

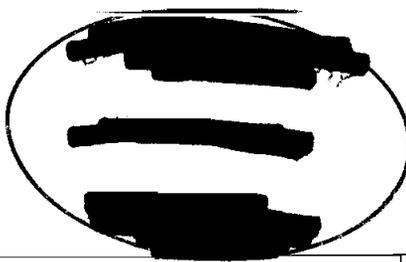
VILLAGE OF CENTREVILLE  
ST. JOSEPH COUNTY, MICHIGAN

AUDIT REPORT

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 Centreville	County St. Joseph
Fiscal Year End 3/31/07	Opinion Date June 28, 2007	Date Audit Report Submitted to State December 5, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

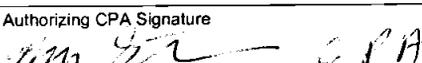
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**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 type="checkbox"/>	N/A		
Certified Public Accountant (Firm Name) Norman & Paulsen, PC		Telephone Number 269-273-8641		
Street Address 123 North Main Street		City Three Rivers	State Mi	Zip 49093
Authorizing CPA Signature 		Printed Name Rick Strawser		License Number 16951

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## INDEPENDENT AUDITOR'S REPORT

**Norman & Paulsen, P.C.**

*Certified Public Accountants*

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Members of the Village Council  
Village of Centreville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the component unit, and each major fund of the Village of Centreville, Michigan 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'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 component unit, and each major fund, of the Village of Centreville, Michigan 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.

Donald L. Paulsen, CPA  
Patrick J. Monahan, CPA  
Bruce S. A. Gosling, CPA  
Michael R. Wilson, CPA  
Rick L. Strawser, CPA  
Jerrel T. Norman (1941-1982)

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2007, on our consideration of the Village of Centreville, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information beginning on pages iii through ix and pages 23 through 25 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.

*Norman & Paulsen PC*

Norman & Paulsen, P.C.

Three Rivers, Michigan  
June 28, 2007

**VILLAGE OF CENTREVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2007**

As management of the Village of Centreville, we offer readers of the Village of Centreville's financial statements this narrative overview and analysis of the financial activities of the Village of Centreville for the fiscal year ended March 31, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished. This discussion contains comparative analysis when prior year information is available.

**Financial Highlights**

- The assets of the Village of Centreville exceeded its liabilities at March 31, 2007 by \$4,116,833. Of this amount unrestricted net assets of \$984,254 may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net assets increased by \$61,054. Of this amount \$22,469 was associated with governmental and \$38,585 with business type activities.
- As of the close of the current fiscal year, the Village of Centreville's governmental funds reported combined ending fund balances of \$1,767,406. Of this amount \$760,277 is unreserved and available for spending.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$90,170, or 15.77% of total general fund expenditures.
- The Village of Centreville's total debt obligations is \$2,844,000. This is a decrease of \$111,000 from the prior year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Village of Centreville's basic financial statements. The Village of Centreville's basic financial statements are comprised of 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The government-wide financial statements are designed to provide readers with a broad overview of the Village of Centreville's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**VILLAGE OF CENTREVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2007**

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village of Centreville include general government, public safety, parks and recreation, community services, community development and other charges. The major business-type activities of the Village include the water and sewer systems.

The government-wide financial statements include not only the Village of Centreville itself (known as the primary government), but also a legally separate Centreville Downtown Development Authority, a component unit of the Village. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

**Fund Financial Statements** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Centreville can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Village maintains four individual governmental funds: General, Major Street, Local Street, and Downtown Development Authority. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Individual fund data for each of these governmental funds is provided.

The Village of Centreville adopts a one year budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the fiscal year end March 31, 2007 budget.

**Proprietary Funds** The Village of Centreville maintains two different types of proprietary funds: enterprise funds and an internal service fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village maintains two individual enterprise funds: Sewer Fund and Water Fund. Information is presented separately in the proprietary statement of net assets and the proprietary statement of revenues, expenses and changes in fund net assets for the Sewer and Water funds, which are considered major funds. Internal service funds are used to accumulate and allocate costs internally among the Village's various functions. The Village of Centreville uses an internal service fund to account for its fleet maintenance.

**VILLAGE OF CENTREVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2007**

**Notes to the Financial Statements** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required Supplementary Information** In addition to the basic financial statements and accompanying notes, this report also presents certain other required supplementary information. Within this section are budget comparisons for all major governmental funds.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At March 31, 2007, the Village's assets exceeded liabilities by \$4,116,833. Capital assets are used to provide services to citizens and they are not available for future spending. It should be noted that the resources needed to repay the remaining debt of capital assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following is a comparative statement of changes in net assets.

**Village of Centreville's Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Current and other assets	\$ 822,457	\$ 813,101	\$ 907,583	\$ 858,886	\$1,730,040	\$ 1,671,987
Capital assets	<u>1,007,129</u>	<u>971,252</u>	<u>4,329,362</u>	<u>4,470,776</u>	<u>5,336,491</u>	<u>5,442,028</u>
Total assets	<u>\$1,829,586</u>	<u>\$1,784,353</u>	<u>\$5,236,945</u>	<u>\$5,329,662</u>	<u>\$7,066,531</u>	<u>\$7,114,015</u>
<b>Liabilities</b>						
Long-term liabilities outstanding	\$ -	\$ -	\$2,844,000	\$2,955,000	\$2,844,000	\$2,955,000
Other liabilities	<u>62,180</u>	<u>39,416</u>	<u>43,518</u>	<u>63,820</u>	<u>105,698</u>	<u>103,236</u>
Total Liabilities	<u>\$ 62,180</u>	<u>\$ 39,416</u>	<u>\$2,887,518</u>	<u>\$3,018,820</u>	<u>\$2,949,698</u>	<u>\$3,058,236</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	\$1,007,129	\$ 971,252	\$1,485,362	\$1,515,776	\$2,492,491	\$2,487,028
Restricted	-	-	640,088	619,684	640,088	619,684
Unrestricted	<u>760,277</u>	<u>773,685</u>	<u>223,977</u>	<u>175,382</u>	<u>984,254</u>	<u>949,067</u>
Total Net Assets	<u>\$1,767,406</u>	<u>\$1,744,937</u>	<u>\$2,349,427</u>	<u>\$2,310,842</u>	<u>\$4,116,833</u>	<u>\$4,055,779</u>

**VILLAGE OF CENTREVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2007**

**Village of Centreville's Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 74,616	\$ 83,909	\$ 461,695	\$ 456,935	\$ 536,311	\$ 540,844
Operating grants and Contributions	4,018	4,073	-	-	4,018	4,073
General revenues:						
Property taxes	266,494	257,914	-	-	266,494	257,914
State revenue sharing	259,651	261,285	-	-	259,651	261,285
Licenses and permits	20,813	30,314	-	-	20,813	30,314
Grants, unrestricted	8,628	8,420	-	-	8,628	8,420
Interest	26,407	20,714	24,889	21,539	51,296	42,253
Other	<u>6,996</u>	<u>7,089</u>	<u>-</u>	<u>-</u>	<u>6,996</u>	<u>7,089</u>
<b>Total Revenues</b>	<b>667,623</b>	<b>673,718</b>	<b>486,584</b>	<b>478,474</b>	<b>1,154,207</b>	<b>1,152,192</b>
<b>Expenses:</b>						
General government	246,114	241,934	-	-	246,114	241,934
Public safety	318,840	334,366	-	-	318,840	334,366
Public works	61,465	47,949	-	-	61,465	47,949
Health and welfare	15,943	13,962	-	-	15,943	13,962
Sewer and water	-	-	447,999	444,721	447,999	444,721
Depreciation - unallocated	<u>2,792</u>	<u>2,790</u>	<u>-</u>	<u>-</u>	<u>2,792</u>	<u>2,790</u>
<b>Total Expenses</b>	<b><u>645,154</u></b>	<b><u>641,001</u></b>	<b><u>447,999</u></b>	<b><u>444,721</u></b>	<b><u>1,093,153</u></b>	<b><u>1,085,722</u></b>
Increase in net assets	22,469	32,717	38,585	33,753	61,054	66,470
Net Assets - Beginning of Year	<u>1,744,937</u>	<u>1,712,220</u>	<u>2,310,842</u>	<u>2,277,089</u>	<u>4,055,779</u>	<u>3,989,309</u>
Net Assets - End of Year	<b><u>\$1,767,406</u></b>	<b><u>\$1,744,937</u></b>	<b><u>\$2,349,427</u></b>	<b><u>\$2,310,842</u></b>	<b><u>\$4,116,833</u></b>	<b><u>\$4,055,779</u></b>

**VILLAGE OF CENTREVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2007**

**Governmental Activities** Governmental activities increased the Village's net assets by \$22,469 accounting for 36.80 percent of the total growth in the net assets. Key elements of this increase are as follows:

- County wide voted road millage which has been and will continue to be used in local street projects.
- Council approved the additional 0.3918 mills permitted by the State which increase operating revenues in property taxes.
- State Revenue Sharing allocation was uncertain. Council remained very conservative in their spending.

**Business-type Activities** Business-type activities increased the Village's net assets by \$38,585, accounting for 63.20 percent of the total growth in the government's net assets. In conjunction with a full year of wastewater increased use rate, the increase was primarily due to four new users (two businesses, one church, and one residential) to the system.

**Financial Analysis of the Government's Funds**

As noted earlier, the Village of Centreville uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Government Funds** The purpose of the Village's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the Village's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$90,170 while the total fund balance totaled \$136,636. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 15.77 percent of total general fund expenditures, while total fund balance represents 23.90 percent of that same amount.

**Proprietary funds** The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer and Water funds at the end of the year were \$109,220 and \$120,632, respectively. The total growth/decline was \$56,303 and \$(15,853) for those same funds. Other factors concerning the finances of these funds have already been addressed in the discussion of the Village's business-type activities.

**VILLAGE OF CENTREVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2007**

**General Fund Budgetary Highlights**

The final general fund budget projected a deficit of \$87,345 or \$19,992 more than the original budget. Actual revenues were \$66,861 less than the amended revenue budget, whereas expenditures were \$101,828 less than the amended budget. The \$34,967 difference is briefly summarized below:

- ◆ \$ 20,791 – net between projected public service collections and projected costs
- ◆ \$ 14,176 – revenue realized over budget were from:
  - 1) actual property taxes received over budget
  - 2) building permit increase from additional building projects
  - 3) under estimated revenue from building permits
  - 4) under estimated revenue from chargeable services per Village Code

**Capital Asset and Debt Administration**

**Capital Assets** The Village's investment in capital assets for its governmental and business type activities for the fiscal year ended March 31, 2007 amounts to \$113,519. This investment in capital assets includes sewer and water system equipment.

Major capital asset events during the current fiscal year included the following:

- ◆ \$ 8,471 - Land purchase (Lot 30, Davis Addition within the Village of Centreville)
- ◆ \$ 6,930 - meter reader software
- ◆ \$ 3,161 - insulation for the DPW storage building at 134 N Dean St, Centreville
- ◆ \$ 72,889 - resurfacing streets and replace Market St culvert bridge
- ◆ \$ 22,068 - new patrol vehicle

**Long-term debt** At the end of the current fiscal year, the Village had \$2,844,000 in outstanding debt consisting of revenue bonds. All of the debt was secured by specific revenue sources.

**Village of Centreville's Outstanding Debt**

	Governmental .....		Business-type		Total	
	Activities	Activities	Activities	Activities		
	2007	2006	2007	2006	2007	2006
Revenue bonds	\$ _____ -	\$ _____ -	<u>\$2,844,000</u>	<u>\$2,955,000</u>	<u>\$2,844,000</u>	<u>\$2,955,000</u>

**VILLAGE OF CENTREVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2007**

**Economic Factors and Next Year's Budgets and Rates**

The Village of Centreville Council has shown fiscal responsibility in its planning for budget and spending practices. As in prior years, the March 31, 2007 fiscal year end was full of uncertain revenue as well as expenses. Monthly reports are submitted to the Village council. These reports provide "actual" information related to the projections. Budgets for the March 31, 2008 fiscal year end were developed based upon the following assumptions.

- State of Michigan. One of the major sources of general fund revenue is through the State of Michigan Statutory and Constitutional revenue sharing. As the State continues to bring its own budget in line, it is difficult to confidently conclude the revenue share received by the Village of Centreville will be equal to the past year. Also, with job losses throughout the State, higher fuel costs, etc. the amount available to the State to share with municipalities, which is determined by consumers and business spending, is anticipated to be less than prior year.
- Investment income. The increase in the investment interest rates is encouraging.
- Local Street County millage revenue. The Village is very grateful that the St. Joseph County voters did renew the County road millage on property taxes in August 2004. As in the past this millage will be restricted to local street improvement projects.
- Enterprise fund rates. The Council authorized a new water tower maintenance fee to be added to the water utility customer's monthly bill as of the April 10 – May 10, 2007 billing cycle. This does increase the amount that will be reserved to cover costs on water tower maintenance when the costs occur.

**Requests for Information**

This financial report is designed to provide a general overview of the Village of Centreville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Village of Centreville, 212 W Main Street, PO Box 399, Centreville, MI 49032.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2007

	Primary Government			Component Units
	Governmental Activities	Business -Type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 246,981	\$ 211,509	\$ 458,490	\$ 194,546
Certificates of deposit	483,984	-	483,984	-
Receivables (net)	44,635	39,952	84,587	3,059
Internal balances	391	-	391	(391)
Prepaid expenses	9,398	-	9,398	-
Restricted cash/certificates of deposit	37,068	656,122	693,190	-
Capital assets - net	1,007,129	4,329,362	5,336,491	121,221
<b>Total Assets</b>	<b>\$ 1,829,586</b>	<b>\$ 5,236,945</b>	<b>\$ 7,066,531</b>	<b>\$ 318,435</b>
<b>LIABILITIES</b>				
Accounts payable	56,338	9,799	66,137	-
Accrued payroll and other liabilities	5,842	33,719	39,561	9
Noncurrent liabilities				
Due within one year	-	114,000	114,000	-
Due in more than one year	-	2,730,000	2,730,000	-
<b>Total Liabilities</b>	<b>\$ 62,180</b>	<b>\$ 2,887,518</b>	<b>\$ 2,949,698</b>	<b>\$ 9</b>
<b>NET ASSETS</b>				
Invested in capital assets				
Net of related debt	\$ 1,007,129	\$ 1,485,362	\$ 2,492,491	\$ 121,221
Restricted for				
Debt service	-	640,088	640,088	-
Unrestricted	760,277	223,977	984,254	197,205
<b>Total Net Assets</b>	<b>\$ 1,767,406</b>	<b>\$ 2,349,427</b>	<b>\$ 4,116,833</b>	<b>\$ 318,426</b>

See accompanying notes to financial statements



**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
General government	\$ 246,114	\$ 80	\$ -	\$ -
Public safety	318,840	73,026	4,018	-
Public works	61,465	-	-	-
Health and welfare	15,943	1,510	-	-
Depreciation-unallocated	2,792	-	-	-
<b>Total Governmental Activities</b>	<b>645,154</b>	<b>74,616</b>	<b>4,018</b>	<b>-</b>
<b>Business - Type Activities</b>				
Water and Sewer	447,999	461,695	-	-
<b>Total Primary Government</b>	<b>1,093,153</b>	<b>536,311</b>	<b>4,018</b>	<b>-</b>
<b>Component units:</b>				
Downtown Development Authority	18,983	-	-	-
<b>Total Component Units</b>	<b>\$ 18,983</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**General Revenues**

Property Taxes  
State-Shared Revenues  
Licenses and Permits  
Grants and Entitlements not Restricted to Specific Programs  
Unrestricted Investment Earnings  
Gain/(loss) on sale of capital assets  
Miscellaneous

Total General Revenues - Transfers

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business -Type Activities	Total	Component Units
\$ (246,034)	\$ -	\$ (246,034)	\$ -
(241,796)	-	(241,796)	-
(61,465)	-	(61,465)	-
(14,433)	-	(14,433)	-
(2,792)	-	(2,792)	-
<u>(566,520)</u>	<u>-</u>	<u>(566,520)</u>	<u>-</u>
-	13,696	13,696	-
<u>(566,520)</u>	<u>13,696</u>	<u>(552,824)</u>	<u>-</u>
-	-	-	(18,983)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,983)</u>
266,494	-	266,494	78,916
259,651	-	259,651	-
20,813	-	20,813	-
8,628	-	8,628	-
26,407	24,889	51,296	2,492
-	-	-	-
6,996	-	6,996	-
<u>588,989</u>	<u>24,889</u>	<u>613,878</u>	<u>81,408</u>
22,469	38,585	61,054	62,425
<u>1,744,937</u>	<u>2,310,842</u>	<u>4,055,779</u>	<u>256,001</u>
<u>\$ 1,767,406</u>	<u>\$ 2,349,427</u>	<u>\$ 4,116,833</u>	<u>\$ 318,426</u>



VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2007

	General Fund	Major Street Fund	Local Street Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 126,907	\$ 67,284	\$ 30,253	\$ 224,444
Certificates of deposit	-	199,470	209,829	409,299
Receivables (Net)	22,375	7,605	14,655	44,635
Due from other funds	391	-	1,753	2,144
Prepaid expenses	9,398	-	-	9,398
Restricted cash/certificates of deposit	37,068	-	-	37,068
<b>Total Assets</b>	<b>\$ 196,139</b>	<b>\$ 274,359</b>	<b>\$ 256,490</b>	<b>\$ 726,988</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 54,072	\$ 328	\$ 82	\$ 54,482
Other accrued liabilities	5,431	177	161	5,769
Due to other funds	-	1,753	-	1,753
<b>Total Liabilities</b>	<b>\$ 59,503</b>	<b>\$ 2,258</b>	<b>\$ 243</b>	<b>\$ 62,004</b>
<b>FUND BALANCES</b>				
Reserved for				
Restricted assets	\$ 37,068	\$ 1,753	\$ -	\$ 38,821
Prepaid expenses	9,398	-	-	9,398
Unrestricted	90,170	270,348	256,247	616,765
<b>Total Fund Balances</b>	<b>\$ 136,636</b>	<b>\$ 272,101</b>	<b>\$ 256,247</b>	<b>664,984</b>

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds. 842,015

Internal service funds are used to charge the costs of certain activities, such as motor vehicle pool maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 260,407

Net Assets of Governmental Activities \$ 1,767,406

See accompanying notes to financial statements



VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2007

	General Fund	Major Street Fund	Local Street Fund	Total Governmental Funds
<b>Revenues</b>				
Taxes and Penalties	\$ 247,088	\$ -	\$ 19,406	\$ 266,494
Licenses and Permits	16,304	-	-	16,304
State Grants	155,318	72,556	31,777	259,651
Operating contributions	12,646	-	-	12,646
Charges for Services	74,616	-	-	74,616
Fines and Forfeits	4,509	-	-	4,509
Interest and Rentals	3,000	9,596	9,991	22,587
Other Revenue	5,831	-	1,165	6,996
<b>Total Revenues</b>	<b>519,312</b>	<b>82,152</b>	<b>62,339</b>	<b>663,803</b>
<b>Expenditures</b>				
Current				
General Government	236,453	3,000	3,000	242,453
Public Safety	288,754	-	-	288,754
Public Works	-	18,334	20,750	39,084
Health and Welfare	15,943	-	-	15,943
Capital Outlay	30,540	7,417	65,472	103,429
<b>Total Expenditures</b>	<b>571,690</b>	<b>28,751</b>	<b>89,222</b>	<b>689,663</b>
<b>Excess (deficiency) of Revenues Over Expenditures</b>	<b>(52,378)</b>	<b>53,401</b>	<b>(26,883)</b>	<b>(25,860)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	18,139	18,139
Transfers (Out)	-	(18,139)	-	(18,139)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(18,139)</b>	<b>18,139</b>	<b>-</b>
<b>Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(52,378)</b>	<b>35,262</b>	<b>(8,744)</b>	<b>(25,860)</b>
Fund Balance - April 1, 2006	189,014	236,839	264,991	690,844
Fund Balance - March 31, 2007	\$ 136,636	\$ 272,101	\$ 256,247	\$ 664,984

See accompanying notes to financial statements

Net Change in Fund Balances - Total Governmental Funds \$ (25,860)

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

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Capital outlay	103,429	
Depreciation expense	<u>(53,474)</u>	49,955

Internal service funds are used to charge the costs of certain activities such as the motor vehicle pool to individual funds. The net revenue of the internal service funds is reported with governmental activities (net of amount allocated to business - type activities of \$1,865).

Interest income allocated as governmental activities	3,820	
Expenses allocated as governmental activities	<u>(5,446)</u>	(1,626)

**Change in Net Assets of Governmental Activities** \$ 22,469

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 MARCH 31, 2007

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Totals	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 79,729	\$ 137,655	\$ 217,384	\$ 16,662
Certificates of deposit	-	-	-	74,685
Receivables, net	18,721	21,231	39,952	-
Total current assets	98,450	158,886	257,336	91,347
Noncurrent assets				
Restricted cash and certificates of deposit	377,848	278,274	656,122	-
Capital assets	2,464,333	1,865,029	4,329,362	165,114
Total noncurrent assets	2,842,181	2,143,303	4,985,484	165,114
Total Assets	\$ 2,940,631	\$ 2,302,189	\$ 5,242,820	\$ 256,461
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 3,852	\$ 5,947	\$ 9,799	\$ 1,856
Accrued interest payable	-	31,825	31,825	-
Accrued payroll and other liabilities	1,412	482	1,894	73
Current portion of noncurrent liabilities	90,000	24,000	114,000	-
Total current liabilities	95,264	62,254	157,518	1,929
Noncurrent liabilities				
Bonds, notes and loans payable	1,145,000	1,585,000	2,730,000	-
Total Liabilities	\$ 1,240,264	\$ 1,647,254	\$ 2,887,518	\$ 1,929

See accompanying notes to financial statements



VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF NET ASSETS (CONTINUED)  
 PROPRIETARY FUNDS  
 MARCH 31, 2007

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Totals	
<b>NET ASSETS</b>				
Invested in capital assets -				
Net of related debt	\$ 1,229,333	\$ 256,029	\$ 1,485,362	\$ 165,114
Restricted for				
Debt service	361,814	278,274	640,088	-
Unrestricted	109,220	120,632	229,852	89,418
Total Net Assets	<u>\$ 1,700,367</u>	<u>\$ 654,935</u>	2,355,302	<u>\$ 254,532</u>

Reconciliation to the statement of net assets

Internal service funds are used to charge the costs of certain activities, such as the motor vehicle pool to individual funds. The assets and liabilities of certain internal service funds are included with business-type activities in the statement of net assets.

	<u>(5,875)</u>
Net assets of business-type activities	<u>\$ 2,349,427</u>

See accompanying notes to financial statements



VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED MARCH 31, 2007

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Totals	
Operating revenues				
Sewage disposal services	\$ 219,909	\$ -	\$ 219,909	\$ -
Water sales	-	233,907	233,907	-
Equipment rentals	-	-	-	51,564
Installation and other charges	3,000	4,879	7,879	-
Total operating revenues	222,909	238,786	461,695	51,564
Operating expenses				
Personnel services	36,518	45,283	81,801	12,905
Contractual services	6,342	8,020	14,362	1,766
Utilities	3,478	10,894	14,372	4,752
Repairs and maintenance	13,845	34,154	47,999	12,870
Other supplies and expenses	13,703	20,262	33,965	9,343
Depreciation	78,140	70,204	148,344	17,239
Total operating expenses	152,026	188,817	340,843	58,875
Operating income (loss)	70,883	49,969	120,852	(7,311)
Nonoperating revenues (expenses)				
Interest revenue	14,220	10,669	24,889	3,820
Interest expense	(28,800)	(76,491)	(105,291)	-
Total nonoperating revenues (expenses)	(14,580)	(65,822)	(80,402)	3,820
Change in net assets	56,303	(15,853)	40,450	(3,491)
Total net assets - beginning of year	1,644,064	670,788	2,314,852	258,023
Total net assets - end of year	\$ 1,700,367	\$ 654,935	\$ 2,355,302	\$ 254,532

See accompanying notes to financial statements

Reconciliation to Government-wide Statement of Activities:

Amounts reported for business-type activities in the government-wide Statement of Activities are different because:

Net change in net assets - total business-type funds	\$ 40,450
Net effect of the current fiscal year elimination of internal service fund activities.	<u>(1,865)</u>
Change in net assets of business-type activities	<u><u>\$ 38,585</u></u>



VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS  
FOR THE YEAR ENDED MARCH 31, 2007

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 229,010	\$ 245,035	\$ 474,045	\$ -
Receipts for interfund services	-	-	-	51,564
Payments for interfund services	(5,474)	(7,682)	(13,156)	-
Payments to suppliers	(57,773)	(60,307)	(118,080)	(27,328)
Payments to employees	(35,511)	(45,619)	(81,130)	(12,949)
Net cash provided (used) by operating activities	<u>130,252</u>	<u>131,427</u>	<u>261,679</u>	<u>11,287</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
(Increase)decrease restricted assets	(28,395)	(8,043)	(36,438)	-
Purchases of capital assets	(3,465)	(3,465)	(6,930)	(3,161)
Principal and interest paid on capital debt	(118,800)	(97,926)	(216,726)	-
Net cash provided (used) by capital and related financing activities	<u>(150,660)</u>	<u>(109,434)</u>	<u>(260,094)</u>	<u>(3,161)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sales/maturities	-	-	-	60,442
Interest and dividends	13,697	9,952	23,649	3,820
Net cash provided by investing activities	<u>13,697</u>	<u>9,952</u>	<u>23,649</u>	<u>64,262</u>
Net increase (decrease) in cash and cash equivalents	(6,711)	31,945	25,234	72,388
Balances - beginning of year	<u>86,440</u>	<u>105,710</u>	<u>192,150</u>	<u>(55,726)</u>
Balances - end of year	<u>\$ 79,729</u>	<u>\$ 137,655</u>	<u>\$ 217,384</u>	<u>\$ 16,662</u>

See accompanying notes to financial statements



VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF CASH FLOWS (CONTINUED)  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED MARCH 31, 2007

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer Fund	Water Fund	Totals	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating income (loss)	\$ 70,883	\$ 49,969	\$ 120,852	\$ (7,311)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	78,140	70,204	148,344	17,239
(Increase) decrease in assets				
Receivables	6,101	6,249	12,350	-
Increase (decrease) in liabilities				
Accounts payables	(25,879)	5,341	(20,538)	1,403
Accrued expenses	1,007	(336)	671	(44)
Net cash provided by operating activities	<u>\$ 130,252</u>	<u>\$ 131,427</u>	<u>\$ 261,679</u>	<u>\$ 11,287</u>

See accompanying notes to financial statements



VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF NET ASSETS  
COMPONENT UNIT  
MARCH 31, 2007

	<u>Downtown Development Authority</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 194,546
Receivables (net)	3,059
Internal balances	<u>(391)</u>
Total current assets	197,214
Noncurrent assets	
Capital assets - net	<u>121,221</u>
Total noncurrent assets	<u>121,221</u>
Total Assets	<u><u>\$ 318,435</u></u>
<b>LIABILITIES</b>	
Accrued payroll and other liabilities	<u>\$ 9</u>
Total Liabilities	<u><u>\$ 9</u></u>
<b>NET ASSETS</b>	
Unrestricted	<u>\$ 318,426</u>
Total Net Assets	<u><u>\$ 318,426</u></u>

See accompanying notes to financial statements

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF ACTIVITIES  
 COMPONENT UNIT  
 FOR THE YEAR ENDED MARCH 31, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Downtown Development Authority</b>				
General government	\$ 2,178	\$ -	\$ -	\$ -
Community and economic development	16,805	-	-	-
<b>Total Downtown Development Authority</b>	<u>\$ 18,983</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**General Revenues**

Property taxes

Unrestricted interest and investment earnings

Total general revenues

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

See accompanying notes to financial statements



Net (Expense)  
Revenue and  
Changes in  
Net Assets  
Downtown  
Development  
Authority

\$ (2,178)

(16,805)

(18,983)

78,916

2,492

81,408

62,425

256,001

\$ 318,426



VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Village of Centreville conform to the accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Centreville:

**A. Reporting Entity**

An elected six-member council (Board) governs the Village of Centreville. The accompanying financial statements present the government and its component unit, for which the government is considered to be financially accountable.

The Downtown Development Authority (DDA), considered to be a 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. The Downtown Development Authority's purpose is to promote and facilitate capital improvement projects for the downtown district.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the 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 that 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 is 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.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. There are no nonmajor governmental funds to report on.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due.

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

One of the revenue types for which receivables are recorded on the governmental fund balance sheet is property taxes. Property taxes are levied on July 1 on the taxable value of property as of the preceding December 31. Taxes are payable between July 1<sup>st</sup> and September 15<sup>th</sup>. After September 15<sup>th</sup> they are considered delinquent and penalties and interest may be assessed by the Village. It is the Village of Centreville's policy to recognize revenue from the current tax levy in the year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 taxable valuation of the Village of Centreville totaled \$23,116,178 on which ad valorem taxes levied at 12.2461 mills generated \$241,946 for the Village of Centreville's operating purposes.

These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable – current or as property tax revenue.

The government reports the following major governmental funds:

The government's primary operating fund, the general fund, 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 resources of state gas and weight tax revenues that are restricted for use on major streets, whereas, the Local Street Fund accounts for resources restricted for use on local streets.

There are no nonmajor governmental funds.

The government reports the following major proprietary funds:

**Water Fund** - The Water Fund accounts for revenues generated from charges for distribution of water to the residential and commercial users of the Village.

**Sewer Fund** - The Sewer Fund accounts for revenues generated from charges for sanitary sewer services provided to the residential and commercial users of the Village.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Additionally, the government reports the following fund type:

**Internal Service Fund** The Internal Service Fund accounts for major machinery and equipment purchases and maintenance. The equipment and machinery is rented to other departments of the government.

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 Village has elected to follow private sector standards issued after November 30, 1989 for its business-type activities.

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 Village's water and sewer function and various other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers 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 in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Also, both the water fund and sewer fund 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.

**D. Assets, Liabilities, and Net Assets or Equity**

**Bank 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. Investments are stated at fair value.

**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 arrangements 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 statement as "internal balances."

No allowance for uncollectible accounts has been provided. Management has evaluated the accounts and believes they are all collectible.

Property taxes are levied on July 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are payable between July 1<sup>st</sup> and September 15<sup>th</sup>. After September 15<sup>th</sup> they are considered delinquent at which time penalties and interest are assessed.



VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Prepaid Items-** Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements.

**Restricted Assets-**Certain monies have been set-aside for specific purposes and are shown as restricted cash on the statement of assets and on the governmental fund statement. The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

**Capital Assets-**Capital assets, which include property, plant, equipment, infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of 3 years. 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.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year \$0 interest expense was capitalized as part of the cost of assets under construction.

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

Buildings	20 – 50 years
Land improvements	20 years
Water and sewer lines	30 - 50 years
Fire hydrants	30 years
Water and sewer equipment	10 – 15 years
Roads	15 years
Sidewalks	30 years
Bridges	50 years
Vehicles	10 years
Office equipment	10 years
Computer equipment	5 years

GASB 34 requires infrastructure acquired, donated, constructed or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized. Capitalized infrastructure as required by GASB 34 is reported in the statement of net assets.

**Long-Term Obligations-**In the government-wide financial statements and the 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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Compensated Absences (Vacation and Sick Leave)-It is the Village of Centreville's policy to permit employees to accumulate unused sick days from year to year up to 240 hours. No benefit is paid upon termination of employment; therefore, due to the unpredictable use of this benefit no accrual has been established. It is the Village's policy to not permit employees to accumulate vacation days from year to year.

Fund Equity-In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Reserves exist for prepaid expenditures as those items will be expended in subsequent years. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information-Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. Public hearings are held to obtain taxpayer comments before the Village Council approves the budgets. The Council must approve any revisions of the budgets.

The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the fund. The village manager is empowered to transfer line-item budget amounts within appropriation centers.

Budgets as presented for the governmental funds are prepared on the modified accrual basis consistent with generally accepted accounting principles.

In the Required Supplemental Information section of the financial statements, the Village's actual expenditures and budgeted expenditures is shown for the governmental funds.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the District incurred expenditures in excess of the amounts appropriated in the following budgeted line items:

<u>Budget item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Excess Expenditure</u>
<u>Major Street</u>			
Transfers of state revenues to Local Street	17,500	18,139	639

**NOTE 3 DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes local government units to make deposits and invest in the following:

- In certificates of deposit, savings accounts, deposit accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan.
- In bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States.
- In United States government or federal agency obligation repurchase agreements.
- In banker's acceptance of United States banks.



VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

- In commercial paper rated within the two highest classifications that mature not more than 270 days after the date of purchase.
- In obligations of the State of Michigan or its political subdivisions that are rated as investment grade.
- In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Village of Centreville Board has designated three banks for the deposit of the Village's funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bank depository accounts and certificates of deposit, but not the remainder of State statutory authority as listed above. The Village of Centreville's deposits and investment policy are in accordance with statutory authority.

The Village has adopted Governmental Accounting Standard Board Statement (GASBS) No.40 – Deposit and Investment Risk Disclosures. GASB No. 40 defines deposits as monies in banks, savings and loan associations, and credit unions. The Village holds the following types of deposits:

- a. Checking Accounts and Demand Deposits.
- b. Savings Accounts and Certificates of Deposit (CDs).

GASB No. 40 defines investments as, a security or other assets acquired primarily for the purpose of obtaining income or profit. These are not monies held with financial institutions and insured by Federal Depository Insurance. No Village monies met this criteria during the fiscal year ended March 31, 2007.

At fiscal year-end, the Village of Centreville's basic financial statements report deposits in the following categories:

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit
Demand deposits	\$186,076	\$217,384	\$ 403,460	\$ 13,133
Savings and CDs	576,082	656,122	1,232,204	181,413
Total	<u>\$762,158</u>	<u>\$873,506</u>	<u>\$1,635,664</u>	<u>\$194,546</u>

Custodial Credit Risk-Deposits. 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 custodian credit risk. As of March 31, 2007, the government's bank balance reflects \$1,628,779 of deposits with \$791,710 exposed to custodial credit risk because it was uninsured and uncollateralized. The bank's balance for checking of \$396,575 does not reflect \$12,028 of outstanding checks or \$18,914 of deposits in transit at March 31, 2007. The component unit's bank balance deposits total \$187,143 of which \$100,000 was covered by federal depository insurance and \$-0- was collateralized. There was \$7,403 of outstanding deposits at March 31, 2007.

Interest rate risk-Investments. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Village holds no investments as defined above but rather invests in certificates of deposit (CD's). The Village presently is invested in \$1,003,918 of CD's with maturity dates of less than 1 year. Currently the Village is investing in short-term holdings thus reducing the interest rate risk.

Credit Risk-Investments. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Village's demand deposits are all with local banks.

Concentration of Credit Risk. The Village places no limit on the amount the Village may invest in any one of the three approved banks.



VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

NOTE 4 CAPITAL ASSETS

The following summarizes the changes in capital assets for the fiscal year ended March 31, 2007:

**Governmental Activities**

	Balance April 1, <u>2006</u>	<u>Increases</u>	<u>Decreases</u>	Balance March 31, <u>2007</u>
Capital assets not being depreciated:				
Land	\$ <u>128,400</u>	\$ <u>8,471</u>	\$ <u>-</u>	\$ <u>136,871</u>
Capital assets being depreciated:				
Land				
Improvements	\$ 24,809	\$ -	\$ -	\$ 24,809
Buildings	45,389	-	-	45,389
Buildings-Internal				
Service Pool	97,060	3,161	-	100,221
Infrastructure	269,662	72,889	-	342,551
Equipment –Internal				
Service Pool	82,661	-	-	82,661
Equipment	40,423	-	-	40,423
Office equipment	17,726	-	-	17,726
Vehicles-Internal				
Service Pool	148,366	-	-	148,366
Vehicles	<u>613,224</u>	<u>22,068</u>	<u>-</u>	<u>635,292</u>
Subtotal	<u>1,339,320</u>	<u>98,118</u>	<u>-</u>	<u>1,437,438</u>
Less Accumulated depreciation for:				
Land				
Improvements	4,445	1,240	-	5,685
Buildings	27,548	908	-	28,456
Buildings-Internal				
Service Pool	16,694	1,978	-	18,672
Infrastructure	44,352	20,596	-	64,948
Equipment-Internal				
Service Pool	58,746	4,557	-	63,303
Equipment	36,354	709	-	37,063
Office equipment	14,833	643	-	15,476
Vehicles-Internal				
Service Pool	73,455	10,704	-	84,159
Vehicles	<u>220,041</u>	<u>29,377</u>	<u>-</u>	<u>249,418</u>
Subtotal	<u>496,468</u>	<u>70,712</u>	<u>-</u>	<u>567,180</u>
Net capital assets being depreciated:	<u>842,852</u>	<u>27,406</u>	<u>-</u>	<u>870,258</u>
Governmental Activities				
Total Capital Assets-				
Net of depreciation	<u>\$ 971,252</u>	<u>\$35,877</u>	<u>\$ -</u>	<u>\$1,007,129</u>



VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

NOTE 4 CAPITAL ASSETS (CONTINUED)

Business-type Activities

	Balance April 1, 2006	<u>Increases</u>	<u>Decreases</u>	Balance March 31, 2007
Capital assets not being depreciated:				
Land and land improvements	\$ 154,526	\$ -	\$ -	\$ 154,526
Capital assets being depreciated:				
Buildings	4,522	-	-	4,522
Sewage system	3,843,652	3,465	-	3,847,117
Wells, mains, Equipment	2,923,812	3,465	10,921	2,916,356
Office equipment	<u>9,734</u>	<u>-</u>	<u>6,877</u>	<u>2,857</u>
Subtotal	<u>6,781,720</u>	<u>6,930</u>	<u>\$17,798</u>	<u>6,770,852</u>
Less Accumulated Depreciation for:				
Buildings	4,522	-	-	4,522
Sewage system	1,455,586	78,140	-	1,533,726
Wells, mains, equipment	995,628	70,204	10,921	1,054,911
Office equipment	<u>9,734</u>	<u>-</u>	<u>6,877</u>	<u>2,857</u>
Subtotal	<u>2,465,470</u>	<u>148,344</u>	<u>17,798</u>	<u>2,596,016</u>
Net Capital Assets being depreciated	<u>4,316,250</u>	<u>(141,414)</u>	<u>-</u>	<u>4,174,836</u>
Total Business-Type Capital Assets – Net of Depreciation	<u>\$4,470,776</u>	<u>\$(141,414)</u>	<u>\$ -</u>	<u>\$4,329,362</u>

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

Governmental Activities	
Public Safety	\$ 30,086
Public Works	20,596
Unallocated	2,792
Internal service	<u>17,239</u>
Total Governmental Activities	<u>\$ 53,474</u>
Business-Type Activities	
Water	\$ 70,204
Sewer	<u>78,140</u>
Total Business-Type Activities	<u>\$148,344</u>

**Construction Commitments** -The Village has no active construction projects at year-end.

**Downtown Development Authority** -The authority has no commitments or projects in process at year-end.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Due To</b>	<b>Due From</b>	
Local street	Major street	\$1,753
<b>Due To</b>	<b>Due From</b>	
Primary Government - General Fund	Component unit- Downtown Development Authority	\$ 391

The General Fund has a receivable due from the Downtown Development Authority (DDA) for expenditures paid on behalf of the DDA.

**Interfund Transfers**

The Major Street fund transferred \$18,139 to the Local Street fund which represents the allowable transfer of 25% of State revenue sharing funds.

**NOTE 6 NOTE PAYABLE**

There were no short-term borrowings during the fiscal year ended March 31, 2007.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

NOTE 7 LONG-TERM DEBT

In 1998 the Village issued revenue bonds to provide for the acquisition and construction of major capital facilities. These bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	Beginning <u>Balance</u>	Additions (Reductions)	Ending Balance	Due Within One Year
<b>Business-Type Activities</b>				
Revenue bonds through the Michigan Municipal Bond Authority				
1998 Water Supply System \$1,900,000 bond; 4.75% interest; maturing April 2038.	\$1,630,000	\$ (21,000)	\$1,609,000	\$ 24,000
1998 Sewage Treatment System; \$1,900,540 bonds; 2.25% interest; maturing October 2018	<u>1,325,000</u>	<u>(90,000)</u>	<u>1,235,000</u>	<u>90,000</u>
Total Business-Type Activities	<u>\$2,955,000</u>	<u>\$(111,000)</u>	<u>\$2,844,000</u>	<u>\$114,000</u>

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

<u>Year End March 31</u>	Business-Type	
	<u>Principal</u>	<u>Interest</u>
2008	114,000	102,609
2009	119,000	99,411
2010	120,000	96,113
2011	122,000	92,738
2012	128,000	89,238
2013-2017	691,000	389,581
2018-2022	432,000	295,543
2023-2027	255,000	236,336
2028-2032	322,000	168,198
2033-2037	406,000	82,080
2038-2039	<u>135,000</u>	<u>5,201</u>
Total debt service	<u>\$2,844,000</u>	<u>\$1,657,048</u>

NOTE 8 RISK MANAGEMENT

The Village 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 Village has purchased commercial insurance for workers' compensation and liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. At fiscal year end there are no outstanding claims.



**VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007**

**NOTE 9    DEFINED CONTRIBUTION PLAN**

The Village maintains a defined contribution plan for substantially all full-time employees. The Village contributes 4% of eligible employees' compensation. For fiscal year ended March 31, 2007, the Village contributed \$6,399 to the plan.



## REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
<b>Resources (inflows)</b>				
Real and personal property taxes	\$ 244,208	\$ 244,208	\$ 247,088	\$ 2,880
State grants	150,000	150,000	155,318	5,318
Operating contributions	14,400	14,400	12,646	(1,754)
Licenses and permits	11,960	11,960	16,304	4,344
Fines and forfeitures	5,000	5,000	4,509	(491)
Charges for services	152,405	152,405	74,616	(77,789)
Interest and rentals	4,000	4,000	3,000	(1,000)
Miscellaneous revenues	4,200	4,200	5,831	1,631
<b>Amounts available for appropriations</b>	<b>586,173</b>	<b>586,173</b>	<b>519,312</b>	<b>(66,861)</b>
<b>Charges to appropriations (outflows)</b>				
General government				
Council	5,426	5,426	5,275	151
Village president	1,292	1,292	1,292	-
Village manager	39,463	39,463	38,382	1,081
Clerk	2,423	2,423	1,584	839
Treasurer	4,635	4,635	4,484	151
Hall & grounds	178,204	184,533	184,393	140
Community planning and development	1,929	1,929	1,043	886
Public safety				
Village property	30,600	37,225	34,971	2,254
Law enforcement	185,471	192,347	171,562	20,785
Crossing guards	1,900	2,062	2,062	-
Fire protection	180,252	180,252	110,699	69,553
Health and Fire Rescue	21,931	21,931	15,943	5,988
<b>Total charges to appropriations</b>	<b>653,526</b>	<b>673,518</b>	<b>571,690</b>	<b>101,828</b>
<b>Excess (deficiency) of resources over charges to appropriations</b>	<b>(67,353)</b>	<b>(87,345)</b>	<b>(52,378)</b>	<b>34,967</b>
<b>Beginning of Year Fund Balance</b>	<b>189,014</b>	<b>189,014</b>	<b>189,014</b>	<b>-</b>
<b>End of Year Fund Balance</b>	<b>\$ 121,661</b>	<b>\$ 101,669</b>	<b>\$ 136,636</b>	<b>\$ 34,967</b>



VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
 MAJOR STREET FUND  
 FOR THE YEAR ENDED MARCH 31, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Resources (inflows)				
State shared revenue	\$ 70,000	\$ 70,000	\$ 72,556	\$ 2,556
Interest income	5,500	5,500	9,596	4,096
Amounts available for appropriations	<u>75,500</u>	<u>75,500</u>	<u>82,152</u>	<u>6,652</u>
Charges to appropriations (outflows)				
General government				
Village manager	3,085	3,085	3,000	85
Public works				
Street maintenance	53,176	53,276	22,513	30,763
Winter maintenance	8,284	8,284	3,238	5,046
Transfers to other funds	<u>17,500</u>	<u>17,500</u>	<u>18,139</u>	<u>(639)</u>
Total charges to appropriations	<u>82,045</u>	<u>82,145</u>	<u>46,890</u>	<u>35,255</u>
Excess (deficiency) of resources over charges to appropriations	(6,545)	(6,645)	35,262	41,907
Beginning of Year Fund Balance	<u>236,839</u>	<u>236,839</u>	<u>236,839</u>	<u>-</u>
End of Year Fund Balance	<u>\$ 230,294</u>	<u>\$ 230,194</u>	<u>\$ 272,101</u>	<u>\$ 41,907</u>

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

BUDGETARY COMPARISON SCHEDULE  
 LOCAL STREET FUND  
 FOR THE YEAR ENDED MARCH 31, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Resources (inflows)				
Millage/local roads	\$ 16,000	\$ 16,000	\$ 19,396	\$ 3,396
Interest/penalties on taxes	-	-	10	10
State shared revenue	30,000	30,000	31,777	1,777
Interest income	7,000	7,000	9,991	2,991
Miscellaneous revenues	-	-	1,165	1,165
Transfers in from other funds	17,500	17,500	18,139	639
Amounts available for appropriations	70,500	70,500	80,478	9,978
Charges to appropriations (outflows)				
General government				
Village manager	3,085	3,085	3,000	85
Public works				
Street maintenance	124,157	124,307	82,702	41,605
Winter maintenance	6,530	6,530	3,520	3,010
Total charges to appropriations	133,772	133,922	89,222	44,700
Excess (deficiency) of resources over charges to appropriations	(63,272)	(63,422)	(8,744)	54,678
Beginning of Year Fund Balance	264,991	264,991	264,991	
End of Year Fund Balance	\$ 201,719	\$ 201,569	\$ 256,247	\$ 54,678



**Norman & Paulsen, P.C.**

*Certified Public Accountants*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Village Council  
Village of Centreville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the component unit, and each major fund of the Village of Centreville, Michigan, as of and for the year ended March 31, 2007, that collectively comprise the Village of Centreville, Michigan's basic financial statements and have issued our report thereon dated June 28, 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 Village of Centreville, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Centreville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Centreville'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 Village of Centreville, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Centreville's financial statements that is more than inconsequential will not be prevented or detected by the Village of Centreville's internal control.

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

Donald L. Paulsen, CPA  
Patrick J. Monahan, CPA  
Bruce S. A. Gosling, CPA  
Michael R. Wilson, CPA  
Rick L. Strawser, CPA  
Jerrel T. Norman (1941-1982)

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

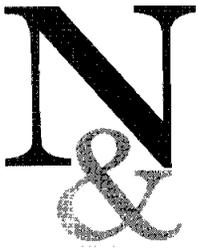
As part of obtaining reasonable assurance about whether the Village of Centreville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct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

This report is intended solely for the information and use of the Village Council management and is not intended to be and should not be used by anyone other than this specified party.

*Norman & Paulsen PC*

Norman & Paulsen P.C.

Three Rivers, Michigan  
June 28, 2007



**Norman & Paulsen, P.C.**

*Certified Public Accountants*

123 N. Main Street  
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To the Members of the Village Council and the Village Manager  
Village of Centreville, Michigan

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 Centreville 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 Centreville'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. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the 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. We consider the following deficiencies to be significant deficiencies in internal control.

#### **Financial Statement Preparation Controls**

Although Management has the ability to prepare the Village's financial statements, we have been contracted by the Village to prepare the financial statements and related disclosures based on the information provided by Management. This service is allowed under AICPA ethics guidelines and may be the most efficient and effective method for preparation of the Village's financial statements. Management has reviewed and taken responsibility for these financial statements.

Donald L. Paulsen, CPA  
Patrick J. Monahan, CPA  
Bruce S. A. Gosling, CPA  
Michael R. Wilson, CPA  
Rick L. Strawser, CPA  
Jerrel T. Norman (1941-1982)

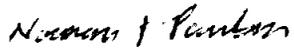
## **Segregation of Duties**

Segregation of duties increases the likelihood that intentional or unintentional error will not go undetected in the normal course of employees performing their duties. Proper segregation of duties between persons who create utility billings, collect cash for those billings and prepare bank deposits does not always exist.

We understand that the size of the staff needed for proper segregation of duties may be impractical and unaffordable by a Village this size.

This communication is intended solely for the information and use of Management, the 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.

Sincerely,



Norman & Paulsen, P.C.  
Three Rivers, Michigan

June 28, 2007