewer Ordinance - debt service	<u>131,893</u>
Total Restricted Assets	627,892
Less: Liabilities to be paid from restricted assets	(2,700)
Restricted Net Assets at March 31, 2007	<u>\$625,192</u>

In addition, \$158,679 of Water Fund assets are restricted for use in the construction of a new water treatment facility.



VILLAGE OF ARMADA

NOTES TO FINANCIAL STATEMENTS (Continued)

March 31, 2007

NOTE 5: FIXED ASSETS

Governmental Activities Fixed Assets

A summary of changes in governmental fixed assets follows:

	Balance 3/31/06	Additions	Deletions	Balance 3/31/07
Land	\$ 221,234	\$ --	\$ --	\$ 221,234
Buildings	178,630	1,811	--	180,441
DPW equipment	205,770	47,976	--	253,746
Police Department equipment	172,494	7,447	--	179,941
Highway maintenance equipment	80,173	--	--	80,173
Streets	1,215,525	42,510	--	1,258,035
Administration equipment	44,699	1,336	--	46,035
Inspections	1,995	--	--	1,995
	<u>\$2,120,520</u>	<u>\$101,080</u>	<u>\$ --</u>	2,221,600
Less: accumulated depreciation				(641,990)
				<u>\$1,579,610</u>

Governmental activity depreciation, included on the Statement of Activities, was allocated as follows:

Public Safety	\$ 20,239
Public Works	86,072
General Government	14,693
Total	<u>\$121,004</u>

Water Supply and Sewage Disposal Systems

A summary of the Water Supply and Sewage Disposal System's fixed assets follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>		
	Village Assets	Village Assets	Capitalized Leases	Total
Land	\$ --	\$ 8,567	\$ --	\$ 8,567
Machinery and equipment	151,298	151,779	--	303,077
Plant, property, and equipment	4,596,506	1,740,808	--	6,337,314
Capitalized lease	--	--	5,279,503	5,279,503
Total	4,747,804	1,901,154	5,279,503	11,928,461
Less: Accumulated depreciation	(579,089)	(699,569)	(2,246,469)	(3,525,127)
	<u>\$4,168,715</u>	<u>\$1,201,585</u>	<u>\$3,033,034</u>	<u>\$ 8,403,334</u>



VILLAGE OF ARMADA

NOTES TO FINANCIAL STATEMENTS
(Continued)

March 31, 2007

NOTE 5: FIXED ASSETS (Continued)

Summary of changes in proprietary fund fixed assets:

	Balance <u>3/31/06</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>3/31/07</u>
Land	\$ 8,567	\$ --	\$ --	\$ 8,567
Machinery and equipment	262,449	40,628	--	303,077
Plant, property, and equipment	6,305,132	32,182	--	6,337,314
Capitalized lease	<u>5,279,503</u>	<u>--</u>	<u>--</u>	<u>5,279,503</u>
	<u>\$11,855,651</u>	<u>\$72,810</u>	<u>\$ --</u>	11,928,461
Less: accumulated depreciation				(3,525,127)
				<u>\$ 8,403,334</u>

Depreciation included in operating expenses for the period amounted to \$118,553 in the Water Fund and \$174,277 (including capitalized lease amortization of \$126,075) in the Sewer Fund. Depreciation is being calculated using the straight-line method over a period of 5-40 years. Accumulated depreciation includes accumulated amortization on capitalized leases of \$2,246,469.

In June of 1999, the Village refinanced a current bond issue. A redemption premium and costs to issue the new bonds totaled \$72,040. These costs are being amortized over 89 months and amortization at March 31, 2007, totaled \$6,470.

NOTE 6: LEASE PURCHASE AGREEMENTS AND OTHER LONG-TERM INDEBTEDNESS

LEASE PURCHASE AGREEMENTS - GENERAL OBLIGATION

During 1987, the Village entered into a contract with Macomb County for the acquisition and construction of a wastewater facility under the provision of Act 342, Public Acts of Michigan, 1939, as amended. The County issued \$1,600,000 in bonds secured primarily by the full faith and credit contractual obligation of the Village of Armada. The County owns the facility and leases to the Village for a period not to exceed 40 years or when the bonds are retired, whichever is earlier. Annual lease payments are the amounts necessary to pay the interest, principal, and agent fees according to the bond maturity schedule. The imputed interest rate was 7.06714%. The Village residents approved an unlimited ad valorem tax to fund this obligation.

In June, 1999, the County refinanced the underlying debt with a refunding bond issue. In conjunction with the refunding, the County amended this lease to provide the Village with the benefit of the interest savings from this refunding. The new imputed rate is 4.39136%.



VILLAGE OF ARMADA

NOTES TO FINANCIAL STATEMENTS

(Continued)

March 31, 2007

NOTE 6: LEASE PURCHASE AGREEMENTS AND OTHER LONG-TERM INDEBTEDNESS (Continued)

The minimum future lease payments, excluding agent fees, are \$266,520. The minimum lease payments for the next five years are as follows:

<u>Fiscal Year</u>	<u>Due Date</u>	<u>Amount Due</u>	<u>Due Date</u>	<u>Amount Due</u>	<u>Total Annual Requirement</u>
March 31, 2008	5/1/07	\$2,700	11/1/07	\$122,700	\$125,400
Less: Imputed Interest					(5,400)
Net Present Value of Future Minimum Lease Payments					<u>\$120,000</u>

The Village entered into a contract with Macomb County for the acquisition and construction of a sewer separation system under Act No. 342, Public Acts of Michigan, 1939, as amended. The County has issued \$1,170,000 in bonds purchased by the Michigan Municipal Bond Authority, secured primarily by the full faith and credit contractual obligation of the Village of Armada. The County shall be the owner of the facility and lease to the Village for a period not to exceed 40 years or when the bonds are retired, whichever is earlier. Annual lease payments are the amounts necessary to pay the interest, principal, and agent fees according to the bond maturity schedule.

The minimum future lease payments, excluding agent fees, are \$439,600. The minimum lease payments for the next five years are as follows:

<u>Fiscal Year</u>	<u>Due Date</u>	<u>Amount Due</u>	<u>Due Date</u>	<u>Amount Due</u>	<u>Total Annual Requirement</u>
March 31, 2008	4/1/07	\$3,500	10/1/07	\$68,500	\$ 72,000
March 31, 2009	4/1/08	2,850	10/1/08	72,850	75,700
March 31, 2010	4/1/09	2,150	10/1/09	72,150	74,300
March 31, 2011	4/1/10	1,450	10/1/10	71,450	72,900
After March 31, 2011					76,500
Total Future Minimum Lease Payments					371,400
Less: Imputed Interest					(21,400)
Net Present Value of Future Minimum Lease Payments					<u>\$350,000</u>

In November of 2004, the Village issued bonds in the amount of \$3,384,775 to acquire and construct water supply improvements. These bonds bear interest at 2.125% and are due in October of 2024. The proceeds of these bonds are to be used to pay for the cost of a new water filtration plant.

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS ON BOND

<u>Payable In Fiscal Year Ending March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ --	\$ 34,927	\$ 34,927
2009	165,000	68,101	233,101
2010	170,000	64,541	234,541
2011	175,000	60,875	235,875
2012	175,000	57,157	232,157
2013-2024	<u>2,602,186</u>	<u>366,994</u>	<u>2,969,180</u>
	<u>\$3,287,186</u>	<u>\$652,595</u>	<u>\$3,939,781</u>



VILLAGE OF ARMADA

NOTES TO FINANCIAL STATEMENTS

(Continued)

March 31, 2007

NOTE 6: LEASE PURCHASE AGREEMENTS AND OTHER LONG-TERM INDEBTEDNESS (Continued)

The Village entered into a lease purchase agreement for a 2004 F-750 dump truck. The minimum lease payments are as follows:

	<u>Fiscal Year</u>	<u>Due Date</u>	<u>Total Annual Requirements</u>
Dump Truck	March 31, 2008	7/15/07	\$14,829
	March 31, 2009	7/15/08	<u>14,829</u>
	Total Future Minimum Lease Payments		<u>\$29,658</u>

In January of 2005, the Village entered into an installment purchase agreement in the amount of \$150,000. This agreement bears interest at 5.05%, requires semiannual payments of \$7,216, matures January 15, 2020, is due to Fifth Third Bank, and is secured by a mortgage on land. The balance due at March 31, 2007, was \$135,392.

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS ON INSTALLMENT LOAN

<u>Payable In Fiscal Year Ending March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 7,690	\$ 6,742	\$ 14,432
2009	8,084	6,348	14,432
2010	8,498	5,934	14,432
2011	8,932	5,500	14,432
2012	9,389	5,043	14,432
2013-2020	<u>92,799</u>	<u>20,835</u>	<u>113,634</u>
	<u>\$135,392</u>	<u>\$50,402</u>	<u>\$185,794</u>

CHANGE IN INDEBTEDNESS

	<u>Payable 3/31/06</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Payable 3/31/07</u>
Capitalized lease obligation	\$ 410,000	\$ --	(\$ 60,000)	\$ 350,000
Capitalized lease obligation	250,000	--	(130,000)	120,000
DWRF Construction note	<u>3,384,775</u>	<u>62,411</u>	<u>(160,000)</u>	<u>3,287,186</u>
Total Proprietary Funds Debt	<u>4,044,775</u>	<u>62,411</u>	<u>(350,000)</u>	<u>3,757,186</u>
Installment loan	143,108	--	(7,716)	135,392
Capitalized lease - two police cars	12,960	--	(12,960)	--
Capitalized lease - dump truck	<u>38,389</u>	--	<u>(11,854)</u>	<u>26,535</u>
Total Governmental Activities Debt	<u>194,457</u>	--	<u>(32,530)</u>	<u>161,927</u>
Total Indebtedness	<u>\$4,239,232</u>	<u>\$62,411</u>	<u>(\$382,530)</u>	<u>\$3,919,113</u>



VILLAGE OF ARMADA

NOTES TO FINANCIAL STATEMENTS

(Continued)

March 31, 2007

NOTE 6: LEASE PURCHASE AGREEMENTS AND OTHER LONG-TERM INDEBTEDNESS (Continued)

Total interest expense for the Village for the year was \$99,509.

DEBT MARGIN

Michigan Compiled Law limits indebtedness incurred by villages to 10% of the total taxable value of the village. For the fiscal year 05/06, the taxable value of the Village of Armada was \$45,915,810; therefore, the legal debt margin is \$4,591,581.

NOTE 7: INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds. These receivables and payables are classified as "Due from other funds," "Due to other funds," or "Restricted assets" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<u>Interfund Receivable</u>		<u>Interfund Payable</u>
Local Street Fund	\$ 1,892		
Municipal Street Fund	<u>36,212</u>		
	<u>\$38,104</u>	General Fund	<u>\$38,104</u>
Water Fund	\$24,313		
General Fund	<u>535</u>		
	<u>\$24,848</u>	Major Street Fund	<u>\$24,848</u>
General Fund	<u>\$ 775</u>	Local Street Fund	<u>\$ 775</u>
Sewer Fund	\$ 2,875		
General Fund	<u>2,569</u>		
	<u>\$ 5,444</u>	Water Fund	<u>\$ 5,444</u>
Water Fund	\$12,156		
General Fund	<u>55</u>		
	<u>\$12,211</u>	Sewer Fund	<u>\$12,211</u>

Interfund receivables and payables are eliminated in the entity-wide presentations, within the governmental and business-type fund groups.

The amount due to the General Fund from the Water Fund were monies loaned to complete the water tower construction. The balance of this loan at March 31, 2007, totaled \$2,569. The loan is being retired by monthly installments of \$2,121 and bears interest at 5% per annum.



VILLAGE OF ARMADA

NOTES TO FINANCIAL STATEMENTS (Continued)

March 31, 2007

NOTE 8: INTERFUND TRANSFERS

Operating transfers during the year ended March 31, 2007, are as follows:

	<u>Transfers In</u>		<u>Transfers Out</u>
Local Street Fund	\$35,000		
Major Street Fund	5,000		
DDA	<u>33,000</u>		
	<u>\$73,000</u>	Municipal Street Fund	<u>\$73,000</u>

These transfers have been eliminated in the entity-wide Statement of Activities.

NOTE 9: DEFERRED COMPENSATION PLAN

The Village offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries.

It is the opinion of the Village's legal counsel that the Village has no liability for losses under the plan but does have the duty of care that would be required of an ordinary prudent investor.

NOTE 10: CONTINGENT LIABILITIES

The Sewer Fund is billed annually for the operations of the sewer plant which is currently under contract with an independent company. An estimated payment is made monthly with an annual determination in June of each year of any additional amounts due. No amount has been recorded at March 31, 2007, and an annual determination has not been computed.

The Village has been named in a lawsuit involving a developer. The developer claims that the Village is responsible for the repair of certain roadways. Residents of the Village have filed two lawsuits against the Village. The residents allege wrongdoing and conspiracy. Any potential liability as a result of these suits is not determinable at this time. No liability or reserve has been recorded for these suits as of March 31, 2007.

NOTE 11: RISK FINANCING

The Village of Armada is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage for the past three years.



VILLAGE OF ARMADA

NOTES TO FINANCIAL STATEMENTS
(Continued)

March 31, 2007

NOTE 12: PRIOR PERIOD ADJUSTMENT

During the year, it was discovered that a portion of prior year's cost charged to the Water Fund, as part of the D.W.R.F. project, should have been charged to the Major Street Fund. This charge in the amount of \$24,313 has been treated as a prior period adjustment in the current fiscal year.



SUPPLEMENTAL INFORMATION

VILLAGE OF ARMADA

**GENERAL FUND
DETAILS OF EXPENDITURES**

For the year ended March 31, 2007

	Budget	Actual	Variance Favorable (Unfav.)
Legislative			
Trustees - Wages	\$ 14,400	\$ 13,300	\$ 1,100
TOTAL LEGISLATIVE	\$ 14,400	\$ 13,300	\$ 1,100
General government			
General			
Capital Outlay	\$ 36,000	\$ 2,993	\$ 33,007
Dues	1,200	1,271	(71)
Equipment Maintenance	1,200	1,919	(719)
Intergov. Tower/Hydrant Rent	-	8,649	(8,649)
Intergov. Water Charges	-	323	(323)
Miscellaneous Expense	2,500	2,845	(345)
Operating Supplies	1,500	1,533	(33)
Postage & Supplies	2,200	2,611	(411)
Printing	2,000	3,109	(1,109)
Professional Serv. - Attorney	26,000	25,546	454
Professional Serv. - Auditor	7,500	8,697	(1,197)
Professional Serv. - Engineering	2,500	3,792	(1,292)
Professional Serv. - Other	500	-	500
Transportation	500	479	21
Utilities	5,250	4,592	658
Vehicle Maintenance	500	249	251
	<u>89,350</u>	<u>68,608</u>	<u>20,742</u>
Village president			
Wage	<u>4,800</u>	<u>4,800</u>	<u>-</u>
Clerk			
Clerical Wages	29,760	29,964	(204)
Clerk - Salary	20,490	20,254	236
Dues	180	90	90
Health Insurance	12,432	13,178	(746)
Life Insurance	688	596	92
Miscellaneous Expense	4,285	458	3,827
	<u>67,835</u>	<u>64,540</u>	<u>3,295</u>



VILLAGE OF ARMADA

**GENERAL FUND
DETAILS OF EXPENDITURES
(Continued)**

For the year ended March 31, 2007

	Budget	Actual	Variance Favorable (Unfav.)
General government			
Treasurer			
Miscellaneous Expense	\$ 610	\$ 199	\$ 411
Postage/Supplies	1,600	1,045	555
Transportation Expense	50	30	20
Salary	28,500	28,667	(167)
Dues	175	125	50
	<u>30,935</u>	<u>30,066</u>	<u>869</u>
TOTAL GENERAL GOVERNMENT	\$ <u>192,920</u>	\$ <u>168,014</u>	\$ <u>24,906</u>



VILLAGE OF ARMADA

GENERAL FUND
 DETAILS OF EXPENDITURES
 (Continued)

For the year ended March 31, 2007

	Budget	Actual	Variance Favorable (Unfav.)
Public safety			
Police			
Act 302 - Training Funds	\$ 1,100	\$ 1,262	\$ (162)
Capital Outlay	3,300	7,602	(4,302)
Dues	750	995	(245)
Employer Deferred Compensation	2,400	2,691	(291)
Equip. Rent - Other Gov't Units	-	6,000	(6,000)
Equip. Maintenance Supplies	5,500	7,813	(2,313)
Health Insurance	18,000	15,674	2,326
Life Insurance	1,500	522	978
Miscellaneous Expense	750	3,265	(2,515)
Office Supplies	750	1,093	(343)
Operating Supplies	1,750	2,790	(1,040)
Police Wages	196,000	207,664	(11,664)
Printing	200	352	(152)
Prof. Serv. - Attorney	12,000	8,922	3,078
Training	5,400	2,183	3,217
Transportation - Police	6,500	8,716	(2,216)
Uniforms	3,000	4,295	(1,295)
Utilities	7,000	5,481	1,519
Vehicle Maint.	3,500	3,803	(303)
	<u>269,400</u>	<u>291,123</u>	<u>(21,723)</u>
Inspections			
Building Insp. - Dues	100	100	-
Building Insp. - Retainer	2,250	2,700	(450)
Building Insp. - Wage	2,250	3,565	(1,315)
Building Insp. - Misc.	1,525	148	1,377
Electrical Insp. - Wage	1,500	3,330	(1,830)
Mechanical Insp. - Misc.	-	66	(66)
Mechanical Insp. - Wage	-	158	(158)
Plumbing Insp. - Misc.	-	66	(66)
Plumbing Insp. - Wage	-	319	(319)
	<u>7,625</u>	<u>10,452</u>	<u>(2,827)</u>
TOTAL PUBLIC SAFETY	\$ <u>277,025</u>	\$ <u>301,575</u>	\$ <u>(24,550)</u>



VILLAGE OF ARMADA

**GENERAL FUND
DETAILS OF EXPENDITURES
(Continued)**

For the year ended March 31, 2007

	Budget	Actual	Variance Favorable (Unfav.)
Public works			
Department of public works			
Capital Outlay	\$ 21,000	\$ 47,976	\$ (26,976)
Deferred Comp. Contribution	11,323	9,660	1,663
Wages	35,885	33,956	1,929
Equip. Maint. - Supplies	2,000	2,332	(332)
Health Insur.	12,500	7,730	4,770
Intergov. Water/DWRF Charges	-	334	(334)
Life Insurance	2,000	1,461	539
Miscellaneous Expense	4,600	4,908	(308)
Operating Supplies	2,500	1,279	1,221
Uniforms	3,000	2,530	470
Utilities	2,700	2,479	221
Vehicle Maintenance	7,450	1,773	5,677
TOTAL PUBLIC WORKS	\$ 104,958	\$ 116,418	\$ (11,460)
Community and economic development			
Cable			
Wages	\$ 1,200	\$ 1,138	\$ 62
Planning			
Professional Services	-	6,112	(6,112)
Wages	3,600	2,175	1,425
Miscellaneous Expense	2,850	24	2,826
	<u>6,450</u>	<u>8,311</u>	<u>(1,861)</u>
Zoning			
Wage	-	300	(300)
Construction			
	300	-	300
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	\$ 7,950	\$ 9,749	\$ (1,799)

VILLAGE OF ARMADA

**GENERAL FUND
DETAILS OF EXPENDITURES
(Continued)**

For the year ended March 31, 2007

	Budget	Actual	Variance Favorable (Unfav.)
Recreation and cultural			
Capital Outlay	\$ <u>9,000</u>	\$ <u>-</u>	\$ <u>9,000</u>
Other			
Insurance and other			
Com. Dev. Block Grant	\$ 44,000	\$ 56,553	\$ (12,553)
Employer Deferred Compensation	1,400	1,846	(446)
General Insurance	8,000	8,885	(885)
Payroll Taxes	26,926	29,145	(2,219)
Cable - W.N.E.M.	2,670	-	2,670
Workers' Comp.	9,500	9,193	307
TOTAL OTHER	\$ <u>92,496</u>	\$ <u>105,622</u>	\$ <u>(13,126)</u>
Transfers Out	\$ <u>4,760</u>	\$ <u>-</u>	\$ <u>4,760</u>



VILLAGE OF ARMADA

STREET FUNDS DETAILS OF EXPENDITURES

For the year ended March 31, 2007

	Budget	Actual	Variance Favorable (Unfav.)
MAJOR STREET FUND			
Admin. Fee - General Fund	\$ 1,176	\$ 1,176	\$ -
Bridges	1,500	2,501	(1,001)
Equipmental Rental to General	13,000	9,753	3,247
Professional Services	1,240	1,379	(139)
Routine Maint. - Gen. Insur.	5,500	5,311	189
Routine Maint. - Health Insur.	6,998	4,776	2,222
Routine Maint. - Soc. Sec.	1,333	1,256	77
Routine Maint. - Supplies	5,800	3,464	2,336
Routine Maint. - Utilities	400	409	(9)
Routine Maint. - Wages	18,500	15,341	3,159
Snow & Ice - Supplies	3,500	2,894	606
Snow & Ice - Wages	2,500	1,359	1,141
Street Construction	10,000	11,292	(1,292)
Sublet/Contracted Services	4,700	2,714	1,986
Traffic Maint. - Supplies	1,750	2,756	(1,006)
Tree Trimming	2,500	900	1,600
Miscellaneous	500	-	500
West Nile Virus Supplies	271	274	(3)
Workers' Comp.	1,750	1,764	(14)
TOTAL MAJOR STREET FUND	\$ 82,918	\$ 69,319	\$ 13,599
LOCAL STREET FUND			
Admin. Fee - General Fund	1,860	1,300	560
Bridges	1,000	-	1,000
Equipment Rental to General	16,500	11,427	5,073
Professional Services	1,500	1,284	216
Routine Maint. - Soc. Sec.	1,795	1,272	523
Routine Maint. - Gen. Insur.	4,300	4,590	(290)
Routine Maint. - Health Insur.	6,420	4,273	2,147
Routine Maint. - Supplies	4,282	5,207	(925)
Routine Maint. - Wages	20,000	15,655	4,345
Snow & Ice Supplies	1,200	3,076	(1,876)
Snow & Ice Wages	1,700	1,234	466
Street Construction	10,000	4,404	5,596
Sublet/Contracted Services	6,000	3,317	2,683
Tree Trimming	3,000	3,950	(950)
Miscellaneous	150	-	150
Utilities	450	498	(48)
West Nile Virus Supplies	271	335	(64)
Workers' Comp.	2,048	2,156	(108)
TOTAL LOCAL STREET FUND	\$ 82,476	\$ 63,978	\$ 18,498



VILLAGE OF ARMADA

**STREET FUNDS
DETAILS OF EXPENDITURES**

For the year ended March 31, 2007

	Budget	Actual	Variance Favorable (Unfav.)
<i>MUNICIPAL STREET FUND</i>			
Sidewalk Construction Exp.	\$ 40,000	\$ 810	\$ 39,190
Transfers To Other Funds	128,000	73,000	55,000
Professional Services	1,045	950	95
Miscellaneous Exp.	5	-	5
Capital Outlay	10,000	-	10,000
Street Lighting	24,000	28,154	(4,154)
<i>TOTAL MUNICIPAL STREET FUND</i>	<u>\$ 203,050</u>	<u>\$ 102,914</u>	<u>\$ 100,136</u>





**McBride, Manley
& Miller P.C.**

Certified Public Accountants

Marine City, MI (810) 765-4700

Chesterfield, MI (586) 598-4600

July 6, 2007

Village Council
Village of Armada
Armada, MI 48005

Honorable Members:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Armada as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Armada's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the 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 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 internal control was for the limited purpose described in the first paragraph 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 that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies:

1. Financial Guarantees – Financial Guarantees (surety bonds) are not regularly reconciled to the general ledger.
2. The employees of the Village do not possess the education, experience, or background to record all transactions in accordance with Generally Accepted Accounting Principles, or to prepare complete and accurate financial statements according to Generally Accepted Accounting Principles.

This communication is intended solely for the information and use of management, Village Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



McBRIDE, MANLEY & MILLER P.C.
Certified Public Accountants



McBride, Manley
& Miller P.C.



McBride, Manley & Miiller P.C.

Certified Public Accountants

Marine City, MI (810) 765-4700

Chesterfield, MI (586) 598-4600

July 6, 2007

Village Council
Village of Armada
Armada, Michigan 48005

Honorable Members:

We have examined the financial statements of the Village of Armada for the year ended March 31, 2007, and have issued our report thereon dated July 6, 2007. Our examination included a study and evaluation of internal control to the extent we considered necessary in order to establish a basis for reliance on the accounting records. The following areas of internal accounting control could be improved, and we feel they warrant your consideration.

PAYROLL

During our testing of payroll, there were instances where time cards were not signed by supervisors and there was an instance where the withholding exemption in QuickBooks did not agree to an employee's W-4. All time cards should be approved by supervisors and withholdings should be consistent with each employee's W-4.

PURCHASES

During our examination, we noted several vendor invoices that bore no indication that the footings and extensions had been verified prior to payment. The mathematical accuracy of vendor invoices should be verified prior to payment, and an indication of this procedure should appear on all paid invoices. Invoices should also show evidence that they were approved. We also noted that voided checks are not being properly defaced. The signature block on all voided checks should be destroyed to assure that they are not used by unauthorized people.

CASH RECEIPTS

During our examination, we noted instances where deposits were not made in a timely manner. Generally, deposits should be made daily and clear the bank within two or three days.

PAYROLL LIABILITIES

During our audit, we discovered that the March 29, 2007, 941 liability was not paid until May 2007. It is essential that the Treasurer review each payroll to assure that payroll taxes are paid timely in order to avoid penalties and interest.

HYDRANT RENTAL

During our audit, we noted that the hydrant rental from the Water Fund to the General Fund was recorded as a transfer. In the future, this amount should be recorded as Hydrant Rental Revenue in the Water Fund and as an expense in the General Fund.

PERMITS

During our testing, we noted that a numerical sequence was not being maintained for all permits. For proper control over these permits, it is important that all permits are able to be accounted for by examining all numbered permits for the period.

BUDGETS

During the past fiscal year, the Village was in violation of Public Act 621 of 1978 of the State of Michigan. This Act requires that expenditures not be in excess of amounts appropriated. Expenditures should be reviewed and appropriated by the Council prior to being incurred. This requires periodic review of expenditures compared to amounts budgeted during the year, and approving budget amendments as needed.

GENERAL

The payroll account is earning interest. When interest is received on this account, it should be transferred to the general checking account and recorded in the General Fund.

CONCLUSION

This report is intended solely for the information and use of the Village Council, management, and others within the Village. The restriction is not intended to limit the distribution of this report which is a matter of public record. We would like to express our appreciation and thanks to the Village officials and employees for their cooperation and many courtesies extended to us during our examination. We will be available to discuss these recommendations in detail or to assist in their implementations.

Respectfully submitted,



McBRIDE, MANLEY & MILLER P.C.
Certified Public Accountants

