

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 type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

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 type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>		Printed Name		License Number

CITY OF CROSWELL
Sanilac County, Michigan

FINANCIAL STATEMENTS
June 30, 2007

CITY OF CROSWELL

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BERTHIAUME
& COMPANY

Certified Public Accountants



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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Croswell, Michigan

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 City of Croswell, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Croswell, management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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 City of Croswell, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2007 on our consideration of the City of Croswell'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 budgetary comparison and pension plan funding schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Crowell's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other 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.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Bertchume & Co.

October 19, 2007

BASIC FINANCIAL STATEMENTS

CITY OF CROSWELL

STATEMENT OF NET ASSETS

June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 1,067,876	\$ 2,591,545	\$ 3,659,421	\$ 400,754
Investments	13,719	-	13,719	-
Receivables	152,511	539,806	692,317	-
Internal balances	5,725	(5,725)	-	-
Inventory	-	303,757	303,757	-
Prepaid expenses	32,434	42,759	75,193	-
Restricted cash and cash equivalents	-	108,533	108,533	-
Capital assets:				
Nondepreciable capital assets	140,539	165,055	305,594	119,091
Depreciable capital assets, net	<u>3,010,040</u>	<u>6,807,291</u>	<u>9,817,331</u>	<u>760,392</u>
 Total assets	 <u>4,422,844</u>	 <u>10,553,021</u>	 <u>14,975,865</u>	 <u>1,280,237</u>
Liabilities				
Accounts payable and accrued expenses	53,997	252,679	306,676	139,332
Deferred revenue	6,716	-	6,716	-
Long-term liabilities:				
Due within one year	-	25,280	25,280	66,727
Due in more than one year	<u>164,828</u>	<u>1,223,819</u>	<u>1,388,647</u>	<u>68,661</u>
 Total liabilities	 <u>225,541</u>	 <u>1,501,778</u>	 <u>1,727,319</u>	 <u>274,720</u>
Net assets				
Invested in capital assets, net of related debt	3,150,579	5,893,446	9,044,025	744,095
Restricted for:				
Debt service	-	108,533	108,533	-
Streets	607,415	-	607,415	-
Nonexpendable trust principal	223,374	-	223,374	-
Unrestricted	<u>215,935</u>	<u>3,049,264</u>	<u>3,265,199</u>	<u>261,422</u>
 Total net assets	 <u>\$ 4,197,303</u>	 <u>\$ 9,051,243</u>	 <u>\$ 13,248,546</u>	 <u>\$ 1,005,517</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CROSWELL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

	<u>Program Revenues</u>				<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Functions/Programs					
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
General government	\$ 445,125	\$ 61,282	\$ -	\$ -	\$ (383,843)
Public safety	625,798	17,791	62,600	13,378	(532,029)
Public works	706,796	75,432	276,581	-	(354,783)
Health and welfare	32,646	-	-	-	(32,646)
Recreation and culture	<u>170,302</u>	<u>3,046</u>	<u>105</u>	<u>-</u>	<u>(167,151)</u>
Total governmental activities	<u>1,980,667</u>	<u>157,551</u>	<u>339,286</u>	<u>13,378</u>	<u>(1,470,452)</u>
<i>Business-type activities:</i>					
Electric	3,047,917	3,278,757	-	-	230,840
Sewer	809,635	578,089	-	-	(231,546)
Water	261,600	277,683	-	-	16,083
Ambulance	<u>435,142</u>	<u>475,374</u>	<u>-</u>	<u>-</u>	<u>40,232</u>
Total business-type activities	<u>4,554,294</u>	<u>4,609,903</u>	<u>-</u>	<u>-</u>	<u>55,609</u>
Total primary government	<u>\$ 6,534,961</u>	<u>\$ 4,767,454</u>	<u>\$ 339,286</u>	<u>\$ 13,378</u>	<u>\$ (1,414,843)</u>
COMPONENT UNITS:					
Downtown development authority	\$ 21,880	\$ -	\$ -	\$ -	\$ (21,880)
Tax increment finance authority	472,974	24,600	-	-	(448,374)
Economic development corporation	<u>1,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,152)</u>
Total component units	<u>\$ 496,006</u>	<u>\$ 24,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (471,406)</u>

continued

The accompanying notes are an integral part of these financial statements.

	Primary Government			Component Units
	Governmental Activities	Business- type Activities	Total	
<i>Changes in net assets:</i>				
Net (Expense) Revenue	\$ (1,470,452)	\$ 55,609	\$ (1,414,843)	\$ (471,406)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	508,557	-	508,557	-
Property taxes, levied for roads	59,075	-	59,075	-
Property taxes, levied for debt service	-	59,432	59,432	-
Payment in lieu of property taxes	133,878	-	133,878	-
Property taxes captured	-	-	-	247,914
Franchise taxes	6,780	-	6,780	-
Grants and contributions not restricted to specific programs	296,767	-	296,767	-
Unrestricted investment earnings	59,905	113,958	173,863	23,450
Contributions to principal of permanent funds	4,480	-	4,480	-
Special item - Gain (loss) on sale of capital asset	1,150	-	1,150	-
Extraordinary item - Transfer to District Library	(500,653)	-	(500,653)	-
Transfers	347,835	(347,835)	-	-
Total general revenues, contributions, special items and transfers	917,774	(174,445)	743,329	271,364
Change in net assets	(552,678)	(118,836)	(671,514)	(200,042)
Net assets, beginning of year	4,749,981	9,170,079	13,920,060	1,205,559
Net assets, end of year	<u>\$ 4,197,303</u>	<u>\$ 9,051,243</u>	<u>\$ 13,248,546</u>	<u>\$ 1,005,517</u>

CITY OF CROSWELL

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2007

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 187,293	\$ 782,316	\$ 969,609
Investments	-	13,719	13,719
Taxes receivable	4,349	-	4,349
Accounts receivable	15,648	-	15,648
Due from other governmental units	100,584	31,930	132,514
Due from other funds	5,725	-	5,725
Prepaid expenditures	<u>25,624</u>	<u>5,506</u>	<u>31,130</u>
 Total assets	 <u>\$ 339,223</u>	 <u>\$ 833,471</u>	 <u>\$ 1,172,694</u>
Liabilities and Fund Balances:			
<i>Liabilities:</i>			
Accounts payable	\$ 25,846	\$ -	\$ 25,846
Accrued expenses	16,397	2,682	19,079
Due to other governmental units	3,915	-	3,915
Deposits payable	2,600	-	2,600
Deferred revenue	<u>6,716</u>	<u>-</u>	<u>6,716</u>
 Total liabilities	 <u>55,474</u>	 <u>2,682</u>	 <u>58,156</u>
<i>Fund balances:</i>			
Reserved for:			
Prepaid expenditures	25,624	5,506	31,130
Nonexpendable principal	-	223,374	223,374
Unreserved:			
General fund	258,125	-	258,125
Special revenue funds	<u>-</u>	<u>601,909</u>	<u>601,909</u>
 Total fund balances	 <u>283,749</u>	 <u>830,789</u>	 <u>1,114,538</u>
 Total liabilities and fund balances	 <u>\$ 339,223</u>	 <u>\$ 833,471</u>	 <u>\$ 1,172,694</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CROSWELL

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2007

Total fund balances for governmental funds \$ 1,114,538

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	3,606,803	
Less accumulated depreciation	<u>(1,229,142)</u>	2,377,661

Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:

Compensated absences payable	(164,828)
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The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.

869,932

Net assets of governmental activities \$ 4,197,303

The accompanying notes are an integral part of these financial statements.

CITY OF CROSWELL

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2007

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 662,782	\$ 59,075	\$ 721,857
Licenses and permits	11,427	-	11,427
Federal grants	13,368	-	13,368
State grants	308,618	194,478	503,096
Contributions from other units	59,678	73,174	132,852
Charges for services	104,385	2,356	106,741
Fines and forfeits	2,255	690	2,945
Interest and rents	13,772	52,277	66,049
Other revenue	16,511	4,665	21,176
	<u>1,192,796</u>	<u>386,715</u>	<u>1,579,511</u>
Expenditures:			
<i>Current:</i>			
General government	427,554	-	427,554
Public safety	562,337	-	562,337
Public works	326,859	302,634	629,493
Health and welfare	32,346	-	32,346
Recreation and culture	93,020	47,044	140,064
Capital outlay	52,414	-	52,414
	<u>1,494,530</u>	<u>349,678</u>	<u>1,844,208</u>
Excess (deficiency) of revenues over expenditures	<u>(301,734)</u>	<u>37,037</u>	<u>(264,697)</u>
Other financing sources (uses):			
Transfers in	365,846	27,555	393,401
Transfers out	-	(45,566)	(45,566)
Total other financing sources (uses)	<u>365,846</u>	<u>(18,011)</u>	<u>347,835</u>
Extraordinary item			
Transfer of assets to district library	-	(500,653)	(500,653)
Net change in fund balances	64,112	(481,627)	(417,515)
Fund balances, beginning of year	<u>219,637</u>	<u>1,312,416</u>	<u>1,532,053</u>
Fund balances, end of year	<u>\$ 283,749</u>	<u>\$ 830,789</u>	<u>\$ 1,114,538</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CROSWELL

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

June 30, 2007

Net change in fund balances - total governmental funds \$(417,515)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	52,414	
Less depreciation expense	<u>(119,553)</u>	(67,139)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences payable	(8,643)
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The net revenue (expense) of the internal service fund is reported with governmental activities.	<u>(59,381)</u>
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Change in net assets of governmental activities \$(552,678)

The accompanying notes are an integral part of these financial statements.

CITY OF CROSWELL

PROPRIETARY FUNDS STATEMENT OF NET ASSETS

June 30, 2007

	Business-type Activities					Governmental
	Major Enterprise Funds			Non-Major Enterprise Fund	Total	Internal Service Fund
	Electric Fund	Ambulance Fund	Sewer Fund	Water Fund		Equipment Fund
Assets:						
Current assets:						
Cash and cash equivalents	\$ 2,238,437	\$ 32,498	\$ 8,726	\$ 311,884	\$ 2,591,545	\$ 98,267
Accounts receivable	281,200	92,361	81,536	32,527	487,624	-
Special assessments receivable	-	-	609	609	1,218	-
Due from other governmental units	-	44,062	-	-	44,062	-
Inventory	303,757	-	-	-	303,757	-
Prepaid expenses	13,632	13,500	11,456	4,171	42,759	1,304
Total current assets	<u>2,837,026</u>	<u>182,421</u>	<u>102,327</u>	<u>349,191</u>	<u>3,470,965</u>	<u>99,571</u>
Noncurrent assets:						
Restricted cash and cash equivalents	-	-	108,533	-	108,533	-
Special assessments receivable	-	-	3,447	3,455	6,902	-
Capital assets:						
Nondepreciable capital assets	-	-	143,597	21,458	165,055	-
Depreciable capital assets, net	1,195,129	165,927	4,775,765	670,470	6,807,291	772,918
Advance receivable from other fund	596,298	-	-	-	596,298	-
Total noncurrent assets	<u>1,791,427</u>	<u>165,927</u>	<u>5,031,342</u>	<u>695,383</u>	<u>7,684,079</u>	<u>772,918</u>
Total assets	<u>4,628,453</u>	<u>348,348</u>	<u>5,133,669</u>	<u>1,044,574</u>	<u>11,155,044</u>	<u>872,489</u>
Liabilities:						
Current liabilities:						
Accounts payable	187,508	607	824	3,104	192,043	2,557
Accrued expenses	6,097	6,029	13,810	624	26,560	-
Due to other funds	-	-	5,725	-	5,725	-
Deposits payable	34,076	-	-	-	34,076	-
Current portion of long-term debt	-	8,280	17,000	-	25,280	-
Total current liabilities	<u>227,681</u>	<u>14,916</u>	<u>37,359</u>	<u>3,728</u>	<u>283,684</u>	<u>2,557</u>
Noncurrent liabilities:						
Advance payable to other fund	-	30,000	566,298	-	596,298	-
Compensated absences payable	104,913	33,756	31,530	-	170,199	-
Long-term debt	-	36,620	1,017,000	-	1,053,620	-
Total noncurrent liabilities	<u>104,913</u>	<u>100,376</u>	<u>1,614,828</u>	<u>-</u>	<u>1,820,117</u>	<u>-</u>
Total liabilities	<u>332,594</u>	<u>115,292</u>	<u>1,652,187</u>	<u>3,728</u>	<u>2,103,801</u>	<u>2,557</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CROSWELL

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS, CONTINUED
 June 30, 2007

	<u>Business-type Activities</u>					<u>Governmental Activities</u>
	<u>Major Enterprise Funds</u>			<u>Non-Major Enterprise Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
	<u>Electric Fund</u>	<u>Ambulance Fund</u>	<u>Sewer Fund</u>	<u>Water Fund</u>		<u>Equipment Fund</u>
Net assets						
Invested in capital assets, net of related debt	1,195,129	121,027	3,885,362	691,928	5,893,446	772,918
Restricted for: Debt service	-	-	108,533	-	108,533	-
Unrestricted (deficit)	<u>3,100,730</u>	<u>112,029</u>	<u>(512,413)</u>	<u>348,918</u>	<u>3,049,264</u>	<u>97,014</u>
Total net assets	<u>\$ 4,295,859</u>	<u>\$ 233,056</u>	<u>\$ 3,481,482</u>	<u>\$ 1,040,846</u>	<u>\$ 9,051,243</u>	<u>\$ 869,932</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CROSWELL

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended June 30, 2007

	Business-type Activities					Governmental
	Major Enterprise Funds				Non-Major Enterprise Fund	Internal
	Electric Fund	Ambulance Fund	Sewer Fund	Water Fund		Service Fund
				Total	Equipment Fund	
Operating revenues:						
Charges for services	\$ 3,201,203	\$ 475,212	\$ 571,427	\$ 273,782	\$ 4,521,624	\$ -
Penalties	5,886	-	2,879	1,118	9,883	-
Equipment rental	-	-	-	-	-	101,811
Other	71,668	162	3,600	2,600	78,030	27,269
Total operating revenues	<u>3,278,757</u>	<u>475,374</u>	<u>577,906</u>	<u>277,500</u>	<u>4,609,537</u>	<u>129,080</u>
Operating expenses:						
Personnel	361,733	258,800	223,685	44,868	889,086	8,636
Fringe benefits	170,937	99,477	150,629	47,135	468,178	4,874
Supplies	54,408	25,184	37,167	54,852	171,611	50,974
Property tax equivalents	82,320	4,195	30,664	14,439	131,618	-
Contracted services	6,835	2,979	30,428	22,071	62,313	180
Purchase of power	2,109,717	-	-	-	2,109,717	-
Telephone	2,852	2,627	1,964	610	8,053	37
Mileage	1,136	443	77	266	1,922	-
Dues and membership fees	6,068	505	2,331	1,265	10,169	-
Education and training	2,304	502	915	565	4,286	-
Printing and publishing	-	534	51	733	1,318	-
Insurance	19,490	3,964	8,701	3,473	35,628	9,845
Utilities	11,314	4,890	44,210	32,458	92,872	-
Repair and maintenance	117,967	9,834	11,587	66	139,454	10,080
Equipment rental	332	121	9,069	4,140	13,662	-
Other services and supplies	951	805	234	-	1,990	-
Depreciation	99,553	20,282	198,667	34,659	353,161	105,131
Total operating expenses	<u>3,047,917</u>	<u>435,142</u>	<u>750,379</u>	<u>261,600</u>	<u>4,495,038</u>	<u>189,757</u>
Operating income (loss)	<u>230,840</u>	<u>40,232</u>	<u>(172,473)</u>	<u>15,900</u>	<u>114,499</u>	<u>(60,677)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CROSWELL

PROPRIETARY FUNDS

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

Year Ended June 30, 2007

	Business-type Activities					Governmental
	Major Enterprise Funds				Non-Major Enterprise Fund	Internal
	Electric Fund	Ambulance Fund	Sewer Fund	Water Fund		Service Fund
				Total	Equipment Fund	
Non-operating revenues						
(expenses):						
Property taxes	-	-	59,432	-	59,432	-
Interest income	100,311	1,838	3,278	8,531	113,958	1,296
Interest earned on special assessments	-	-	183	183	366	-
Interest expense	-	-	(59,256)	-	(59,256)	-
Total non-operating revenues (expenses)	100,311	1,838	3,637	8,714	114,500	1,296
Net income (loss) before operating transfers	331,151	42,070	(168,836)	24,614	228,999	(59,381)
Operating transfers:						
Transfer from other funds	-	-	17,478	17,478	34,956	-
Transfer to other funds	(382,791)	-	-	-	(382,791)	-
Total operating transfers	(382,791)	-	17,478	17,478	(347,835)	-
Net income (loss)	(51,640)	42,070	(151,358)	42,092	(118,836)	(59,381)
Net assets, beginning of year	4,347,499	190,986	3,632,840	998,754	9,170,079	929,313
Net assets, end of year	\$ 4,295,859	\$ 233,056	\$ 3,481,482	\$ 1,040,846	\$ 9,051,243	\$ 869,932

The accompanying notes are an integral part of these financial statements.

CITY OF CROSWELL

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended June 30, 2007

	Business-type Activities					Governmental
	Major Enterprise Funds				Non-Major Enterprise Fund	Internal
	Electric Fund	Ambulance Fund	Sewer Fund	Water Fund		Service Fund
				Total	Equipment Fund	
Cash flows from operating activities:						
Cash received from customers	\$ 3,286,185	\$ 439,771	\$ 574,432	\$ 275,663	\$ 4,576,051	\$ 27,269
Cash received from interfund services	-	-	-	-	-	101,811
Cash payments to employees	(356,045)	(254,325)	(215,806)	(44,868)	(871,044)	(8,636)
Cash payments to suppliers for goods and services	(2,569,979)	(156,313)	(330,261)	(182,890)	(3,239,443)	(76,318)
Net cash provided (used) by operating activities	<u>360,161</u>	<u>29,133</u>	<u>28,365</u>	<u>47,905</u>	<u>465,564</u>	<u>44,126</u>
Cash flows from non-capital financing activities:						
Operating transfers in	-	-	17,478	17,478	34,956	-
Operating transfers out	(382,791)	-	-	-	(382,791)	-
Net cash provided by (used for) non-capital financing activities	<u>(382,791)</u>	<u>-</u>	<u>17,478</u>	<u>17,478</u>	<u>(347,835)</u>	<u>-</u>
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	-	(79,900)	(39,670)	-	(119,570)	-
Principal payments	(15,114)	-	(16,000)	-	(31,114)	-
Proceeds of promissory note	-	44,900	-	-	44,900	-
Principal collected on special assessments	-	-	609	609	1,218	-
Interest earned on special assessments	-	-	183	183	366	-
Interest paid beginning of year	-	-	(59,256)	-	(59,256)	-
Net cash provided (used) by capital and related financing activities	<u>(15,114)</u>	<u>(35,000)</u>	<u>(54,702)</u>	<u>792</u>	<u>(104,024)</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CROSWELL

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS, CONTINUED
 Year Ended June 30, 2007

	Business-type Activities					Governmental Activities
	Major Enterprise Funds				Non-Major Enterprise Fund	Internal Service Fund
	Electric Fund	Ambulance Fund	Sewer Fund	Water Fund		
Cash flows from investing activities:						
Interest received	100,311	1,838	3,278	8,531	113,958	1,296
Net cash provided (used) by investing activities	100,311	1,838	3,278	8,531	113,958	1,296
Net increase (decrease) in cash and cash equivalents	62,567	(4,029)	(5,581)	74,706	127,663	45,422
Cash and cash equivalents, beginning of year	2,175,870	36,527	122,840	237,178	2,572,415	52,845
Cash and cash equivalents, end of year	<u>\$ 2,238,437</u>	<u>\$ 32,498</u>	<u>\$ 117,259</u>	<u>\$ 311,884</u>	<u>\$ 2,700,078</u>	<u>\$ 98,267</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 230,840	\$ 40,232	\$ (172,473)	\$ 15,900	\$ 114,499	\$ (60,677)
Adjustments:						
Depreciation	99,553	20,282	198,667	34,659	353,161	105,131
Change in assets and liabilities:						
Accounts receivable	(4,572)	(20,461)	(4,139)	(1,837)	(31,009)	-
Due from other governmental unitt	-	393	665	-	1,058	-
Due from other funds	12,000	-	-	-	12,000	-
Inventory	(15,399)	-	-	-	(15,399)	-
Prepaid expenses	(3,169)	358	(1,675)	(1,058)	(5,544)	608
Accounts payable	36,970	(167)	(1,237)	280	35,846	(533)
Accrued expenses	(4,946)	3,041	678	(39)	(1,266)	(403)
Due to other funds	-	(3,485)	-	-	(3,485)	-
Deposits payable	3,196	-	-	-	3,196	-
Deferred revenue	-	(15,535)	-	-	(15,535)	-
Compensated absences payable	5,688	4,475	7,879	-	18,042	-
Net cash provided (used) by op	<u>\$ 360,161</u>	<u>\$ 29,133</u>	<u>\$ 28,365</u>	<u>\$ 47,905</u>	<u>\$ 465,564</u>	<u>\$ 44,126</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CROSWELL

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2007

	Agency Funds
Assets	
Cash and cash equivalents	\$ 30
 Total assets	 <u>30</u>
Liabilities	
Due to other funds	<u>30</u>
 Total liabilities	 <u>30</u>
Net Assets	
Unrestricted	<u>-</u>
 Total net assets	 <u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF CROSWELL

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Croswell, Sanilac County, Michigan, was incorporated in 1847 under provisions of the Home Rule Act of the State of Michigan. The City operates under a council form of government and provides the following services: public safety, highways and streets, sanitation, community service, and general administrative services to approximately 2,500 residents.

The accounting policies of the City of Croswell conform to 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:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. The component units discussed below are included in the City's reporting entity because of their operational or financial relationship with the City.

Discretely Presented Component Units - The component unit's columns in the combined financial statements include the financial data of the City's three component units. These units are reported in a separate column to emphasize that they are legally separate from the City. The component units are described as follows:

Tax Increment Financing Authority - The members of the governing board of the Tax Increment Financing Authority are appointed by the City Council.

Economic Development Corporation - The members of the governing board of the Economic Development Corporation are appointed by the City Council.

Downtown Development Authority - The members of the governing board of the Downtown Development Authority are appointed by the City Council. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority.

Basis of Presentation – Fund Accounting:

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

Basis of Accounting:

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

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. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

CITY OF CROSWELL

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the City's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The City does not allocate indirect costs. In creating the government-wide financial statements the City has eliminated interfund transactions.

The government-wide focus is on the sustainability of the City as an entity and the change in the City's net assets resulting from current year activities.

FUND FINANCIAL STATEMENTS:

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.

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

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

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

CITY OF CROSWELL

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

The City reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The City reports the following major enterprise funds:

Electric Fund – The Electric Fund is used to account for the revenues and expenses for the operation of an electric system.

Sewer Fund – The Sewer Fund is used to account for the revenues and expenses for the operation of a sewer system.

Ambulance Fund – The Ambulance Fund is used to account for the revenues and expenses for the operation of ambulance services.

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property Taxes – Property taxes attach as an enforceable lien on property as of December 31. The related property taxes are billed on the following July 1, are due on August 31 with the final collection date of February 28 before they are added to the county tax rolls.

The 2006 ad valorem taxable valuation of the City totaled \$43,181,896 and the industrial facilities taxable valuation of the City totaled \$2,868,700, on which taxes levied consisted of 14.7357 mills for the City’s operating purposes, 1.7500 mills for local streets, and 1.7500 for sewer debt.

The delinquent real property taxes of the City are purchased by Sanilac County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

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 both government-wide and fund financial statements.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	39-55 years
Vehicles	5-15 years
Machinery and other equipment	5-55 years

Compensated Absences – It is the City’s policy to permit employees to accumulate earned but unused sick and vacation days. Under the City’s policy, employees earn benefits based on time of service with the City. The maximum accumulated payout at termination of unused sick hours is 960 and the maximum accumulated payout at termination of unused vacation hours is 240. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual’s employment has terminated as of year end.

Long-term Obligations – In the government-wide financial statements and the proprietary 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 statement of net assets.

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.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the period. Actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

CITY OF CROSWELL

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

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

1. A proposed operating budget by fund is submitted to the City Council. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted by adoption of the City Council.
4. Any revision that alters the total expenditures of any fund must be approved by the City.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures Over Appropriations in Budgeted Funds:

During the year, the City did not incur expenditures that were materially in excess of the amounts budgeted.

State Construction Code Act:

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at July 1, 2006		\$	-
Current year building permit revenue			4,647
Related expenses:			
Direct costs	14,163		
Estimated indirect costs	<u>-</u>		
Total construction code expenses			<u>14,163</u>
Cumulative surplus at June 30, 2007		\$	<u>-</u>

In accordance with the act, no reservation of fund balance in the General Fund is required to be reserved for future construction code activities.

CITY OF CROSWELL

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers’ acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City’s deposits and investments have been made in accordance with statutory authority.

The City’s deposits and investments are subject to several types of risk, which are presented in more detail as follows:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$4,431,211 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$312,848 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

Custodial Credit Risk of Investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty in the City’s name:

<u>Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
Mutual funds	13,719	Counterparty

Interest Rate Risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City’s investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a maximum 270 day maturity. At year end, the City did not own investments subject to interest rate risk.

CITY OF CROSWELL

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

Credit Risk:

As of year end, the credit quality ratings of debt securities are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bond mutual fund	\$ 13,719	Not Rated	N/A

Concentration of Credit Risk:

The City places limits on the amount the City may invest in any one issuer. At June 30, 2007, there were no investments in any one issuer (other than the U.S. government and mutual funds) that exceeded more than 5 percent of total investments.

NOTE 4: BOND RESERVES AND RESTRICTED ASSETS

The ordinance authorizing issuance of the 1991 Sewer Supply System Revenue Bonds required that specific accounts be established and monies deposited as follows:

Receiving Account - All receipts are initially deposited into this account.

Operation and Maintenance Account - Quarterly transfers are to be made to cover upcoming operating expenses.

Bond and Interest Redemption Account - Quarterly transfers are to be made equal to 1/2 of the next interest payment due plus 1/4 of the next principal payment due.

Bond Reserve Account - Excess funds of up to \$6,252 per year are to be transferred to this account until \$62,500 is accumulated.

At June 30, 2007, the City had established these accounts and had restricted cash as follows:

	<u>REQUIREMENTS</u>			<u>Amount Funded</u>
	<u>July 1, 2006</u>	<u>Additions (Reductions)</u>	<u>June 30, 2007</u>	<u>Restricted Cash and Cash Equivalents</u>
Sewer Fund:				
Bond reserve	\$ 62,500	\$ -	\$ 62,500	\$ 62,500
Bond and interest redemption fund	<u>15,771</u>	<u>63</u>	<u>15,834</u>	<u>46,033</u>
	<u>\$ 78,271</u>	<u>\$ 63</u>	<u>\$ 78,334</u>	<u>\$ 108,533</u>

CITY OF CROSWELL

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

NOTE 5: CAPITAL ASSETS

Capital assets activity of the City's governmental and business-type activities was as follows:

	July 1, 2006	Additions	Retirements	June 30, 2007
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 140,539	\$ -	\$ -	\$ 140,539
Depreciable capital assets:				
Land improvements	86,921	-	-	86,921
Buildings and improvements	2,798,769	-	-	2,798,769
Vehicles	1,115,286	26,354	(10,733)	1,130,907
Machinery and other equipment	1,437,989	26,060	(32,352)	1,431,697
	5,438,965	52,414	(43,085)	5,448,294
Accumulated depreciation	(2,256,655)	(224,684)	43,085	(2,438,254)
Total depreciable capital assets, net	3,182,310	(172,270)	-	3,010,040
Governmental activities, capital assets, net	<u>\$ 3,322,849</u>	<u>\$ (172,270)</u>	<u>\$ -</u>	<u>\$ 3,150,579</u>
Business-type activities:				
<i>Ambulance capital assets:</i>				
Depreciable capital assets				
Buildings and improvements	\$ 73,860	\$ -	\$ -	\$ 73,860
Vehicles	125,488	79,900	-	205,388
Machinery and other equipment	113,405	-	-	113,405
Total depreciable capital assets	312,753	79,900	-	392,653
Accumulated depreciation	(206,444)	(20,282)	-	(226,726)
Ambulance capital assets, net	<u>106,309</u>	<u>59,618</u>	<u>-</u>	<u>165,927</u>
<i>Electric capital assets:</i>				
Depreciable capital assets				
Buildings and improvements	528,265	-	-	528,265
Machinery and other equipment	1,515,654	-	-	1,515,654
Distribution system	2,094,481	-	-	2,094,481
Total depreciable capital assets	4,138,400	-	-	4,138,400
Accumulated depreciation	(2,843,718)	(99,553)	-	(2,943,271)
Electric capital assets, net	<u>1,294,682</u>	<u>(99,553)</u>	<u>-</u>	<u>1,195,129</u>

CITY OF CROSWELL

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

	July 1, 2006	Additions	Retirements	June 30, 2007
<i>Sewer capital assets:</i>				
Nondepreciable capital assets:				
Land	143,597	-	-	143,597
Depreciable capital assets				
Buildings and improvements	2,086,152	-	-	2,086,152
Machinery and other equipment	958,296	39,670	-	997,966
Distribution system	5,318,870	-	-	5,318,870
Total depreciable capital assets	8,363,318	39,670	-	8,402,988
Accumulated depreciation	(3,428,556)	(198,667)	-	(3,627,223)
Total depreciable capital assets, net	4,934,762	(158,997)	-	4,775,765
Sewer capital assets, net	5,078,359	(158,997)	-	4,919,362
<i>Water capital assets:</i>				
Nondepreciable capital assets:				
Land	21,458	-	-	21,458
Depreciable capital assets				
Buildings and improvements	153,884	-	-	153,884
Machinery and other equipment	186,710	-	-	186,710
Distribution system	1,125,811	-	-	1,125,811
Total depreciable capital assets	1,466,405	-	-	1,466,405
Accumulated depreciation	(761,276)	(34,659)	-	(795,935)
Total depreciable capital assets, net	705,129	(34,659)	-	670,470
Water capital assets, net	726,587	(34,659)	-	691,928
Business-type activities, capital assets, net	\$ 7,205,937	\$ (233,591)	\$ -	\$ 6,972,346
Component Units:				
Nondepreciable capital assets:				
Land	\$ 119,091	\$ -	\$ -	\$ 119,091
Depreciable capital assets:				
Buildings and improvements	752,871	-	-	752,871
Machinery and other equipment	45,255	-	-	45,255
	798,126	-	-	798,126
Accumulated depreciation	(23,170)	(14,564)	-	(37,734)
Total depreciable capital assets, net	774,956	(14,564)	-	760,392
Governmental activities, capital assets, net	\$ 894,047	\$ (14,564)	\$ -	\$ 879,483

CITY OF CROSWELL

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

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

Governmental activities:	
General government	\$ 15,117
Public safety	59,241
Public works	117,808
Health and Welfare	300
Recreation and culture	<u>32,218</u>
Total governmental activities	<u>\$ 224,684</u>
Business-type activities:	
Ambulance	\$ 20,282
Electric	99,553
Sewer	198,667
Water	<u>34,659</u>
Total business-type activities	<u>\$ 353,161</u>
Component units:	
Downtown Development Authority	\$ 4,526
Tax Increment Finance Authority	<u>10,038</u>
Total component units	<u>\$ 14,564</u>

NOTE 6: LONG-TERM DEBT

The City issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences.

Long-term liabilities at June 30, 2007 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Annual Principal Installments</u>	<u>Original Loan Amount</u>	<u>Remaining Balance at Year-End</u>
Business-type Activities					
<i>Revenue Bonds Payable:</i>					
1991 Issue - Sewage Disposal System	5/1/08-5/1/32	5.75%	14,000-63,000	950,000	858,000
1994 Issue - Sewage Disposal System	5/1/08-5/1/34	5.00%	3,000-10,000	200,000	176,000
<i>Installment Purchase Contract</i>					
2007 Issue - Promissory Note - Ambulance	3/27/12	4.15%	8,280-9,662	44,900	44,900
Component Units:					
<i>Contracts payable:</i>					
1994 Issue - Promissory Note - Building	6/3/08-6/3/09	2.86%	66,727-68,661	324,500	135,388

CITY OF CROSWELL

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
<i>Compensated absences</i>	\$ 156,185	\$ 8,643	\$ -	\$ 164,828	\$ -
Business-type Activities					
<i>Revenue Bonds Payable:</i>					
1992 Issue - Sewage Disposal System	\$ 871,000	\$ -	\$ (13,000)	\$ 858,000	\$ 14,000
1994 Issue - Sewage Disposal System	179,000	-	(3,000)	176,000	3,000
<i>Installment Purchase Contract:</i>					
2007 Issue - Promissory Note - Ambulance	-	44,900	-	44,900	8,280
<i>Compensated absences</i>	<u>167,271</u>	<u>2,928</u>	<u>-</u>	<u>170,199</u>	<u>-</u>
	<u>\$ 1,217,271</u>	<u>\$ 47,828</u>	<u>\$ (16,000)</u>	<u>\$ 1,249,099</u>	<u>\$ 25,280</u>
Component Units:					
<i>Contracts payable:</i>					
1994 Issue - Promissory Note - Building	<u>\$ 200,235</u>	<u>\$ -</u>	<u>\$ (64,847)</u>	<u>\$ 135,388</u>	<u>\$ 66,727</u>

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

<u>Year Ended March 31,</u>	<u>Business-Type Activities</u>			<u>Component Unit</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 25,280	\$ 59,596	\$ 84,876	\$ 66,727	\$ 3,924	\$ 70,651
2009	26,623	58,269	84,892	68,661	1,990	70,651
2010	28,981	56,870	85,851	-	-	-
2011	31,354	55,319	86,673	-	-	-
2012	33,662	53,638	87,300	-	-	-
2013-2017	143,000	243,718	386,718	-	-	-
2018-2022	190,000	197,412	387,412	-	-	-
2023-2027	251,000	135,733	386,733	-	-	-
2028-2032	329,000	54,634	383,634	-	-	-
2033-2034	<u>20,000</u>	<u>1,500</u>	<u>21,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,078,900</u>	<u>\$ 916,689</u>	<u>\$ 1,995,589</u>	<u>\$ 135,388</u>	<u>\$ 5,914</u>	<u>\$ 141,302</u>

CITY OF CROSWELL

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the City's governmental and business-type activities in the aggregate are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>
Receivables:			
Taxes	\$ 4,349	\$ -	\$ -
Special assessments			
Due within one year	-	1,218	-
Due in more than one year	-	6,902	-
Accounts	15,648	487,624	-
Intergovernmental	<u>132,514</u>	<u>44,062</u>	<u>-</u>
 Total receivables	 <u>\$ 152,511</u>	 <u>\$ 539,806</u>	 <u>\$ -</u>
 Accounts payable and accrued expenses:			
Accounts	\$ 28,403	\$ 192,043	\$ 508
Payroll and related liabilities	19,079	16,870	-
Interest	-	9,690	-
Deposits payable	2,600	34,076	-
Intergovernmental	<u>3,915</u>	<u>-</u>	<u>138,824</u>
 Total accounts payable and accrued expenses	 <u>\$ 53,997</u>	 <u>\$ 252,679</u>	 <u>\$ 139,332</u>

NOTE 8: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at June 30, 2007 is as follows:

	<u>Due from/Advance to</u>		
	<u>Sewer</u>	<u>Ambulance</u>	<u>Total</u>
Due to:			
General Fund	\$ 5,725	\$ -	\$ 5,725
Advance from:			
Electric	<u>566,298</u>	<u>30,000</u>	<u>596,298</u>
	<u>\$ 572,023</u>	<u>\$ 30,000</u>	<u>\$ 602,023</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year; however, the advance receivable and payable between the sewer fund and electric fund is classified as a noncurrent liability in the government-wide and fund financial statements. Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF CROSWELL

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

Interfund transfers reported in the fund statements were as follows:

	<u>Transfer from</u>			
	<u>Cemetery Perpetual Care</u>	<u>Library Trust</u>	<u>Electric</u>	<u>Total</u>
Transfer to:				
General Fund	\$ 30,011	\$ -	\$ 335,835	\$ 365,846
Nonmajor Governmental:				
Library	-	15,555	12,000	27,555
Sewer	-	-	17,478	17,478
Water	-	-	17,478	17,478
	<u>\$ 30,011</u>	<u>\$ 15,555</u>	<u>\$ 382,791</u>	<u>\$ 428,357</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9: DEFERRED REVENUE

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

	<u>Unavailable</u>
Grant proceeds	\$ 6,716

The unavailable amount is deferred in the fund financial statements.

NOTE 10: RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The City has purchased commercial insurance for medical benefits and participates in the Michigan Municipal League risk pool program for all other claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess commercial insurance coverage and to pay member claims in excess of deductible amounts.

CITY OF CROSWELL

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

NOTE 11: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System):

Plan Description – The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy – The City is required to contribute at an actuarially determined rate. For the year ended June 30, 2007 the rate was 15.25% for general employees and 17.30% for police/fire employees. The contributions requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

Annual Pension Costs – For the fiscal year ended June 30, 2007, the City's annual pension cost of \$252,539 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of June 30, 2007 follows:

Fiscal year ended June 30,	2007	2006	2005
Annual pension cost	\$ 252,539	\$ 217,396	\$ 217,888
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

Post Employment Benefits:

The City has a policy, in accordance with a union agreement, of paying one half of the health insurance premiums for certain retired employees. Health insurance payments for a qualifying retired employee are paid from the time of retirement until the employee reaches the age of 65 or qualifies for Medicare benefits.

During the year ended June 30, 2007 there were four retired employees receiving this benefit. The City's cost of this benefit for the year was \$2,993 for one employee still on the City's insurance plan and \$9,666 for the three retirees receiving a payout in lieu of the coverage for a total of \$12,659. The City is using a pay-as-you-go method of funding this benefit program.

CITY OF CROSWELL

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year beginning July 1, 2009.

Deferred Compensation Plan:

The employees of the City are allowed to contribute on a voluntary basis to a deferred compensation plan through payroll deductions. The plan is made available to all eligible employees by authority of Section 457 of the Internal Revenue Code (IRC), and is administered by ICMA Retirement Corporation. Employees may set aside and invest portions of their current income to meet their financial requirements and supplement their retirement and social security benefits.

In the 1999 fiscal year, the City adopted GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The City has placed all Deferred Compensation Plan assets with a trustee, relinquishing all fiduciary accountability for the assets. Accordingly, the related assets and liabilities of the plan are not reported in the City's financial statements.

NOTE 12: FUND EQUITY

Specific reservations on fund equity include:

Reserved for prepaid expenditures – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

Reserved for nonexpendable principal – This reserve was created to indicate that portion of fund balance representing the nonexpendable principal portion required to be retained in perpetuity for certain trusts.

NOTE 13: AITKIN MEMORIAL DISTRICT LIBRARY TRANSFER / AGREEMENTS

TRANSFER TO THE DISTRICT LIBRARY

On November 6, 2006, pursuant to 1989 P.A. 24 of the State of Michigan, and effective November 1, 2006, for reporting purposes, the Croswell-Lexington School District and the City of Croswell agreed jointly to establish a District Library – the Aitkin Memorial District Library. The District Library is a reporting entity, not a component unit of the City.

In this connection, the City transferred all of the assets of its Library Fund and Library Trust Fund to the new Aitkin Memorial District Library. This transfer included Library Fund cash of \$69,683 and Library Trust Fund investments of \$430,970. City Library Fund fixed assets consisting of books and periodicals, furniture, fixtures and equipment were also transferred to the District Library.

The City's transfer of assets to the District Library is reported in the current year's financial activity as an “Extraordinary Item” – Transfer to District Library.

CITY OF CROSWELL

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2007

AGREEMENTS WITH DISTRICT LIBRARY

BUILDING LEASE

The District Library has a lease for the library building with the City of Croswell. The lease becomes effective when the Library obtains tax funding and requires a payment of \$750 per month to the City. The lease is for one (1) year through October 24, 2008. The lease automatically renews annually unless either party gives written notice thirty (30) days before the expiration of the then current term. The City may increase the lease payment amount upward annually by no more than 3%.

EMPLOYEES

The District Library also has an employee leasing agreement with the City of Croswell. Under this agreement, the City provides certain city employees to staff the library.

FUNDING

The District Library also has an agreement with the City of Croswell for funding contingent on the Library obtaining district wide millage approval. In compliance with this agreement the City transferred \$67,645 to the Library for the current fiscal year.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF CROSWELL

SCHEDULE OF PENSION PLAN FUNDING PROGRESS

Year Ended June 30, 2007

<u>Actuarial Valuation Date</u>	<u>12/31/06</u>	<u>12/31/05</u>	<u>12/31/04</u>
Actuarial Value of Assets	\$ 4,259,325	\$ 3,989,561	\$ 3,686,737
Actuarial Accrued Liability (AAL)	6,831,084	6,037,901	5,643,294
Unfunded AAL (UAAL)	2,571,759	2,048,340	1,956,557
Funded Ratio	62%	66%	65%
Covered Payroll	1,389,765	1,662,742	1,498,974
UAAL as a percentage of covered payroll	185%	123%	131%

CITY OF CROSWELL

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under) Final Budget</u>
Revenues:				
Property taxes	\$ 660,417	\$ 645,221	\$ 662,782	\$ 17,561
Licenses and permits	14,700	11,502	11,427	(75)
Federal grants	-	-	13,368	13,368
State grants	309,697	371,479	308,618	(62,861)
Contributions from other units	53,498	53,498	59,678	6,180
Charges for services	171,602	164,080	104,385	(59,695)
Fines and forfeits	4,500	2,300	2,255	(45)
Interest and rents	7,650	10,315	13,772	3,457
Other revenue	34,000	18,364	16,511	(1,853)
	<u>1,256,064</u>	<u>1,276,759</u>	<u>1,192,796</u>	<u>(83,963)</u>
Expenditures:				
Current				
General government	457,805	468,346	427,554	(40,792)
Public safety	599,189	580,957	562,337	(18,620)
Public works	339,151	345,680	326,859	(18,821)
Health and welfare	31,069	32,811	32,346	(465)
Recreation and culture	97,516	97,996	93,020	(4,976)
Capital outlay	27,000	53,606	52,414	(1,192)
	<u>1,551,730</u>	<u>1,579,396</u>	<u>1,494,530</u>	<u>(84,866)</u>
Excess (deficiency) of revenues over expenditures	<u>(295,666)</u>	<u>(302,637)</u>	<u>(301,734)</u>	<u>903</u>
Other financing sources (uses):				
Transfers in	295,666	303,511	365,846	62,335
Transfers out	-	-	-	-
	<u>295,666</u>	<u>303,511</u>	<u>365,846</u>	<u>62,335</u>
Net change in fund balance	-	874	64,112	63,238
Fund balance, beginning of year	<u>219,637</u>	<u>219,637</u>	<u>219,637</u>	<u>-</u>
Fund balance, end of year	<u>\$ 219,637</u>	<u>\$ 220,511</u>	<u>\$ 283,749</u>	<u>\$ 63,238</u>

OTHER SUPPLEMENTAL INFORMATION

CITY OF CROSWELL

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended June 30, 2007

Current Taxes:

Property taxes	\$ 500,227
Trailer tax	210
Penalties and interest on taxes	8,120
Administration fees	20,347
Payment in lieu of taxes	<u>133,878</u>
	<u>662,782</u>

Licenses and permits:

Nonbusiness licenses and permits	4,647
CATV franchise fees	<u>6,780</u>
	<u>11,427</u>

Federal grants:

Homeland security - Fire department	<u>13,368</u>
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State Grants:

Liquor license fees	1,645
State revenue sharing - sales tax	296,767
Metro Act funds	8,929
State grant - Police training	<u>1,277</u>
	<u>308,618</u>

Contribution from other units:

Fire protection fees	14,675
Croswell-Lexington schools - Cops in school	43,108
Croswell-Lexington schools - Crossing guards	<u>1,895</u>
	<u>59,678</u>

Charges for services:

Refuse collection fees	75,352
Cemetery fees	18,144
Police services & reports	389
Fire runs	<u>10,500</u>
	<u>104,385</u>

Fines and forfeits:

Other	<u>2,255</u>
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Interest and rents:

Interest	6,332
Rents	<u>7,440</u>
	<u>13,772</u>

continued

CITY OF CROSWELL

GENERAL FUND

DETAILED SCHEDULE OF REVENUES, continued

Year Ended June 30, 2007

Other Revenue:

Sale of fixed assets	1,150
Cemetery lots/perpetual care	6,720
Contributions and donations	10
Other	8,631
	<u>16,511</u>

Total revenues 1,192,796

Other Financing Sources:

Transfers from other funds 365,846

Total revenues and other financing sources \$ 1,558,642

CITY OF CROSWELL

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended June 30, 2007

General Government:

Council:

Personnel	\$ 5,465
Fringe benefits	452
Supplies	165
Contracted services	3,666
Mileage	20
Dues and memberships	1,537
Education and training	35
Printing and publications	5,668
Insurance	18,936
Other	<u>2,828</u>
	<u>38,772</u>

Administrator:

Personnel	89,978
Fringe benefits	18,879
Supplies	194
Contracted services	28
Telephone	2,082
Mileage	2,122
Education and training	894
Insurance	<u>625</u>
	<u>114,802</u>

Clerk:

Personnel	51,719
Fringe benefits	30,720
Supplies	419
Contracted services	649
Telephone	565
Mileage	72
Dues and memberships	175
Education and training	295
Insurance	<u>575</u>
	<u>85,189</u>

Board of Review:

Personnel	433
Fringe benefits	33
Printing and publications	<u>192</u>
	<u>658</u>

CITY OF CROSWELL

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended June 30, 2007

General Government, Continued:

Treasurer:

Personnel	51,028
Fringe benefits	22,328
Supplies	1,729
Contracted services	593
Telephone	565
Mileage	18
Dues and memberships	45
Education and training	10
Printing and publications	158
Insurance	800
Equipment rental	51
	<u>77,325</u>

Assessor:

Supplies	1,612
Contracted services	14,321
Mileage	200
Repairs and maintenance	1,380
	<u>17,513</u>

Elections:

Supplies	541
Contracted services	2,302
Mileage	324
Education and training	289
Printing and publications	741
	<u>4,197</u>

City Hall:

Personnel	1,647
Fringe benefits	161
Supplies	1,283
Contracted services	3,082
Telephone	473
Printing and publications	42
Insurance	492
Utilities	3,272
Repairs and maintenance	2,196
Equipment rental	1,925
	<u>14,573</u>

CITY OF CROSWELL

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended June 30, 2007

General Government, Continued:

Cemetery:

Personnel	32,717
Fringe benefits	17,003
Supplies	1,196
Contracted services	671
Telephone	70
Printing and publications	314
Insurance	552
Utilities	1,267
Repairs and maintenance	6,064
Equipment rental	6,000
Other	483
	<u>66,337</u>

Community Center:

Personnel	2,097
Fringe benefits	244
Supplies	844
Contracted services	15
Insurance	409
Utilities	4,476
Repairs and maintenance	8
Other	95
	<u>8,188</u>

Total general government 427,554

Public Safety:

Police:

Personnel	341,289
Fringe benefits	97,190
Supplies	15,033
Contracted services	3,394
Telephone	7,183
Mileage	258
Dues and memberships	1,175
Education and training	750
Printing and publications	404
Insurance	13,071
Utilities	3,288
Repairs and maintenance	8,234
Equipment rental	51
Other	86
	<u>491,406</u>

CITY OF CROSWELL

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended June 30, 2007

Public Safety, Continued:

Fire:

Personnel	19,600
Fringe benefits	2,633
Supplies	9,116
Contracted services	1,914
Telephone	1,335
Mileage	140
Dues and memberships	695
Education and training	732
Printing and publications	81
Insurance	7,913
Utilities	9,923
Repairs and maintenance	1,942
	<u>56,024</u>

Building Inspection Department:

Personnel	5,107
Fringe benefits	1,321
Supplies	194
Contracted services	6,528
Dues and memberships	100
Education and training	374
Printing and publications	520
Other	19
	<u>14,163</u>

Other Public Safety - Safety Programs:

Fringe benefits	46
Contracted services	38
Dues and memberships	660
	<u>744</u>

Total public safety 562,337

CITY OF CROSWELL

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended June 30, 2007

Public Works:

Department of Public Works:

Personnel	68,163
Fringe benefits	54,935
Supplies	1,808
Contracted services	600
Telephone	2,618
Dues and memberships	40
Printing and publications	565
Insurance	1,493
Utilities	12,206
Repairs and maintenance	1,168
Other	234
	<u>143,830</u>

Sidewalks:

Personnel	133
Supplies	2,350
	<u>2,483</u>

Drains - Public Benefit:

Personnel	1,181
Supplies	738
	<u>1,919</u>

Street Lighting:

Personnel	9,308
Supplies	14,001
Utilities	45,583
	<u>68,892</u>

Refuse Collection/Disposal:

Personnel	30,428
Fringe benefits	1,099
Supplies	2,000
Contracted services	76,075
Printing and publications	133
	<u>109,735</u>

Total public works 326,859

CITY OF CROSWELL

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended June 30, 2007

Health and Welfare:

Ambulance:

Contracted services 32,346

Total health and welfare 32,346

Recreation and Culture:

Parks and Recreation Department:

Personnel 9,961

Fringe benefits 1,387

Supplies 6,768

Contracted services 4,272

Insurance 633

Utilities 1,870

Other 399

25,290

Library

Contracted services 67,645

Historical Museum:

Supplies 11

Insurance 74

85

Total recreation and culture 93,020

Capital Outlay:

General government 10,012

Public safety 42,402

Total capital outlay 52,414

Total expenditures \$1,494,530

CITY OF CROSWELL

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET June 30, 2007

	<u>Special Revenue Funds</u>			<u>Permanent Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Library Fund</u>	<u>Gingersnap Trust Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Library Trust Fund</u>	
Assets:							
Cash and cash equivalents	\$ 264,536	\$ 308,125	\$ -	\$ -	\$ 209,655	\$ -	\$ 782,316
Investments	-	-	-	13,719	-	-	13,719
Due from other							
governmental units	23,932	7,998	-	-	-	-	31,930
Prepaid expenditures	<u>2,753</u>	<u>2,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,506</u>
 Total assets	 <u>\$ 291,221</u>	 <u>\$ 318,876</u>	 <u>\$ -</u>	 <u>\$ 13,719</u>	 <u>\$ 209,655</u>	 <u>\$ -</u>	 <u>\$ 833,471</u>
Liabilities and Fund Balances:							
<i>Liabilities:</i>							
Accrued expenses	\$ 1,299	\$ 1,383	\$ -	\$ -	\$ -	\$ -	\$ 2,682
 Total liabilities	 <u>1,299</u>	 <u>1,383</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>2,682</u>
<i>Fund balances:</i>							
Reserved for:							
Prepaid expenditures	2,753	2,753	-	-	-	-	5,506
Nonexpendable							
principal	-	-	-	13,719	209,655	-	223,374
Special revenue funds	<u>287,169</u>	<u>314,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>601,909</u>
 Total fund balances	 <u>289,922</u>	 <u>317,493</u>	 <u>-</u>	 <u>13,719</u>	 <u>209,655</u>	 <u>-</u>	 <u>830,789</u>
 Total liabilities and fund balances	 <u>\$ 291,221</u>	 <u>\$ 318,876</u>	 <u>\$ -</u>	 <u>\$ 13,719</u>	 <u>\$ 209,655</u>	 <u>\$ -</u>	 <u>\$ 833,471</u>

CITY OF CROSWELL

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2007

	Special Revenue Funds			Permanent Funds			Total Nonmajor Governmental Funds
	Street Fund	Street Fund	Library Fund	Gingersnap Trust Fund	Cemetery Perpetual Care Fund	Library Trust Fund	
Revenues:							
Property taxes	\$ -	\$ 59,075	\$ -	\$ -	\$ -	\$ -	\$ 59,075
State grants	145,771	48,707	-	-	-	-	194,478
Contributions from other units	53	73,121	-	-	-	-	73,174
Charges for services	-	-	2,356	-	-	-	2,356
Fines and forfeits	-	-	690	-	-	-	690
Interest and rents	10,336	8,980	963	928	22,593	8,477	52,277
Other revenue	-	80	105	-	4,480	-	4,665
Total revenues	156,160	189,963	4,114	928	27,073	8,477	386,715
Expenditures:							
<i>Current:</i>							
Public works	143,920	158,714	-	-	-	-	302,634
Recreation and culture	-	-	46,358	-	-	686	47,044
Total expenditures	143,920	158,714	46,358	-	-	686	349,678
Excess (deficiency) of revenues over expenditures	12,240	31,249	(42,244)	928	27,073	7,791	37,037
Other financing sources (uses):							
Transfers in	-	-	27,555	-	-	-	27,555
Transfers out	-	-	-	-	(30,011)	(15,555)	(45,566)
Total other financing sources (uses)	-	-	27,555	-	(30,011)	(15,555)	(18,011)
Extraordinary item							
Transfer to district library	-	-	(69,683)	-	-	(430,970)	(500,653)
Net change in fund balance	12,240	31,249	(84,372)	928	(2,938)	(438,734)	(481,627)
Fund balances, beginning of year	277,682	286,244	84,372	12,791	212,593	438,734	1,312,416
Fund balances, end of year	\$ 289,922	\$ 317,493	\$ -	\$ 13,719	\$ 209,655	\$ -	\$ 830,789

CITY OF CROSWELL

FIDUCIARY FUNDS – AGENCY FUND
**STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES**

Year Ended June 30, 2007

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Current Tax Collection Fund</u>				
Assets				
Cash and cash equivalents	\$ 3,372	\$ 2,109,606	\$ 2,112,948	\$ 30
Liabilities				
Due to other funds and component units	\$ 3,372	\$ 979,935	\$ 983,277	\$ 30
Due to other governmental units	-	1,129,671	1,129,671	-
 Total liabilities	 \$ 3,372	 \$ 2,109,606	 \$ 2,112,948	 \$ 30

CITY OF CROSWELL

COMPONENT UNITS

COMBINING STATEMENT OF NET ASSETS

June 30, 2007

	<u>Downtown Development Authority</u>	<u>Tax Increment Finance Authority</u>	<u>Economic Development Corporation</u>	<u>Total Component Units</u>
Assets:				
Cash and cash equivalents	\$ 92,439	\$ 207,565	\$ 100,750	\$ 400,754
Capital assets:				-
Nondepreciable capital assets	22,896	61,974	34,221	119,091
Depreciable capital assets, net	<u>28,974</u>	<u>731,418</u>	<u>-</u>	<u>760,392</u>
Total assets	<u>144,309</u>	<u>1,000,957</u>	<u>134,971</u>	<u>1,280,237</u>
Liabilities:				
Accounts payable	7	501	-	508
Due to other governmental units	-	138,824	-	138,824
Long-term liabilities:				
Due within one year	-	66,727	-	66,727
Due in more than one year	<u>-</u>	<u>68,661</u>	<u>-</u>	<u>68,661</u>
Total liabilities	<u>7</u>	<u>274,713</u>	<u>-</u>	<u>274,720</u>
Net assets:				
Invested in capital assets, net of related debt	51,870	658,004	34,221	744,095
Unrestricted	<u>92,432</u>	<u>68,240</u>	<u>100,750</u>	<u>261,422</u>
Total net assets	<u>\$ 144,302</u>	<u>\$ 726,244</u>	<u>\$ 134,971</u>	<u>\$ 1,005,517</u>

CITY OF CROSWELL

COMPONENT UNITS

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

	<u>Downtown Development Authority</u>	<u>Tax Increment Finance Authority</u>	<u>Economic Development Corporation</u>	<u>Total Component Units</u>
Expenses:				
Community and economic development	\$ 21,880	\$ 467,170	\$ 1,152	\$ 490,202
Interest on long-term debt	-	5,804	-	5,804
Program revenues:				
Charges for services	-	24,600	-	24,600
Net expenses (revenues)	<u>(21,880)</u>	<u>(448,374)</u>	<u>(1,152)</u>	<u>(471,406)</u>
General revenues:				
Property taxes captured	49,629	198,285	-	247,914
Unrestricted investment earnings	<u>1,952</u>	<u>16,702</u>	<u>4,796</u>	<u>23,450</u>
Total general revenues	<u>51,581</u>	<u>214,987</u>	<u>4,796</u>	<u>271,364</u>
Change in net assets	29,701	(233,387)	3,644	(200,042)
Net assets, beginning of year	<u>114,601</u>	<u>959,631</u>	<u>131,327</u>	<u>1,205,559</u>
Net assets, end of year	<u>\$ 144,302</u>	<u>\$ 726,244</u>	<u>\$ 134,971</u>	<u>\$ 1,005,517</u>

CITY OF CROSWELL

COMPONENT UNITS
COMBINING BALANCE SHEET
June 30, 2007

	<u>Downtown Development Authority</u>	<u>Tax Increment Finance Authority</u>	<u>Economic Development Corporation</u>	<u>Total Component Units</u>
Assets:				
Cash and cash equivalents	\$ 92,439	\$ 207,565	\$ 100,750	\$ 400,754
Total assets	<u>\$ 92,439</u>	<u>\$ 207,565</u>	<u>\$ 100,750</u>	<u>\$ 400,754</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 7	\$ 501	\$ -	\$ 508
Due to other governmental units	<u>-</u>	<u>138,824</u>	<u>-</u>	<u>138,824</u>
Total liabilities	<u>7</u>	<u>139,325</u>	<u>-</u>	<u>139,332</u>
Fund Balances:				
Unreserved	<u>92,432</u>	<u>68,240</u>	<u>100,750</u>	<u>261,422</u>
Total fund balances	<u>92,432</u>	<u>68,240</u>	<u>100,750</u>	<u>261,422</u>
Total liabilities and fund balances	<u>\$ 92,439</u>	<u>\$ 207,565</u>	<u>\$ 100,750</u>	<u>\$ 400,754</u>

CITY OF CROSWELL

COMPONENT UNITS

COMBINING RECONCILIATION OF FUND BALANCES TO THE STATEMENT OF NET ASSETS

June 30, 2007

	<u>Downtown Development Authority</u>	<u>Tax Increment Finance Authority</u>	<u>Economic Development Corporation</u>	<u>Total Component Units</u>
Fund balance for the governmental fund	\$ 92,432	\$ 68,240	\$ 100,750	\$ 261,422
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.				
Governmental capital assets	68,151	814,845	34,221	917,217
Less accumulated depreciation	(16,281)	(21,453)	-	(37,734)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds	<u>-</u>	<u>(135,388)</u>	<u>-</u>	<u>(135,388)</u>
Net assets, June 30, 2007	<u>\$ 144,302</u>	<u>\$ 726,244</u>	<u>\$ 134,971</u>	<u>\$ 1,005,517</u>

CITY OF CROSWELL

COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2007

	<u>Downtown Development Authority</u>	<u>Tax Increment Finance Authority</u>	<u>Economic Development Corporation</u>	<u>Total Component Units</u>
Revenues:				
Property taxes	\$ 49,629	\$ 198,285	\$ -	\$ 247,914
Interest and rents	<u>1,952</u>	<u>41,302</u>	<u>4,796</u>	<u>48,050</u>
Total revenues	<u>51,581</u>	<u>239,587</u>	<u>4,796</u>	<u>295,964</u>
Expenditures:				
Current				
Community and economic development	17,354	457,132	1,152	475,638
Debt service				
Principal	-	64,847	-	64,847
Interest and fees	<u>-</u>	<u>5,804</u>	<u>-</u>	<u>5,804</u>
Total expenditures	<u>17,354</u>	<u>527,783</u>	<u>1,152</u>	<u>546,289</u>
Excess (deficiency) of revenues over expenditures	34,227	(288,196)	3,644	(250,325)
Fund balances, beginning of year	<u>58,205</u>	<u>356,436</u>	<u>97,106</u>	<u>511,747</u>
Fund balances, end of year	<u>\$ 92,432</u>	<u>\$ 68,240</u>	<u>\$ 100,750</u>	<u>\$ 261,422</u>

CITY OF CROSWELL

COMPONENT UNITS

COMBINING RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF NET ASSETS

Year Ended June 30, 2007

Net change in fund balance - governmental funds	\$ 34,227	\$ (288,196)	\$ 3,644	\$ (250,325)
Total change in net assets reported for governmental activities in the statement of activities is different because:				
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.				
Capital outlay	-	-	-	
Less depreciation expense	(4,526)	(10,038)	-	(14,564)
Repayments of principal on long-term obligations are expenditures in governmental funds but the payments reduce long-term liabilities in the statement of net assets.	<u>-</u>	<u>64,847</u>	<u>-</u>	<u>64,847</u>
Change in net assets of governmental activities	<u>\$ 29,701</u>	<u>\$ (233,387)</u>	<u>\$ 3,644</u>	<u>\$ (200,042)</u>

CITY OF CROSWELL

ENTERPRISE FUNDS

SCHEDULE OF DEBT SERVICE REQUIREMENTS

June 30, 2007

PROMISSORY NOTE - AMBULANCE

Issue dated March 27, 2007 in the amount of	\$	44,900
Less:		
Principal paid in prior years		-
Principal paid in current year		-
Balance payable at June 30, 2007	\$	<u>44,900</u>

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Principal due</u> <u>March 27,</u>	<u>Interest due</u> <u>March 27,</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2008	4.15%	\$ 8,280	\$ 1,863	\$ 10,143
2009	4.15%	8,623	1,520	10,143
2010	4.15%	8,981	1,162	10,143
2011	4.15%	9,354	789	10,143
2012	4.15%	9,662	401	10,063
		<u>\$ 44,900</u>	<u>\$ 5,735</u>	<u>\$ 50,635</u>

CITY OF CROSWELL

ENTERPRISE FUNDS

SCHEDULE OF DEBT SERVICE REQUIREMENTS

June 30, 2007

1991 SEWAGE DISPOSAL SYSTEM REVENUE BONDS:

Issue dated January 23, 1992 in the amount of	\$	950,000
Less:		
Principal paid in prior years		(79,000)
Principal paid in current year		<u>(13,000)</u>
Balance payable at June 30, 2007	\$	<u>858,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Interest due November 1,</i>	<i>Interest due May 1,</i>	<i>Principal due May 1,</i>	<i>Total Annual Requirement</i>
2008	5.75%	\$ 24,668	\$ 24,265	\$ 14,000	\$ 62,933
2009	5.75%	24,265	23,834	15,000	63,099
2010	5.75%	23,834	23,374	16,000	63,208
2011	5.75%	23,374	22,856	18,000	64,230
2012	5.75%	22,856	22,281	20,000	65,137
2013	5.75%	22,281	21,678	21,000	64,959
2014	5.75%	21,678	21,016	23,000	65,694
2015	5.75%	21,016	20,326	24,000	65,342
2016	5.75%	20,326	19,608	25,000	64,934
2017	5.75%	19,608	18,831	27,000	65,439
2018	5.75%	18,831	18,026	28,000	64,857
2019	5.75%	18,026	17,164	30,000	65,190
2020	5.75%	17,164	16,244	32,000	65,408
2021	5.75%	16,244	15,266	34,000	65,510
2022	5.75%	15,266	14,231	36,000	65,497
2023	5.75%	14,231	13,139	38,000	65,370
2024	5.75%	13,139	11,989	40,000	65,128
2025	5.75%	11,989	10,781	42,000	64,770
2026	5.75%	10,781	9,488	45,000	65,269
2027	5.75%	9,488	8,108	48,000	65,596
2028	5.75%	8,108	6,670	50,000	64,778
2029	5.75%	6,670	5,146	53,000	64,816
2030	5.75%	5,146	3,536	56,000	64,682
2031	5.75%	3,536	1,811	60,000	65,347
2032	5.75%	1,811	-	63,000	64,811
		<u>\$ 394,336</u>	<u>\$ 369,668</u>	<u>\$ 858,000</u>	<u>\$ 1,622,004</u>

CITY OF CROSWELL

ENTERPRISE FUNDS

SCHEDULE OF DEBT SERVICE REQUIREMENTS

June 30, 2007

1994 SEWAGE DISPOSAL SYSTEM REVENUE BONDS:

Issue dated May 13, 1994 in the amount of	\$	200,000
Less:		
Principal paid in prior years		(21,000)
Principal paid in current year		<u>(3,000)</u>
Balance payable at June 30, 2007	\$	<u>176,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Interest due November 1,</i>	<i>Interest due May 1,</i>	<i>Principal due May 1,</i>	<i>Total Annual Requirement</i>
2008	5.00%	\$ 4,400	\$ 4,400	\$ 3,000	\$ 11,800
2009	5.00%	4,325	4,325	3,000	11,650
2010	5.00%	4,250	4,250	4,000	12,500
2011	5.00%	4,150	4,150	4,000	12,300
2012	5.00%	4,050	4,050	4,000	12,100
2013	5.00%	3,950	3,950	4,000	11,900
2014	5.00%	3,850	3,850	4,000	11,700
2015	5.00%	3,750	3,750	5,000	12,500
2016	5.00%	3,625	3,625	5,000	12,250
2017	5.00%	3,500	3,500	5,000	12,000
2018	5.00%	3,375	3,375	5,000	11,750
2019	5.00%	3,250	3,250	6,000	12,500
2020	5.00%	3,100	3,100	6,000	12,200
2021	5.00%	2,950	2,950	6,000	11,900
2022	5.00%	2,800	2,800	7,000	12,600
2023	5.00%	2,625	2,625	7,000	12,250
2024	5.00%	2,450	2,450	7,000	11,900
2025	5.00%	2,275	2,275	8,000	12,550
2026	5.00%	2,075	2,075	8,000	12,150
2027	5.00%	1,875	1,875	8,000	11,750
2028	5.00%	1,675	1,675	9,000	12,350
2029	5.00%	1,450	1,450	9,000	11,900
2030	5.00%	1,225	1,225	9,000	11,450
2031	5.00%	1,000	1,000	10,000	12,000
2032	5.00%	750	750	10,000	11,500
2033	5.00%	500	500	10,000	11,000
2034	5.00%	<u>250</u>	<u>250</u>	<u>10,000</u>	<u>10,500</u>
		<u>\$ 73,475</u>	<u>\$ 73,475</u>	<u>\$ 176,000</u>	<u>\$ 322,950</u>

CITY OF CROSWELL

COMPONENT UNIT

SCHEDULE OF DEBT SERVICE REQUIREMENTS

June 30, 2007

PROMISSORY NOTE - BUILDING

Issue dated June 3, 2004 in the amount of		\$	324,500
Less:	Principal paid in prior years		(124,265)
	Principal paid in current year		<u>(64,847)</u>
Balance payable at June 30, 2007		\$	<u>135,388</u>

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Principal due</u> <u>June 1,</u>	<u>Interest due</u> <u>June 1,</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2008	5.45%	\$ 66,727	\$ 3,924	\$ 70,651
2009	5.45%	<u>68,661</u>	<u>1,900</u>	<u>70,561</u>
		<u>\$ 135,388</u>	<u>\$ 5,824</u>	<u>\$ 141,212</u>

BERTHIAUME
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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 City Council
City of Croswell, Michigan

We have audited the financial statements of the City of Croswell as of and for the year ended June 30, 2007, and have issued our report thereon dated October 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

A 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 entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Croswell'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 management, the City Council, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Bertchaine & Co.

October 19, 2007
Saginaw, Michigan