

Auditing Procedures Report

Issued under P.A. 2 of 1988, 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 Pigeon	County Huron
Fiscal Year End 2/28/07	Opinion Date 6/11/07	Date Audit Report Submitted to State 8/9/07		

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 type="checkbox"/>	None prepared
Other (Describe) Yellow Book Report	<input checked="" type="checkbox"/>	
Certified Public Accountant (Firm Name) Nietzke & Faupel, P.C.	Telephone Number 989-453-3122	
Street Address 7274 Hartley Street	City Pigeon	State MI
		Zip 48755
Authorizing CPA Signature <i>Brian Hazard, CPA</i>	Printed Name Brian Hazard, CPA	License Number 1101014007

**VILLAGE OF PIGEON
PIGEON, MICHIGAN
HURON COUNTY**

**FINANCIAL REPORT
FEBRUARY 28, 2007**

VILLAGE OF PIGEON, MICHIGAN

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REPORT OF INDEPENDENT AUDITORS

To The Honorable Village Council
Village of Pigeon
Pigeon, Michigan 48755

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pigeon, Michigan, as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Pigeon, Michigan'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, each major fund, and the aggregate remaining fund information of the Village of Pigeon, Michigan, as of February 28, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2007, on our consideration of the Village of Pigeon, 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 conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through viii and 25 through 31, are not a required part of the basic financial statements but are supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

Report of Independent Auditors (Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Pigeon, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nietzke & Faupel, PC
NIETZKE & FAUPEL, P.C.
PIGEON, MICHIGAN

June 11, 2007

Village of Pigeon, Michigan

Management's Discussion and Analysis

As the management of the Village of Pigeon, Michigan, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2007. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of the Village exceed its liabilities at the close of the most recent fiscal year by \$6,386,239 (net assets). Of this amount, \$299,651 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$(61,791)
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$427,892. Over 74% (percent) of this total amount or \$317,433 is available for spending at the government's discretion (unrestricted fund balances).
- At the end of the current fiscal year, unrestricted fund balance for the general fund was \$143,227, or 25.7% (percent) of the total general fund expenditures.
- The Village's total debt increased by \$81,406 during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Pigeon's basic financial statements. The Village is reporting these financial statements utilizing the reporting structure that all state and local governments must follow. These requirements restructured much of the information that governmental units have presented in the past.

The Village's basic financial statements are made up of three components: 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's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of 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 (e.g., uncollected special assessments).

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 include general government (including administration), public safety, public works and recreation and culture operations. The business-type activities of the Village include the water and sewer operations.

Management's Discussion and Analysis

The government-wide financial statements can be found on pages 2 and 3 of the financial report.

Fund financial statements. A *fund* is a group of related accounts that are 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 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 requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare this 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 financing decision. 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 governmental funds and governmental activities.

The Village maintains eight individual governmental funds. Information is presented separately, in the governmental fund balance sheet, and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Major Street, Local Street, Capital Project, and Debt Service Funds, each of which are considered to be major funds. Data from the other three governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the financial report.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided in the financial report to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 4 through 7 of the financial report.

Proprietary Funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its sanitary sewer and water operations.

The basic proprietary fund financial statements can be found on pages 8 through 10 of the financial report.

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. The notes to the financial statements can be found on pages 11 through 23 of the financial report.

Other information. In addition to the basic financial statements and accompanying notes, the financial report also presents certain required supplementary information concerning the Village's budgetary information for the four major governmental funds. This required supplementary information can be found on pages 25 through 31 of the financial report.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information. Combining, individual fund statements and schedules can be found on pages 33 through 46 of the financial report.

Management's Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$6,386,239 at the close of the fiscal year, which is a decrease of \$61,791 or 1% from the prior year.

A significant portion of the Village's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The table below shows the Village's net assets as of February 28, 2007

	Village's Net Assets		February 28,	
	Governmental Activities	Business-Type Activities	2007 Total	2006 Total
Current and other assets	\$ 588,019	\$ 93,069	\$ 681,088	\$ 811,483
Capital assets	<u>4,978,630</u>	<u>5,850,865</u>	<u>10,829,495</u>	<u>10,679,483</u>
Total Assets	<u>5,566,649</u>	<u>5,943,934</u>	<u>11,510,583</u>	<u>11,490,965</u>
Long-term liabilities outstanding	2,158,768	2,816,820	4,975,588	4,882,944
Other liabilities	<u>70,373</u>	<u>78,383</u>	<u>148,756</u>	<u>159,995</u>
Total Liabilities	<u>2,229,141</u>	<u>2,895,203</u>	<u>5,124,344</u>	<u>5,124,344</u>
Invested in capital assets, net of related debt	2,843,630	3,034,045	5,877,675	5,820,220
Restricted	40,000	168,913	208,913	319,934
Unrestricted	<u>453,878</u>	<u>(154,227)</u>	<u>299,651</u>	<u>307,876</u>
Total net assets	<u>\$3,337,508</u>	<u>\$3,048,731</u>	<u>\$6,386,239</u>	<u>\$6,448,030</u>

Of the remaining balance of net assets, approximately 3.3% or \$208,913 are restricted resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$299,651 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances for the governmental activities. However, the business-type activities report an unrestricted deficit of \$(154,227), due to operating losses in the Water Fund.

The Village's net assets decreased \$61,791 during the fiscal year.

Management's Discussion and Analysis

The table below shows the change in net assets for the fiscal year ending February 28, 2007.

	Village's Change in Net Assets		February 28,	
	Governmental Activities	Business-type Activities	2007 Total	2006 Total
General revenue:				
Property taxes	\$574,031	\$48,888	\$ 622,919	\$598,541
State Shared Revenues	222,977		222,977	228,568
Unrestricted investment earnings	452	587	1,038	5,330
Miscellaneous	32,533		32,533	7,038
Transfers – Net	31,788	(31,788)		1,019
Program revenue:				
Charges for services	<u>50,724</u>	<u>407,893</u>	<u>458,617</u>	<u>397,687</u>
Total revenue	<u>912,505</u>	<u>425,580</u>	<u>1,338,084</u>	<u>1,238,183</u>
Expenses:				
General government	190,093		190,093	228,914
Public safety	124,988		124,988	113,578
Highways and public improvements	381,607		381,607	278,696
Sanitation	51,128		51,128	48,421
Parks and recreation	21,964		21,964	25,102
Interest on long term debt	65,940		65,940	42,289
Unallocated depreciation	21,916		21,916	16,103
Water		430,392	430,392	461,216
Sewer		<u>174,507</u>	<u>174,507</u>	<u>138,123</u>
Total expenses	<u>857,636</u>	<u>604,899</u>	<u>1,462,535</u>	<u>1,352,442</u>
Change in net assets	54,869	(179,319)	(124,451)	(114,259)
Net assets – beginning of year	3,219,980	3,228,050	6,448,030	6,562,289
Prior Period Adjustment	<u>62,659</u>		<u>62,659</u>	
Net assets – end of year	<u>\$3,337,508</u>	<u>\$3,048,731</u>	<u>\$6,386,239</u>	<u>\$6,448,030</u>

Governmental activities

Governmental activities increased the Village's net assets by \$54,869 or 1.7% of beginning net assets. Property taxes levied on the new storm sewer on the ad-valorem roll were \$98,630. Property taxes levied on the new storm sewer on the IFT roll were \$7,316.

The combined total of \$124,451 was a major factor in the decrease of the Village's net assets. During the past fiscal year, the Village did not make any major transfers to other funds as had been done in the prior fiscal year.

Business-Type activities

Business-type activities decreased the Village's net assets by \$(179,319) or 5.6% of beginning net assets. Major reasons for the decrease were due to additional water repairs related to the storm sewer project.

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus on the Village's governmental funds 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, unrestricted 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 chief operating fund of the Village. At the end of the fiscal year, the unrestricted fund balance of the General Fund was \$143,227. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total fund expenditures; unrestricted fund balance represents 25.7% of total General Fund expenditures.

The fund balance of the Village's General Fund increased by \$44,612 during the current fiscal year. This is primarily attributable to an increase in revenue of \$34,323 and a decrease in expenditures of \$39,401.

The primary funds utilized by the Village for street construction and maintenance are the Major and Local Street Funds. At the conclusion of the fiscal year, the Major Street Fund had a fund balance of \$90,458, a decrease of \$3,250 and the Local Street Fund had a balance of \$67,784, a decrease of \$12,221.

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 Water and Sewer Funds at the end of the year amounted to (\$158,572). The Water and Sewer Funds had a decrease in net assets for the year of \$(179,318). Other factors concerning the finances of these two funds have already been addressed in discussion of the Village's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were primarily related to revised capital improvement programs.

Budget to actual comparisons for the Village's general fund were mostly favorable.

Capital Asset and Debt Administration

Capital assets. The Village's investment in capital assets for its governmental and business-type activities as of February 28, 2007, amounted to \$5,877,675. This investment in capital assets includes land, buildings and improvements, systems, equipment and infrastructure.

Major capital asset expenditures during the fiscal year included the following: Improvements to the water mains related to the storm sewer project.

Management's Discussion and Analysis

The table below shows the Village's Capital assets as of February 28, 2007.

Village's Capital Assets (net of depreciation)			
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Land	\$ 500,000	\$ 201,000	\$ 701,000
Buildings and improvements	1,190,416	693,533	1,883,949
Equipment	942,298	426,977	1,369,275
Improvements		1,422,773	1,422,773
Infrastructure	<u>6,860,299</u>	<u>5,229,920</u>	<u>12,090,219</u>
Total capital assets	9,493,013	7,974,203	17,467,216
Less: Accumulated depreciation	<u>4,514,383</u>	<u>2,123,338</u>	<u>(6,637,721)</u>
Capital assets – Net	<u>\$4,978,630</u>	<u>\$5,850,865</u>	<u>\$10,829,495</u>

Additional information on the Village's capital assets can be found in Note 1 on pages 15 through 17 of the financial report.

Long-term debt. At the end of the current fiscal year, the Village had total debt outstanding of \$4,975,588. These amounts are summarized below.

Village's Outstanding Debt General Obligation and Revenue Bonds			
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Revenue bonds		\$2,719,000	\$2,719,000
General obligation bonds	\$2,020,000		2,020,000
Accrued compensated absences	23,768		23,768
Lease Payment – Aerators		97,820	97,820
Capital Improvement Bonds	<u>115,000</u>		<u>115,000</u>
Total long-term debt	<u>\$2,158,768</u>	<u>\$2,816,820</u>	<u>\$4,975,588</u>

The Village's total debt increased during the current fiscal year with the addition of \$115,000 for Water repairs.

Additional information on the Village's long-term debt can be found in Note 8 on pages 21 through 23 of the financial report.

Economic Factors and Next Year's Budgets and Rates

- Inflationary trends in the region compare favorably to national indices.
- The County's unemployment rate is 7.6 percent, which is comparable to the statewide rate.

Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: **Janet Heckman, Village Clerk, 29 S. Main Street, Pigeon, MI 48755.**

BASIC FINANCIAL STATEMENTS

VILLAGE OF PIGEON, MICHIGAN

STATEMENT OF NET ASSETS FEBRUARY 28, 2007

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS - TYPE ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash	\$ 210,306	\$ 238,680	\$ 448,986
Accounts receivable	44,675	58,316	102,991
Due from other governments	17,816		17,816
Internal balances	255,495	(255,495)	
Inventory		1,963	1,963
Restricted assets:			
Cash		43,913	43,913
Capital assets:			
Land (Non-Depreciable)	500,000	201,000	701,000
Buildings	1,190,416	693,533	1,883,949
Equipment	942,298	426,977	1,369,275
Improvements		1,422,773	1,422,773
Infrastructure	6,860,299	5,229,920	12,090,219
Less accumulated depreciation	(4,514,383)	(2,123,338)	(6,637,721)
Other assets:			
Bond discount - net	18,533		18,533
Bond issue costs - net	41,194	5,692	46,886
TOTAL ASSETS	<u>5,566,649</u>	<u>5,943,934</u>	<u>11,510,582</u>
<u>LIABILITIES</u>			
Accounts payable	12,218	40,911	53,129
Accrued wages payable	16,150		16,150
Accrued payroll liabilities	7,096		7,096
Accrued interest payable	34,909	37,472	72,381
Accrued compensated absences	23,768		23,768
Notes and bonds payable within one year	25,000	56,600	81,600
Notes payable		75,220	75,220
Revenue bonds payable		2,685,000	2,685,000
General obligation bonds payable	2,110,000		2,110,000
TOTAL LIABILITIES	<u>2,229,141</u>	<u>2,895,203</u>	<u>5,124,344</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	2,843,630	3,034,045	5,877,675
Restricted for:			
Capital projects	40,000	168,913	208,913
Unrestricted	453,878	(154,227)	299,651
TOTAL NET ASSETS	<u>\$ 3,337,508</u>	<u>\$ 3,048,731</u>	<u>\$ 6,386,239</u>

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

VILLAGE OF PIGEON, MICHIGAN

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2007

	PROGRAM REVENUES			NET (EXPENSES) REVENUES & CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
PROGRAM ACTIVITIES						
Governmental Activities						
General government	\$ 190,093			\$ (190,093)		\$ (190,093)
Public safety	124,988			(124,988)		(124,988)
Highways and public improvements	381,607			(381,607)		(381,607)
Sanitation	51,128	\$ 50,724		(404)		(404)
Parks and recreation	21,964			(21,964)		(21,964)
Interest on long-term debt	65,940			(65,940)		(65,940)
Unallocated depreciation	21,916			(21,916)		(21,916)
Total governmental activities	857,636	50,724	-	(806,912)		(806,912)
Business-Type Activities						
Water	430,392	275,293			\$ (155,099)	(155,099)
Sewer	174,507	132,600			(41,907)	(41,907)
Total business-type activities	604,899	407,893	-	-	(197,006)	(197,006)
Total Government	\$ 1,462,534	\$ 458,617	\$ -	(806,912)	(197,006)	(1,003,917)
General Revenue:						
Property taxes				574,031	48,888	622,919
State shared revenues				222,977		222,977
Unrestricted investment earnings				452	587	1,038
Miscellaneous				32,533	(31,788)	32,533
Transfers - net				31,788		-
Total general revenues and transfers				861,781	17,687	879,467
Change in net assets				54,869	(179,319)	(124,450)
Net assets - beginning of the year				3,219,980	3,228,050	6,448,030
Prior period adjustment				62,659		62,659
Net assets - end of the year				\$ 3,337,508	\$ 3,048,731	\$ 6,386,239

VILLAGE OF PIGEON, MICHIGAN

**BALANCE SHEET - GOVERNMENTAL FUNDS
FEBRUARY 28, 2007**

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>CAPITAL PROJECT</u>	<u>DEBT SERVICE</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS							
Cash	\$ 103,585			\$ 40,784	\$ 62,440	\$ 3,497	\$ 210,306
Accounts receivable	44,675						44,675
Due from other funds	443,487	\$147,939	\$ 94,291			87,335	773,052
Due from other governments	1,973	12,090	3,753				17,816
TOTAL ASSETS	<u>\$ 593,720</u>	<u>\$ 160,029</u>	<u>\$ 98,044</u>	<u>\$ 40,784</u>	<u>\$ 62,440</u>	<u>\$ 90,832</u>	<u>\$ 1,045,849</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts payable	\$ 12,218						\$ 12,218
Accrued wages payable	16,150						16,150
Accrued payroll liabilities	7,096						7,096
Due to other funds	415,029	\$ 69,571	\$ 30,260	\$ 784		\$ 66,849	582,493
TOTAL LIABILITIES	<u>450,493</u>	<u>69,571</u>	<u>30,260</u>	<u>784</u>		<u>66,849</u>	<u>617,957</u>
FUND BALANCES:							
Unreserved, reported in:							
General Fund	143,227						143,227
Special Revenue Funds		90,458	67,784			15,964	174,206
Capital Project Funds				40,000			40,000
Debt Service Funds					\$ 62,440	8,019	70,459
TOTAL FUND BALANCES	<u>143,227</u>	<u>90,458</u>	<u>67,784</u>	<u>40,000</u>	<u>62,440</u>	<u>23,983</u>	<u>427,892</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 593,720</u>	<u>\$ 160,029</u>	<u>\$ 98,044</u>	<u>\$ 40,784</u>	<u>\$ 62,440</u>	<u>\$ 90,832</u>	<u>\$ 1,045,849</u>

VILLAGE OF PIGEON, MICHIGAN

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO GOVERNMENTAL ACTIVITIES NET ASSETS
FEBRUARY 28, 2007**

Total governmental fund balances	\$ 427,892
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 therefore, are not reported in the funds. The cost of the assets is \$9,493,013 less the accumulated depreciation of \$4,514,383.	4,978,630
Bond issue costs and bond discounts are not reported in the funds.	59,727
Internal service fund is not included in the governmental funds.	64,936
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,193,677)
Net assets - governmental activities	<u>\$ 3,337,508</u>

VILLAGE OF PIGEON, MICHIGAN
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2007

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>CAPITAL PROJECT FUND</u>	<u>DEBT SERVICE</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUE:							
Taxes	\$ 398,984		\$ 63,497		\$ 105,945		\$ 568,426
Licenses and permits	625						625
Intergovernmental	120,433	\$ 66,959	20,786			\$ 15,557	223,735
Charges for services	51,595						51,595
Interest and dividends					82		82
Fines and other	6,404						6,404
Miscellaneous	34,337					513	34,850
TOTAL REVENUE	<u>612,378</u>	<u>66,959</u>	<u>84,283</u>		<u>106,027</u>	<u>16,070</u>	<u>885,717</u>
EXPENDITURES:							
Current:							
Legislative	18,531						18,531
General government	219,309						219,309
Buildings & grounds	35,922						35,922
Streets		61,209	96,504			13,043	170,756
Recreation						11,529	11,529
Police	119,103						119,103
Public works	147,552						147,552
Storm drains	3,500						3,500
Capital outlay	11,557			\$ 251,259			262,816
Debt service:							
Principal	1,986				99,307	20,000	121,293
Interest and fiscal charges	306					1,860	2,166
TOTAL EXPENDITURES	<u>557,766</u>	<u>61,209</u>	<u>96,504</u>	<u>251,259</u>	<u>99,307</u>	<u>46,432</u>	<u>1,112,477</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>54,612</u>	<u>5,750</u>	<u>(12,221)</u>	<u>(251,259)</u>	<u>6,720</u>	<u>(30,362)</u>	<u>(226,760)</u>
OTHER FINANCING SOURCES (USES):							
Operating transfers in				31,788		19,000	50,788
Operating transfers out	(10,000)	(9,000)					(19,000)
Bond proceeds				115,000			115,000
Bond issue costs and discount				(6,550)			(6,550)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,000)</u>	<u>(9,000)</u>		<u>140,238</u>		<u>19,000</u>	<u>140,238</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>44,612</u>	<u>(3,250)</u>	<u>(12,221)</u>	<u>(111,021)</u>	<u>6,720</u>	<u>(11,362)</u>	<u>(86,522)</u>
FUND BALANCE - BEGINNING	98,615	93,708	80,005	151,021	55,720	35,345	514,414
FUND BALANCE - ENDING	<u>\$ 143,227</u>	<u>\$ 90,458</u>	<u>\$ 67,784</u>	<u>\$ 40,000</u>	<u>\$ 62,440</u>	<u>\$ 23,983</u>	<u>\$ 427,892</u>

VILLAGE OF PIGEON, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2007**

Net change in fund balances - governmental funds **\$ (86,522)**

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

Governmental funds report capital outlay as expenditures. However, in the *Statement of Activities*, assets with an initial, individual cost of more than \$1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	8,265	
Construction	291,859	
Depreciation expense	<u>(119,629)</u>	180,495

The net revenue of certain activities of equipment rental is reported with governmental activities. 14,505

Repayment of long-term debt is an expenditure in the governmental funds, but not in the statement of activities. 22,264

Accrued interest on long-term debt is an expenditure in the statement of activities, but not in the governmental funds. 35,228

Bond money received is an other financing source in the governmental funds but not in the statement of activities. Bond issue costs and discounts are other financing uses in the governmental funds but not in the statement of activities. (108,450)

Amortization of bond discounts and bond issue costs are expenses in the statement of activities, but not in the governmental funds. (2,563)

Accrued compensated absences is an expenditure in the statement of activities, but not in the governmental funds. (88)

Change in net assets - governmental activities **\$ 54,869**

VILLAGE OF PIGEON, MICHIGAN
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
FEBRUARY 28, 2007

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL
	SEWER	WATER	TOTALS	ACTIVITIES- INTERNAL SERVICE FUND
ASSETS				
CURRENT ASSETS:				
Cash	\$ 55,201	\$ 183,479	\$ 238,680	
Due from other funds	142,749	26,079	168,828	\$ 91,962
Accounts receivable	18,349	39,967	58,316	
Inventory		1,963	1,963	
TOTAL CURRENT ASSETS	<u>216,299</u>	<u>251,488</u>	<u>467,787</u>	<u>91,962</u>
RESTRICTED ASSETS:				
Cash		43,913	43,913	
TOTAL RESTRICTED ASSETS		<u>43,913</u>	<u>43,913</u>	
NONCURRENT ASSETS:				
CAPITAL ASSETS:				
Land	201,000		201,000	
Buildings		693,533	693,533	
Equipment	297,243	129,734	426,977	334,221
Improvements	1,422,773		1,422,773	
Infrastructure	1,025,639	4,204,281	5,229,920	
Less: accumulated depreciation	(978,225)	(1,145,113)	(2,123,338)	(236,701)
CAPITAL ASSETS - NET	<u>1,968,430</u>	<u>3,882,435</u>	<u>5,850,865</u>	<u>97,520</u>
OTHER ASSETS:				
Bond issue costs	5,692		5,692	
TOTAL OTHER ASSETS	<u>5,692</u>		<u>5,692</u>	
TOTAL NONCURRENT ASSETS	<u>1,974,122</u>	<u>3,882,435</u>	<u>5,856,557</u>	<u>97,520</u>
TOTAL ASSETS	<u>2,190,421</u>	<u>4,177,836</u>	<u>6,368,257</u>	<u>189,482</u>
LIABILITIES				
CURRENT LIABILITIES				
Due to other funds	37,785	390,883	428,668	22,681
Accounts payable	40,911		40,911	
Accrued interest payable	21,057	16,415	37,472	
Note payable - Current	22,600		22,600	
Revenue bonds payable - Current	13,000	21,000	34,000	
TOTAL CURRENT LIABILITIES	<u>135,353</u>	<u>428,298</u>	<u>563,651</u>	<u>22,681</u>
NONCURRENT LIABILITIES:				
Note payable	75,220		75,220	
Revenue bonds payable	1,247,000	1,438,000	2,685,000	
TOTAL NONCURRENT LIABILITIES	<u>1,322,220</u>	<u>1,438,000</u>	<u>2,760,220</u>	
TOTAL LIABILITIES	<u>1,457,573</u>	<u>1,866,298</u>	<u>3,323,871</u>	<u>22,681</u>
NET ASSETS				
Invested in capital assets, net of related debt	610,610	2,423,435	3,034,045	97,520
Restricted for:				
Capital projects	125,000	43,913	168,913	
Unrestricted	(2,762)	(155,810)	(158,572)	69,282
TOTAL NET ASSETS	<u>\$ 732,848</u>	<u>\$ 2,311,538</u>	<u>3,044,386</u>	<u>\$ 166,802</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds			4,345	
Net assets of business-type activities			<u>\$ 3,048,731</u>	

VILLAGE OF PIGEON, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET
ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND
	<u>SEWER</u>	<u>WATER</u>	<u>TOTALS</u>	
OPERATING REVENUE:				
Charges for services	\$ 132,600	\$ 260,293	\$ 392,892	\$ 66,200
Hydrant rental		15,000	15,000	
TOTAL OPERATING REVENUE	<u>132,600</u>	<u>275,293</u>	<u>407,892</u>	<u>66,200</u>
OPERATING EXPENSES:				
Salaries	11,982	17,500	29,482	3,905
Employee benefits	11,308	10,847	22,155	2,853
Operating supplies	300	17,595	17,896	750
Legal and accounting fees	1,200		1,200	
Repairs and maintenance	10,805	4,148	14,953	14,885
Testing and fees		5,896	5,896	
Equipment rental	7,210	8,844	16,054	
Utilities	6,035	11,983	18,018	
Seminars	1,303	385	1,688	
Alarm expense	689	689	1,378	
Telephone		2,665	2,665	
Water purchase from Caseville		154,966	154,966	
Minutes - water board meetings		120	120	
Amortization	154		154	
Depreciation	68,967	110,096	179,063	24,594
Intake valve - Caseville		22,429	22,429	
TOTAL OPERATING EXPENSES	<u>119,953</u>	<u>368,164</u>	<u>488,117</u>	<u>46,986</u>
OPERATING INCOME (LOSS)	<u>12,647</u>	<u>(92,871)</u>	<u>(80,225)</u>	<u>19,215</u>
NONOPERATING REVENUE (EXPENSES):				
Storm sewer reimbursement	4,510		4,510	
Current property taxes		48,888	48,888	
Interest income	182	404	587	
Miscellaneous		1,542	1,542	
Interest and paying agent fees	(61,178)	(66,364)	(127,542)	
TOTAL NONOPERATING (EXPENSES)	<u>(56,486)</u>	<u>(15,529)</u>	<u>(72,015)</u>	
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)	<u>(43,839)</u>	<u>(108,401)</u>	<u>(152,239)</u>	<u>19,215</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers	(40,000)	8,212	(31,788)	
CHANGE IN NET ASSETS	<u>(83,839)</u>	<u>(100,189)</u>	<u>(184,028)</u>	<u>19,215</u>
NET ASSETS - BEGINNING OF YEAR	816,687	2,411,727		147,587
NET ASSETS - END OF YEAR	<u>\$ 732,848</u>	<u>\$ 2,311,538</u>		<u>\$ 166,802</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds			<u>4,710</u>	
Changes in net assets of business-type activities			<u>\$ (179,318)</u>	

VILLAGE OF PIGEON, MICHIGAN

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	<u>BUSINESS-TYPE ACTIVITIES</u>			<u>GOVERNMENTAL</u>
	<u>ENTERPRISE FUNDS</u>			<u>ACTIVITIES</u>
	<u>SEWER</u>	<u>WATER</u>	<u>TOTALS</u>	<u>INTERNAL</u>
				<u>SERVICE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 139,682	\$ 264,043	\$ 403,725	
Receipts from interfund services		15,000	15,000	\$ 66,200
Payments to suppliers of goods and services	(47,708)	(173,287)	(220,995)	(59,442)
Payments to employees	(11,982)	(17,500)	(29,482)	(3,905)
Payments for fringe benefits	(11,308)	(10,847)	(22,155)	(2,853)
Payments for interfund services	(7,210)	(8,844)	(16,054)	
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>61,474</u>	<u>68,565</u>	<u>130,039</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating transfer	(40,000)	8,212	(31,788)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of fixed assets	(71,198)	(9,584)	(80,782)	
Bond principal payment	(13,000)	(21,000)	(34,000)	
Interest and fees paid on bonds	(57,693)	(66,600)	(124,293)	
Storm sewer reimbursements	4,510		4,510	
Miscellaneous		1,542	1,542	
Property tax levy received		48,888	48,888	
Proceeds from bonds	68,000		68,000	
Payment on areator notes	(22,602)		(22,602)	
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(91,983)</u>	<u>(46,754)</u>	<u>(138,737)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	182	404	586	
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	<u>(70,327)</u>	<u>30,427</u>	<u>(39,900)</u>	<u>-</u>
CASH AND RESTRICTED CASH - BEGINNING OF THE YEAR	125,528	196,965	322,493	-
CASH AND RESTRICTED CASH - END OF THE YEAR	<u>\$ 55,201</u>	<u>\$ 227,392</u>	<u>\$ 282,593</u>	<u>\$ -</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 12,647	\$ (92,871)	\$ (80,224)	\$ 19,215
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	68,967	110,096	179,063	24,594
Amortization	154		154	
(Increase) decrease in current assets:				
Accounts receivable	7,081	3,751	10,832	
Due from other funds	(34,585)	-	(34,585)	(51,821)
Increase (decrease) in current liabilities:				
Accounts payable		(17,584)	(17,584)	
Due to other funds	7,210	65,173	72,383	8,013
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 61,474</u>	<u>\$ 68,565</u>	<u>\$ 130,039</u>	<u>\$ -</u>

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Village of Pigeon operates a council-president form of government under provisions of a revised charter, and provides the following services as authorized by its charter: public safety, (police and inspection), highways and streets, sanitation, water, parks and recreation, public improvements, planning and zoning, and general administration.

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the Village are discussed below.

Reporting Entity:

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB 14 pronouncement. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the Village of Pigeon has no component units.

Government Wide and Fund Financial Statements:

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's police and general administrative services are classified as governmental activities. The Village's water and sewer are classified as business-type activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Government Wide and Fund Financial Statements: (Continued)

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Village are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

State revenue sharing, charges for services, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Village.

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

The accounts of the Village 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, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Village reports the following major governmental funds:

General Fund-The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Major Street Fund-The Major Street Fund accounts for resources legally restricted to expenditures for specified current operating purposes relating to the Major Streets of the Village.

Local Street Fund-The Local Street Fund accounts for resources legally restricted to expenditures for specified current operating purposes relating to the Local Streets of the Village.

Capital Project Fund-The Capital Project Fund accounts for the activities of a construction project. The fund is currently recording the storm sewer project.

Debt Service Funds – Debt service funds account for payments on bonds of the Village. The Village accounts for the Transportation Bonds and Storm Sewer Bonds in debt service funds.

The Village reports the following major proprietary funds:

The **Sewer Fund** accounts for the activities of the Village's wastewater treatment operations.

The **Water Fund** accounts for the activities of the Village's water distribution system.

Additionally, the Village reports the following nonmajor fund types:

Special Revenue Funds – Special Revenue Funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and Special Revenue Funds are identical. The Village accounts for the Trunkline and Recreation Funds in special revenue funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the utility enterprise funds are charges to customers of the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Budgets and Budgetary Accounting:

The Village Council practices the following procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Village charter, prior to February 28, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Village charter requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to February 28, the budget is legally enacted through passage of a resolution.
4. The Village Clerk is required by the Village charter to present a monthly report to the Village Council explaining any variance from the approved budget.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse at the end of each fiscal year.
8. The Village Council may authorize supplemental appropriations during the year.

Cash and Cash Equivalents:

Cash and cash equivalents of the Village include cash on hand and all deposits with financial institutions, including all certificates of deposit.

Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Other receivables at February 28, 2007 consist of property taxes, state road taxes, and billings for user charge services, including trash collections and utility services. Taxes, trash and utility charges are deemed collectible in full.

(Continued)

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Compensated Absences:

Village employees are allowed to accumulate a maximum of thirty days of sick leave. In the event of death, termination of employment, or retirement of an employee, one-half of sick leave accumulation is paid to the employee at his current rate of pay. Unused sick leave in excess of thirty days is paid annually at one-half of regular pay rate. There is no accumulation of unused vacation days allowed. The Village accrues a liability for compensated absences based on the estimate of accumulated sick leave that will be paid to its employees upon termination of employment in accordance with the requirements of GASB Statement 16. For governmental funds, the liability for compensated absences is recorded in the statement of net assets as a long-term liability since it is anticipated that none of the liability will be liquidated with expendable available financial resources.

Property Taxes:

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through September 14. Village property tax revenue is recognized as revenue in the fiscal year levied to the extent that it is measurable and available in accordance with NCGA Interpretation 3 (Revenue Recognition - Property Taxes). The delinquent taxes of the Village are purchased through a revolving fund by Huron County and are therefore included as revenue in the fiscal year levied.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two 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.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	15 to 50
Buildings	25 to 50
Office equipment	5 to 15
Machinery and equipment	5 to 20
Vehicles	5 to 8
Improvements other than buildings	20

VILLAGE OF PIGEON, MICHIGAN

**NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental fund Statement of Net Assets. Depreciation expense for the year ended February 28, 2007, was \$119,629. Capital asset acquisitions in the governmental funds totaled \$435,141 and there were disposals of \$17,812 for the year ended February 28, 2007. A summary of Governmental Fund capital assets at February 28, 2007, follows:

	February 28,	
	<u>2007</u>	<u>2006</u>
Land (Non-Depreciable)	\$ 500,000	\$ 500,000
Buildings	1,190,416	1,118,690
Equipment	942,298	957,089
Infrastructure	<u>6,860,299</u>	<u>4,705,560</u>
Total capital assets	9,493,013	7,281,339
Less accumulated depreciation	(4,514,383)	(4,384,925)
Construction in progress	-	<u>1,794,345</u>
NET GOVERNMENTAL FUND CAPITAL ASSETS	<u>\$4,978,630</u>	<u>\$4,690,759</u>

Depreciation of capital assets used by business-type funds is charged as an expense against their operations. Accumulated depreciation is reported on business-type fund balance sheets. Depreciation expense for the year ended February 28, 2007, was \$179,063. Capital asset acquisitions in the business-type funds totaled \$41,204 and there were no asset disposals for the year ended February 28, 2007. A summary of Business-Type Fund capital assets at February 28, 2007, follows:

	February 28,	
	<u>2007</u>	<u>2006</u>
Land (Non-Depreciable)	\$ 201,000	\$ 201,000
Land improvements	1,422,773	1,450,773
Buildings	693,533	693,533
Equipment	426,977	371,153
Water infrastructure	4,204,281	4,201,401
Sewer infrastructure	<u>1,025,639</u>	<u>1,015,139</u>
Total capital assets	7,974,203	7,932,999
Less accumulated depreciation	(2,123,338)	(1,944,275)
NET BUSINESS-TYPE FUND CAPITAL ASSETS	<u>\$5,850,865</u>	<u>\$5,988,724</u>

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

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

Governmental activities:	
Unallocated	\$ 19,354
Public safety	5,856
Public works	4,549
Highways and public improvement	78,941
Recreation	<u>10,929</u>
Total depreciation expense – governmental activities	<u>\$119,629</u>
Business-type activities:	
Sewer	\$ 68,967
Water	<u>110,096</u>
Total depreciation expense – business-type activities	<u>\$179,063</u>

Long-Term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Prior Period Adjustment:

During the year ended February 28, 2007, an error in the amount of the governmental fund capital assets was discovered. The governmental fund capital assets were understated by \$62,659. The governmental fund net assets have been corrected through the prior period adjustment in the amount of \$62,659.

VILLAGE OF PIGEON, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2007

NOTE 2 – BUDGET COMPLIANCE:

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Village's expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Village for these budgetary funds were adopted to the activity level.

During the year ended February 28, 2007, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Fund	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund:			
Legislative	\$ 18,525	\$ 18,531	\$ (6)
Police	117,290	119,103	(1,813)
Storm drains	3,490	3,500	(10)
Local Street:			
Traffic services	425	462	(37)
Administration	8,140	8,323	(183)

NOTE 3 – CASH AND DEPOSITS:

The carrying amount of cash and deposits with financial institutions of the Village of Pigeon amounted to \$492,899 at February 28, 2007. The total bank balance as of the same date was \$496,918. Deposits with financial institutions are categorized as follows:

	<u>February 28, 2007</u>
Amount insured by the FDIC	\$100,054
Uncollateralized	<u>396,864</u>
Total deposits with financial institutions	<u>\$496,918</u>

The carrying amount of cash and deposits, which were restricted or designated for capital improvements as of February 28, 2007, amounted to \$43,913.

Michigan Compiled Laws Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority. The Village's investment policy limits its authorized investments to the following: checking accounts, savings accounts and certificates of deposits at financial institutions that are insured by the Federal Deposit Insurance Corporation. However, the investment policy does not address the custodial credit risk associated with the deposits in financial institutions in excess of insured limits. The Village's deposits and investments are within the authorization as set forth by the Village of Pigeon.

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 4 – PROPERTY TAXES:

Property taxes are levied based on the taxable value of property located in the Village. Assessed value is established annually and equalized by the State at an estimated 50% of current market value. A comparison of the assessed and taxable property values for the 2006 tax levy is as follows:

	<u>ASSESSED VALUE</u>	<u>TAXABLE VALUE</u>
Real property-Regular roll	\$30,209,100	\$25,570,082
Personal property-Regular roll	4,783,300	4,783,300
TOTAL	<u>\$34,992,400</u>	<u>\$30,353,382</u>

The Village is permitted, by charter, to levy up to \$22.73 (22.73 mills) per \$1,000 of taxable value for general governmental services including debt service. For the year ended February 28, 2007, the Village levied 12.27 mills for general governmental services, 1.00 mills for local street, and 4.75 mills for debt service. Total millage levied was 18.02.

NOTE 5 – INTERNAL BALANCES AND TRANSFERS:

The Village pools its cash funds into a common demand deposit account for investment and accounting purposes. The interfund receivables and payables represent deposit and disbursement transactions that have been processed for the various funds through the common checking account. The balances of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Major Street	\$147,939	General Fund	\$147,939
Trunkline	28,661	General Fund	28,661
Local Street	94,291	General Fund	94,291
Recreation Fund	2,173	General Fund	2,173
Sewer Fund	141,964	General Fund	141,964
Sewer Fund	784	Capital Project Fund	784
Water Fund	26,079	Sewer Fund	26,079
Equipment Rental	23,071	Major Street	23,071
Equipment Rental	14,193	Trunkline	14,193
Equipment Rental	20,260	Local Street	20,260
Equipment Rental	4,120	Recreation	4,120
Equipment Rental	11,705	Sewer Fund	11,705
Equipment Rental	18,613	Water Fund	18,613
General Fund	372,270	Water Fund	372,270
General Fund	22,681	Equipment Rental	22,681
Michigan Transportation	46,500	Major Street	46,500
Michigan Transportation	10,000	Local Street	10,000
General Fund	48,536	Michigan Transportation	48,536
Total	<u>\$1,033,840</u>	Total	<u>\$1,033,840</u>

**VILLAGE OF PIGEON, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2007**

NOTE 5 – INTERNAL BALANCES AND TRANSFERS: (CONTINUED)

During the year ended February 28, 2007, the General Fund transferred \$10,000 to the Recreation Fund to support the Village's parks and recreation program. The Major Street Fund transferred \$9,000 to the Transportation Bonds Debt Retirement Fund for the payment of principal and interest on the Transportation Bonds.

NOTE 6 – PENSION PLAN:

Plan Description: The Village of Pigeon participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all full-time employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 447 N. Canal Road, Lansing, Michigan 48917.

Funding Policy: The obligation to contribute to and maintain the system for these employees was established by state statutes and requires a contribution from the employees of 4% of their salary. The Village is required by the same statute to contribute the remaining amounts necessary to pay benefits when due.

Annual Pension Cost: For the year ended February 28, 2007, the Village's annual pension cost of \$21,719 for the plan was equal to the Village's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0 percent to 4.16 percent per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5 percent per year after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis.

Three year trend information:

	<u>Fiscal year ended December 31,</u>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Annual pension cost	\$16,599	\$17,948	\$20,948
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-0-	-0-	-0-
Actuarial value of assets	646,998	662,313	678,683
Actuarial Accrued Liability (entry age)	813,734	868,937	913,454
Unfunded AAL	166,736	206,624	234,771
Funded ratio	80%	76%	74%
Covered payroll	177,095	186,656	214,957
UAAL as a percentage of covered payroll	94%	111%	109%

VILLAGE OF PIGEON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS FEBRUARY 28, 2007

NOTE 7 – RISK MANAGEMENT:

General Liability: Village of Pigeon participates in the Michigan Township Participating Plan, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$4.2 million for real and personal property losses and \$5 million for liability losses. Village of Pigeon is required to pay annual premiums to the Michigan Township Participating Plan for the liability coverage. No supplemental premium assessment is required by the Michigan Township Participating Plan. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Workers' Compensation: Village of Pigeon purchased commercial insurance coverage for losses related to workers' compensation claims.

Employee Health Care: Village of Pigeon purchased commercial insurance coverage for its employees and their dependents.

NOTE 8 – LONG-TERM DEBT:

Long-term debt currently outstanding is as follows:

	FEBRUARY 28, 2006	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	FEBRUARY 28, 2007	<u>DUE WITHIN ONE YEAR</u>
Governmental activities:					
General obligation bonds	\$ 40,000		\$ 20,000	\$ 20,000	\$20,000
General obligation bonds	2,000,000			2,000,000	
Lease payable – police car	2,264		2,264	-	
Capital improvement bonds		\$115,000		115,000	5,000
Accrued compensated absences	<u>23,680</u>	<u>88</u>		<u>23,768</u>	
Total bonds payable-governmental activities	<u>\$ 2,065,944</u>	<u>\$115,088</u>	<u>\$ 22,264</u>	<u>\$2,158,768</u>	<u>\$25,000</u>
Business-type activities:					
Note payable - aerators	\$ 132,000		\$ 34,180	\$ 97,820	\$22,600
Sanitary sewage revenue bonds-2004	1,205,000	\$ 68,000	13,000	1,260,000	13,000
Water supply revenue Bonds	<u>1,480,000</u>		<u>21,000</u>	<u>1,459,000</u>	<u>21,000</u>
Total bonds payable – business-type activities	<u>\$2,817,000</u>	<u>\$ 68,000</u>	<u>\$ 68,180</u>	<u>\$2,816,820</u>	<u>\$56,600</u>

(Continued)

VILLAGE OF PIGEON, MICHIGAN

**NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2007**

NOTE 8 – LONG-TERM DEBT: (CONTINUED)

Annual debt service requirements to maturity for the above obligations (excluding compensated absences) are as follows:

February 28,	General obligation bonds	2005 General obligation bonds	Sanitary sewer revenue bonds	Water supply revenue bond	Lagoon note payable	Capital improvement bonds
2008	\$20,620	\$ 99,082	\$ 67,841	\$ 86,655	\$ 27,500	\$ 10,750
2009		108,842	68,250	86,710	27,500	10,500
2010		123,002	67,638	86,720	27,500	11,225
2011		131,562	68,003	86,686	26,666	10,925
2012		129,882	68,325	86,606		10,625
2013-2017		670,612	340,469	434,938		54,900
2018-2022		759,092	338,594	434,296		56,877
2023-2027		876,505	340,447	434,928		
2028-2032		728,555	341,343	434,534		
2033-2037			340,015	435,502		
2038-2042			340,319	175,160		
2043-2045			204,862			
Total	<u>20,620</u>	<u>3,627,134</u>	<u>2,586,106</u>	<u>2,782,735</u>	<u>109,166</u>	<u>165,802</u>
Less interest	<u>620</u>	<u>1,627,134</u>	<u>1,326,106</u>	<u>1,323,735</u>	<u>11,346</u>	<u>50,802</u>
Outstanding principal	<u>\$20,000</u>	<u>\$2,000,000</u>	<u>\$1,260,000</u>	<u>\$1,459,000</u>	<u>\$ 97,820</u>	<u>\$115,000</u>

Details of the Village of Pigeon's long-term debt as of February 28, 2007, are as follows:

The Village of Pigeon Michigan Transportation Fund General Obligation Bonds were issued September 1, 1992. The bonds were issued to provide financing for the Streetscape project completed in 1994. The bonds bear interest payable each May 1 and November 1 until maturity. The bonds final maturity date is May 1, 2007. The interest rate on the bonds is 6.20%. \$ 20,000

The Village of Pigeon General Obligation Unlimited Tax Bonds, Series 2005, were issued May 1, 2005. The bonds were issued to provide financing for the storm sewer project to be completed in 2006. The bonds bear interest payable each May 1 and November 1 until maturity. The bonds final maturity date is May 1, 2030. The interest rate varies from 4.80% to 5.10%. 2,000,000

The Village of Pigeon Sanitary Sewage Disposal System Revenue Bonds, Series 2004 in the amount of \$1,285,000, were issued May 27, 2004. The bond proceeds were used to upgrade the existing pump station, remove the accumulated sludge from the existing lagoon, construct a new 10-acre lagoon, and construct related improvements. The bonds shall bear interest payable November 1, 2004 and each May 1 and November 1 thereafter until maturity. The bonds final maturity date is May 1, 2044. The interest rate on the bonds is 4.375%. 1,260,000

VILLAGE OF PIGEON, MICHIGAN

**NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2007**

NOTE 8 – LONG-TERM DEBT: (CONTINUED)

The Village of Pigeon Water Supply System Revenue Bonds, in the amount of \$1,600,000, were issued August 18, 1999. The bond proceeds, along with a grant of \$1,400,000 from the USDA Rural Development, were used to construct a water supply system from Caseville to Pigeon. The bonds shall bear interest payable December 1, 1999 and each June 1 and December 1 thereafter until maturity. The bonds final maturity date is June 1, 2024. The interest rate on the bonds is 4.5%.

1,459,000

The Village of Pigeon entered into a lease payable on aerators on July 25, 2005. During the year ended February 28, 2007 the lease was purchased by Thumb National Bank at an interest rate of 4.59%. The final payment is July 25, 2010.

97,820

The Village of Pigeon Capital Improvement Bonds, Series 2006 in the amount of \$115,000 were issued on August 3, 2006. The bond proceeds were used to construct, improve and replace watermains and other water supply system improvements. The bonds shall bear interest payable December 1, 2006 and each June 1 and December 1 thereafter until maturity. The bonds final maturity date is December 1, 2021. The interest rate on the bonds is 5.0% and 5.25%.

115,000

Total interest incurred by the Village of Pigeon on its various bond issues and long term debt totaled \$262,792 for the year ended February 28, 2007. Of this amount, \$69,310 was capitalized as part of the costs of the storm sewer construction project, and the remaining amount of \$193,482 was charged to expense in the various funds of the Village.

Capital Leases

The Village has entered into lease agreements for financing capital equipment. The lease agreements qualify as capital leases for accounting purposes, therefore have been recorded at the present value of their future minimum lease payments as of the inception date. The assets acquired through capital leases are as follows:

<u>Asset</u>	
Police vehicle	\$ 26,000
Lagoon Aerators	<u>132,000</u>
Total Assets Acquired	158,000
Less: Accumulated Depreciation	<u>(29,492)</u>
Total Assets Acquired	<u>\$128,508</u>

The future minimum lease obligation and net present value of these minimum lease payments as of February 28, 2007, were presented on page 22.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF PIGEON, MICHIGAN

**GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Taxes:				
Current property taxes	\$ 399,500	\$ 399,000	\$ 398,983	\$ (17)
Tax collection fees	75	10	1	(9)
Total for taxes	<u>399,575</u>	<u>399,010</u>	<u>398,984</u>	<u>(26)</u>
Licenses and permits	<u>1,175</u>	<u>650</u>	<u>625</u>	<u>(25)</u>
Intergovernmental:				
State revenue sharing	<u>121,750</u>	<u>120,760</u>	<u>120,433</u>	<u>(327)</u>
Total Intergovernmental	<u>121,750</u>	<u>120,760</u>	<u>120,433</u>	<u>(327)</u>
Charges for services:				
Curb, gutter and DPW services	225	750	871	121
Refuse collection	<u>48,850</u>	<u>50,600</u>	<u>50,724</u>	<u>124</u>
Total Charges for Services	<u>49,075</u>	<u>51,350</u>	<u>51,595</u>	<u>245</u>
Fines and other	<u>5,000</u>	<u>6,425</u>	<u>6,404</u>	<u>(21)</u>
Miscellaneous:				
Interest and other	500	335	357	22
Administration fees	10,600	10,985	10,975	(10)
Cable TV fees	4,250	6,360	6,357	(3)
Other	<u>3,275</u>	<u>5,575</u>	<u>16,648</u>	<u>11,073</u>
Total Miscellaneous	<u>18,625</u>	<u>23,255</u>	<u>34,337</u>	<u>11,082</u>
TOTAL REVENUE	<u>595,200</u>	<u>601,450</u>	<u>612,378</u>	<u>10,928</u>
EXPENDITURES:				
Legislative:				
Elected Officials:				
Salaries	2,200	2,200	2,200	-
Benefits	1,600	1,325	2,381	(1,056)
Committee attendance	<u>17,000</u>	<u>15,000</u>	<u>13,950</u>	<u>1,050</u>
Total Elected Officials	<u>20,800</u>	<u>18,525</u>	<u>18,531</u>	<u>(6)</u>

VILLAGE OF PIGEON, MICHIGAN

**GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
General Government:				
Clerk:				
Salaries	39,000	40,100	40,792	(692)
Clerical wages	9,750	7,500	6,490	1,011
Zoning Administrator	400	385	383	2
Benefits	21,475	18,790	19,267	(477)
Employee Benefits - Vacation and holiday pay	7,500	-	-	-
Equipment maintenance	1,500	1,500	1,466	34
Office supplies and expense	3,000	3,000	2,707	293
Postage	1,000	600	605	(5)
Printing and publications	1,000	1,350	1,175	175
Professional	13,300	8,200	8,053	147
Trash pickup	48,500	51,150	51,128	22
Travel and seminars	300	250	223	27
Insurance	64,300	74,400	74,336	64
Other	6,500	4,720	4,557	163
Internet services	500	235	214	21
Telephone	1,300	1,400	1,415	(15)
Copy machine lease expense	3,000	2,600	2,489	111
Web site expense	300	425	367	57
Total Clerk	<u>222,625</u>	<u>216,605</u>	<u>215,667</u>	<u>938</u>
Treasurer	3,550	3,655	3,642	13
Total General Government	<u>226,175</u>	<u>220,260</u>	<u>219,309</u>	<u>951</u>
General Services Administration:				
Buildings & Grounds:				
Salaries	4,700	5,200	5,125	75
Employee benefits	360	400	392	8
Janitor	900	825	880	(55)
Cleaning supplies	750	600	541	59
Utilities	15,000	15,000	13,350	1,650
Maintenance and repairs	7,800	5,455	4,574	881
Trees trim/down - Stump removal	2,600	2,600	2,551	49
Bandshell - Electricity	125	275	249	26
Bandshell	300	-	-	-
School property - Utilities	10,000	9,000	8,260	740
Total Buildings & Grounds	<u>42,535</u>	<u>39,355</u>	<u>35,922</u>	<u>3,433</u>

VILLAGE OF PIGEON, MICHIGAN

**GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
Police Department:				
Salary - Chief	39,750	39,125	39,118	7
Salary - Other	29,000	30,600	30,238	362
Employee benefits	24,535	25,075	25,338	(263)
Uniform allowance	500	400	389	11
Office supplies and expense	2,000	1,500	1,319	181
Telephone	2,500	2,100	1,987	113
Gas and oil	3,500	5,000	4,507	493
Maintenance and repairs	2,000	2,750	2,550	200
Travel and seminars	325	100	96	4
Other	1,500	2,000	5,193	(3,193)
302 funds - income and expense	300	525	522	3
Legal fees	5,000	6,300	6,340	(40)
Training funds	500	-	-	-
Police department internet	250	115	107	8
LEIN System	1,500	1,700	1,399	301
Total Police Department	<u>113,160</u>	<u>117,290</u>	<u>119,103</u>	<u>(1,813)</u>
Public Works:				
Department of Public Works:				
Salaries	36,000	48,750	47,456	1,294
Employee benefits	17,400	18,205	19,423	(1,218)
Operating supplies	3,500	4,500	4,215	285
Uniform cleaning	2,000	2,125	1,981	144
Telephone	2,500	2,300	2,287	13
Electricity - Village lights	23,250	22,750	20,842	1,908
Electricity - Other	1,250	1,250	1,044	206
Equipment rental	11,250	15,000	14,021	979
Hydrant rental	15,000	15,000	15,000	-
Other	680	1,080	1,058	22
Sidewalk replacement	4,500	-	-	-
New street lights	5,000	4,500	4,250	250
Tree lights	750	1,100	957	143
Pager expense	-	-	427	(427)
Lawn maintenance contract	12,000	11,970	11,969	1
Repairs and maintenance	1,000	800	800	0
Travel and seminars	500	525	422	103
OSHA consulting	1,400	1,400	1,400	-
Total Department of Public Works	<u>137,980</u>	<u>151,255</u>	<u>147,552</u>	<u>3,702</u>

VILLAGE OF PIGEON, MICHIGAN

**GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
Storm Drains:				
Labor	5,000	2,520	2,516	4
Employee benefits	400	970	984	(14)
Total Storm Drains	<u>5,400</u>	<u>3,490</u>	<u>3,500</u>	<u>(10)</u>
Capital Outlay:				
General	3,500	3,300	3,292	8
Building and grounds	12,500	7,265	7,265	-
Equipment	-	1,000	1,000	-
Other	2,000	-	-	-
Total Capital Outlay	<u>18,000</u>	<u>11,565</u>	<u>11,557</u>	<u>8</u>
Debt Service:				
Principal payments on capital lease	<u>2,400</u>	<u>2,300</u>	<u>2,292</u>	<u>8</u>
Total Debt Service	<u>2,400</u>	<u>2,300</u>	<u>2,292</u>	<u>8</u>
TOTAL EXPENDITURES	<u>566,450</u>	<u>564,040</u>	<u>557,766</u>	<u>6,274</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>28,750</u>	<u>37,410</u>	<u>54,612</u>	<u>17,202</u>
OTHER FINANCING (USES):				
Operating transfers out	<u>(12,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
TOTAL OTHER FINANCING (USES)	<u>(12,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
EXCESS OF REVENUE OVER EXPENDITURES AND OTHER (USES)	<u>16,750</u>	<u>27,410</u>	<u>44,612</u>	<u>17,202</u>
FUND BALANCE - BEGINNING OF YEAR	98,615	98,615	98,615	
FUND BALANCE - END OF YEAR	<u>\$ 115,365</u>	<u>\$ 126,025</u>	<u>\$ 143,227</u>	<u>\$ 17,202</u>

VILLAGE OF PIGEON, MICHIGAN

**MAJOR STREET FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Intergovernmental:				
Gas and weight tax	\$ 67,300	\$ 67,100	\$ 66,959	\$ (141)
TOTAL REVENUE	<u>67,300</u>	<u>67,100</u>	<u>66,959</u>	<u>(141)</u>
EXPENDITURES:				
Routine Maintenance:				
Labor	5,250	5,740	5,529	211
Contracted services	34,000	34,405	34,030	375
Materials and supplies	2,000	-	(553)	553
Equipment rental	4,200	5,415	5,214	201
Sweeping and flushing	6,000	8,150	7,038	1,112
Total Routine Maintenance	<u>51,450</u>	<u>53,710</u>	<u>51,259</u>	<u>2,451</u>
Traffic services	<u>500</u>	<u>260</u>	<u>241</u>	<u>19</u>
Winter maintenance:				
Labor	2,000	1,325	1,150	175
Supplies and services	700	700	295	405
Equipment rental	3,500	1,500	1,209	291
Total Winter maintenance	<u>6,200</u>	<u>3,525</u>	<u>2,654</u>	<u>872</u>
Administration:				
Administrative fee	3,000	3,000	3,000	
Employee benefits	4,100	4,085	4,056	29
Total Administration	<u>7,100</u>	<u>7,085</u>	<u>7,056</u>	<u>29</u>
TOTAL EXPENDITURES	<u>65,250</u>	<u>64,580</u>	<u>61,209</u>	<u>3,371</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>2,050</u>	<u>2,520</u>	<u>5,750</u>	<u>3,230</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	9,000	(18,000)	(9,000)	9,000
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER (USES)	<u>11,050</u>	<u>(15,480)</u>	<u>(3,250)</u>	<u>12,230</u>
FUND BALANCE - BEGINNING OF YEAR	93,708	93,708	93,708	
FUND BALANCE - END OF YEAR	<u>\$ 104,758</u>	<u>\$ 78,228</u>	<u>\$ 90,458</u>	<u>\$ 12,230</u>

VILLAGE OF PIGEON, MICHIGAN

**LOCAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Taxes:				
Current property taxes	\$ 31,000	\$ 32,600	\$ 32,597	\$ (3)
County road millage	<u>29,825</u>	<u>30,900</u>	<u>30,900</u>	<u>-</u>
Total taxes	60,825	63,500	63,497	\$ (3)
Intergovernmental:				
Gas and weight tax	<u>21,250</u>	<u>20,350</u>	<u>20,786</u>	<u>436</u>
TOTAL REVENUE	<u>82,075</u>	<u>83,850</u>	<u>84,283</u>	<u>433</u>
EXPENDITURES:				
Construction:				
Labor	1,000	750	776	(26)
Materials		475		475
Contracted services	<u>92,000</u>	<u>39,825</u>	<u>39,825</u>	<u>-</u>
Total Construction	<u>93,000</u>	<u>41,050</u>	<u>40,600</u>	<u>450</u>
Routine maintenance:				
Labor	2,500	2,750	2,518	232
Materials and supplies	6,000	11,400	9,470	1,930
Sweeping and flushing	6,000	5,350	5,329	21
Equipment rental	2,500	5,300	4,885	415
Contracted services	<u>-</u>	<u>21,400</u>	<u>21,400</u>	<u>-</u>
Total Routine Maintenance	<u>17,000</u>	<u>46,200</u>	<u>43,602</u>	<u>2,598</u>
Traffic services	<u>760</u>	<u>425</u>	<u>462</u>	<u>(37)</u>
Winter maintenance:				
Labor	2,500	1,500	951	549
Supplies and services	1,100	1,000	295	705
Equipment rental	<u>3,850</u>	<u>2,500</u>	<u>2,271</u>	<u>229</u>
Total Winter Maintenance	<u>7,450</u>	<u>5,000</u>	<u>3,517</u>	<u>1,483</u>
Administration				
Administrative fee	2,000	2,000	2,000	
Employee benefits	<u>7,775</u>	<u>6,140</u>	<u>6,323</u>	<u>(183)</u>
Total administration	<u>9,775</u>	<u>8,140</u>	<u>8,323</u>	<u>(183)</u>
TOTAL EXPENDITURES	<u>127,985</u>	<u>100,815</u>	<u>96,504</u>	<u>4,311</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(45,910)</u>	<u>(16,965)</u>	<u>(12,221)</u>	<u>4,744</u>
OTHER FINANCING (USES):				
Operating transfers out	<u>(2,000)</u>			
TOTAL OTHER FINANCING (USES)	<u>(2,000)</u>			
EXCESS OF REVENUE (UNDER) EXPENDITURES AND OTHER (USES)	<u>(47,910)</u>	<u>(16,965)</u>	<u>(12,221)</u>	<u>4,744</u>
FUND BALANCE - BEGINNING OF YEAR	80,005	80,005	80,005	
FUND BALANCE - END OF YEAR	<u>\$ 32,095</u>	<u>\$ 63,040</u>	<u>\$ 67,784</u>	<u>\$ 4,744</u>

VILLAGE OF PIGEON, MICHIGAN

**DEBT SERVICE FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Taxes:				
Current property taxes	\$ 105,945	\$ 105,945	\$ 105,945	\$ -
Interest and dividend revenue	150	150	82	(68)
TOTAL REVENUE	<u>106,095</u>	<u>106,095</u>	<u>106,027</u>	<u>(68)</u>
EXPENDITURES:				
Bond interest expense	99,100	99,100	99,082	18
Bond fees	<u>225</u>	<u>225</u>	<u>225</u>	
TOTAL EXPENDITURES	99,325	99,325	99,307	18
EXCESS OF REVENUE OVER EXPENDITURES	<u>6,770</u>	<u>6,770</u>	<u>6,720</u>	<u>(50)</u>
FUND BALANCE - BEGINNING OF YEAR	55,720	55,720	55,720	
FUND BALANCE - END OF YEAR	<u>\$ 62,490</u>	<u>\$ 62,490</u>	<u>\$ 62,440</u>	<u>\$ (50)</u>

SUPPLEMENTAL INFORMATION

VILLAGE OF PIGEON, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
FEBRUARY 28, 2007

	<u>TRUNKLINE</u>	<u>RECREATION</u>	<u>TRANSPORTATION BONDS DEBT RETIREMENT</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Cash		\$ 3,442	\$ 55	\$ 3,497
Due from other funds	\$ 28,661	2,174	56,500	87,335
TOTAL ASSETS	<u>\$ 28,661</u>	<u>\$ 5,616</u>	<u>\$ 56,555</u>	<u>\$ 90,832</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Due to other funds	\$ 14,193	\$ 4,120	\$ 48,536	\$ 66,849
TOTAL LIABILITIES	<u>14,193</u>	<u>4,120</u>	<u>48,536</u>	<u>66,849</u>
<u>FUND BALANCE:</u>				
Unreserved	\$ 14,468	1,496	8,019	23,983
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 28,661</u>	<u>\$ 5,616</u>	<u>\$ 56,555</u>	<u>\$ 90,832</u>

VILLAGE OF PIGEON, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 28, 2007

	<u>TRUNKLINE</u>	<u>RECREATION</u>	<u>TRANSPORTATION BONDS DEBT RETIREMENT</u>	<u>TOTAL</u>
REVENUE:				
Intergovernmental	\$ 15,557			\$ 15,557
Miscellaneous		\$ 508	\$ 5	513
TOTAL REVENUE	<u>15,557</u>	<u>508</u>	<u>5</u>	<u>16,070</u>
EXPENDITURES:				
Streets	13,043			13,043
Recreation		11,529		11,529
Debt retirement			21,860	21,860
TOTAL EXPENDITURES	<u>13,043</u>	<u>11,529</u>	<u>21,860</u>	<u>46,432</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>2,514</u>	<u>(11,021)</u>	<u>(21,855)</u>	<u>(30,362)</u>
OTHER FINANCING SOURCES:				
Operating transfers in		10,000	9,000	19,000
TOTAL OTHER FINANCING SOURCES		<u>10,000</u>	<u>9,000</u>	<u>19,000</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>2,514</u>	<u>(1,021)</u>	<u>(12,855)</u>	<u>(11,362)</u>
FUND BALANCE - BEGINNING OF YEAR	11,954	2,517	20,874	35,345
FUND BALANCE - END OF YEAR	<u>\$ 14,468</u>	<u>\$ 1,496</u>	<u>\$ 8,019</u>	<u>\$ 23,983</u>

VILLAGE OF PIGEON, MICHIGAN

**TRUNKLINE
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Intergovernmental:				
Trunkline maintenance	\$ 13,750	\$ 15,575	\$ 15,557	\$ (18)
TOTAL REVENUE	<u>13,750</u>	<u>15,575</u>	<u>15,557</u>	<u>(18)</u>
EXPENDITURES:				
Routine maintenance:				
Labor	625	800	791	9
Materials and supplies	125	-	17	(17)
Equipment rental	3,000	2,800	2,706	94
Sweeping and flushing	<u>3,200</u>	<u>2,945</u>	<u>3,001</u>	<u>(56)</u>
Total Routine Maintenance	<u>6,950</u>	<u>6,545</u>	<u>6,515</u>	<u>29</u>
Traffic services:				
Labor	50	20	130	(110)
Materials and supplies	<u>600</u>	<u>800</u>	<u>748</u>	<u>52</u>
Total Traffic services	<u>650</u>	<u>820</u>	<u>878</u>	<u>(57)</u>
Winter maintenance:				
Labor	3,800	3,650	2,253	1,397
Employee benefits	500	500	298	202
Materials and supplies	700	500	295	205
Equipment rental	<u>5,950</u>	<u>3,750</u>	<u>2,804</u>	<u>946</u>
Total Winter maintenance	<u>10,950</u>	<u>8,400</u>	<u>5,650</u>	<u>2,750</u>
TOTAL EXPENDITURES	<u>18,550</u>	<u>15,765</u>	<u>13,043</u>	<u>2,723</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(4,800)</u>	<u>(190)</u>	<u>2,514</u>	<u>2,705</u>
FUND BALANCE - BEGINNING OF YEAR	11,954	11,954	11,954	
FUND BALANCE - END OF YEAR	<u>\$ 7,154</u>	<u>\$ 11,764</u>	<u>\$ 14,468</u>	<u>\$ 2,705</u>

VILLAGE OF PIGEON, MICHIGAN

**RECREATION FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Miscellaneous:				
Interest income		\$ 10	\$ 8	\$ (2)
Other	\$ 500	500	500	-
TOTAL REVENUE	<u>500</u>	<u>510</u>	<u>508</u>	<u>\$ (2)</u>
EXPENDITURES:				
Recreation:				
Labor	4,218	4,500	4,439	61
Employee benefits	1,030	1,245	1,432	(187)
Supplies	265	-	-	-
Utilities	1,795	1,000	896	104
Repairs and maintenance	2,300	2,700	2,624	76
Equipment rental	2,510	1,685	1,685	-
Other	225	-	-	-
Portable toilets	450	455	453	2
TOTAL EXPENDITURES	<u>12,793</u>	<u>11,585</u>	<u>11,529</u>	<u>56</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(12,293)</u>	<u>(11,075)</u>	<u>(11,021)</u>	<u>54</u>
OTHER FINANCING SOURCES:				
Operating transfers in	12,000	10,000	10,000	
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(293)</u>	<u>(1,075)</u>	<u>(1,021)</u>	<u>54</u>
FUND BALANCE - BEGINNING OF YEAR	2,517	2,517	2,517	
FUND BALANCE - END OF YEAR	<u>\$ 2,224</u>	<u>\$ 1,442</u>	<u>\$ 1,496</u>	<u>\$ 54</u>

VILLAGE OF PIGEON, MICHIGAN

**MICHIGAN DEPARTMENT OF TRANSPORTATION DEBT SERVICE FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Interest income	\$ 25	\$ 5	\$ 5	\$ -
TOTAL REVENUE	<u>25</u>	<u>5</u>	<u>5</u>	<u>-</u>
EXPENDITURES:				
Bond principal payments	20,000	20,000	20,000	
Interest and paying agent fees	<u>1,860</u>	<u>1,860</u>	<u>1,860</u>	
TOTAL EXPENDITURES	<u>21,860</u>	<u>21,860</u>	<u>21,860</u>	<u>-</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(21,835)</u>	<u>(21,855)</u>	<u>(21,855)</u>	<u>-</u>
OTHER FINANCING SOURCES:				
Operating transfers in	11,000	18,000	9,000	(9,000)
EXCESS OF REVENUE AND OTHER SOURCES (UNDER) EXPENDITURES	<u>(10,835)</u>	<u>(3,855)</u>	<u>(12,855)</u>	<u>(9,000)</u>
FUND BALANCE - BEGINNING OF YEAR	20,874	20,874	20,874	
FUND BALANCE - END OF YEAR	<u>\$ 10,039</u>	<u>\$ 17,019</u>	<u>\$ 8,019</u>	<u>\$ (9,000)</u>

VILLAGE OF PIGEON, MICHIGAN

**SEWER OPERATING FUND
SCHEDULE OF REVENUE, EXPENSES
AND CHANGE IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
OPERATING REVENUE:			
Charges for services	\$ 134,200	\$ 132,600	\$ (1,600)
TOTAL OPERATING REVENUE	<u>134,200</u>	<u>132,600</u>	<u>(1,600)</u>
OPERATING EXPENSES:			
Salaries	12,680	11,982	698
Employee benefits	11,350	11,308	42
Operating supplies	600	300	300
Legal and accounting fees	1,200	1,200	-
Repairs and maintenance	17,460	10,805	6,655
Equipment rental	7,350	7,210	140
Utilities	6,500	6,035	465
Seminars	1,500	1,303	197
Alarm expense	700	689	11
Capital outlay	65,050	-	65,050
Amortization	-	154	(154)
Depreciation	28,000	68,967	(40,967)
TOTAL OPERATING EXPENSES	<u>152,390</u>	<u>119,953</u>	<u>32,437</u>
OPERATING INCOME (LOSS)	<u>(18,190)</u>	<u>12,647</u>	<u>30,837</u>
NONOPERATING REVENUE (EXPENSES):			
Storm sewer reimbursement	4,510	4,510	
Interest revenue	185	182	(3)
Bond principal payments	(13,000)	-	13,000
Interest expense	(52,800)	(61,178)	(8,378)
TOTAL NONOPERATING (EXPENSES)	<u>(61,105)</u>	<u>(56,486)</u>	<u>4,619</u>
(LOSS) BEFORE OTHER FINANCING SOURCES	<u>(79,295)</u>	<u>(43,839)</u>	<u>35,456</u>
OTHER FINANCING (USES):			
Operating transfer		(40,000)	(40,000)
CHANGE IN NET ASSETS	<u>(79,295)</u>	<u>(83,839)</u>	<u>(4,544)</u>
NET ASSETS - BEGINNING OF YEAR	816,687	816,687	
NET ASSETS - END OF YEAR	<u>\$ 737,392</u>	<u>\$ 732,848</u>	<u>\$ (4,544)</u>

VILLAGE OF PIGEON, MICHIGAN

**WATER OPERATING FUND
SCHEDULE OF REVENUE, EXPENSES
AND CHANGE IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
OPERATING REVENUE:			
Charges for services	\$ 261,465	\$ 260,293	\$ (1,172)
Hydrant rental	15,000	15,000	-
TOTAL OPERATING REVENUE	<u>276,465</u>	<u>275,293</u>	<u>(1,172)</u>
OPERATING EXPENSES:			
Salaries	17,225	17,500	(275)
Employee benefits	9,850	10,847	(997)
Operating supplies	18,860	17,595	1,265
Repairs and maintenance	3,150	4,148	(998)
Testing and fees	5,780	5,896	(116)
Equipment rental	9,000	8,844	156
Utilities	12,000	11,983	17
Seminars	650	385	265
Alarm expense	650	689	(39)
Telephone	2,750	2,665	85
Administrative fee	6,000	-	6,000
Minutes - Water board meetings	175	120	55
Depreciation	1,950	110,096	(108,146)
Capital outlay	5,080	-	5,080
Water purchase from Caseville	155,000	154,966	34
Intake Valve - Caseville	30,000	22,429	7,571
TOTAL OPERATING EXPENSES	<u>278,120</u>	<u>368,164</u>	<u>(90,044)</u>
OPERATING (LOSS)	<u>(1,655)</u>	<u>(92,871)</u>	<u>(91,216)</u>
NONOPERATING REVENUE (EXPENSES):			
Current property taxes	48,890	48,888	(2)
Interest income	400	404	4
Miscellaneous	(4,510)	1,542	6,052
Interest and paying agent fees	(66,600)	(66,364)	236
Bond principal payments	(21,000)	-	21,000
TOTAL NONOPERATING (EXPENSES)	<u>(42,820)</u>	<u>(15,529)</u>	<u>27,291</u>
(LOSS) BEFORE OTHER FINANCING SOURCES	<u>(44,475)</u>	<u>(108,401)</u>	<u>(63,926)</u>
OTHER FINANCING SOURCES:			
Operating transfer in	8,215	8,212	(3)
CHANGE IN NET ASSETS	<u>(36,260)</u>	<u>(100,189)</u>	<u>(63,929)</u>
NET ASSETS - BEGINNING OF YEAR	2,411,727	2,411,727	
NET ASSETS - END OF YEAR	<u>\$ 2,375,467</u>	<u>\$ 2,311,538</u>	<u>\$ (63,929)</u>

VILLAGE OF PIGEON, MICHIGAN

**SCHEDULE OF MICHIGAN TRANSPORTATION FUND GENERAL OBLIGATION BONDS
SERIES 1992-A
FEBRUARY 28, 2007**

<u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>		<u>PERIOD TOTAL</u>	<u>FISCAL TOTAL</u>
		<u>RATE</u>	<u>AMOUNT</u>		
05/01/07	\$ 20,000	6.20%	\$ 620	\$ 20,620	\$ 20,620
	<u>\$ 20,000</u>		<u>\$ 620</u>	<u>\$ 20,620</u>	<u>\$ 20,620</u>

The Michigan Transportation Fund General Obligation Bonds dated September 1, 1992 were issued to provide financing for the Streetscape project completed in 1994.

VILLAGE OF PIGEON, MICHIGAN
SCHEDULE OF WATER SUPPLY REVENUE BONDS
SERIES 1999
FEBRUARY 28, 2007

<u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>		<u>PERIOD TOTAL</u>	<u>FISCAL TOTAL</u>
		<u>RATE</u>	<u>AMOUNT</u>		
06/01/07			\$ 32,828	\$ 32,828	
12/01/07	\$ 21,000	4.50%	32,827	53,827	\$ 86,655
06/01/08			32,355	32,355	
12/01/08	22,000	4.50%	32,355	54,355	86,710
06/01/09			31,860	31,860	
12/01/09	23,000	4.50%	31,860	54,860	86,720
06/01/10			31,343	31,343	
12/01/10	24,000	4.50%	31,343	55,343	86,686
06/01/11			30,803	30,803	
12/01/11	25,000	4.50%	30,803	55,803	86,606
06/01/12			30,240	30,240	
12/01/12	27,000	4.50%	30,240	57,240	87,480
06/01/13			29,633	29,633	
12/01/13	27,000	4.50%	29,633	56,633	86,266
06/01/14			29,025	29,025	
12/01/14	29,000	4.50%	29,025	58,025	87,050
06/01/15			28,373	28,373	
12/01/15	30,000	4.50%	28,373	58,373	86,746
06/01/16			27,698	27,698	
12/01/16	32,000	4.50%	27,698	59,698	87,396
06/01/17			26,978	26,978	
12/01/17	33,000	4.50%	26,978	59,978	86,956
06/01/18			26,235	26,235	
12/01/18	34,000	4.50%	26,235	60,235	86,470
06/01/19			25,470	25,470	
12/01/19	36,000	4.50%	25,470	61,470	86,940
06/01/20			24,660	24,660	
12/01/20	38,000	4.50%	24,660	62,660	87,320
06/01/21			23,805	23,805	
12/01/21	39,000	4.50%	23,805	62,805	86,610
06/01/22			22,928	22,928	
12/01/22	41,000	4.50%	22,928	63,928	86,856
06/01/23			22,005	22,005	
12/01/23	43,000	4.50%	22,005	65,005	87,010
06/01/24			21,038	21,038	
12/01/24	45,000	4.50%	21,038	66,038	87,076
06/01/25			20,025	20,025	
12/01/25	47,000	4.50%	20,025	67,025	87,050
06/01/26			18,968	18,968	
12/01/26	49,000	4.50%	18,968	67,968	86,936
06/01/27			17,865	17,865	
12/01/27	51,000	4.50%	17,865	68,865	86,730
06/01/28			16,718	16,718	
12/01/28	54,000	4.50%	16,718	70,718	87,436
06/01/29			15,503	15,503	
12/01/29	56,000	4.50%	15,503	71,503	87,006
06/01/30			14,243	14,243	
12/01/30	58,000	4.50%	14,243	72,243	86,486
06/01/31			12,938	12,938	
12/01/31	61,000	4.50%	12,938	73,938	86,876
06/01/32			11,565	11,565	
12/01/32	64,000	4.50%	11,565	75,565	87,130

(Continued)

VILLAGE OF PIGEON, MICHIGAN
SCHEDULE OF WATER SUPPLY REVENUE BONDS
SERIES 1999
FEBRUARY 28, 2007

<u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>		<u>PERIOD TOTAL</u>	<u>FISCAL TOTAL</u>
		<u>RATE</u>	<u>AMOUNT</u>		
06/01/33			10,125	10,125	
12/01/33	67,000	4.50%	10,125	77,125	87,250
06/01/34			8,618	8,618	
12/01/34	70,000	4.50%	8,618	78,618	87,236
06/01/35			7,043	7,043	
12/01/35	73,000	4.50%	7,043	80,043	87,086
06/01/36			5,400	5,400	
12/01/36	76,000	4.50%	5,400	81,400	86,800
06/01/37			3,690	3,690	
12/01/37	80,000	4.50%	3,690	83,690	87,380
06/01/38			1,890	1,890	
12/01/38	84,000	4.50%	1,890	85,890	87,780
	<u>\$ 1,459,000</u>		<u>\$ 1,323,735</u>	<u>\$ 2,782,735</u>	<u>\$ 2,782,735</u>

The Village of Pigeon Water Supply System Revenue Bonds, in the amount of \$1,600,000, were issued August 18, 1999. The bond proceeds, along with a grant of \$1,400,000 from the USDA Rural Development, were used to construct a water supply system from Caseville, Michigan, to Pigeon, Michigan.

VILLAGE OF PIGEON
SCHEDULE OF SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS
SERIES 2004
FEBRUARY 28, 2007

<u>Date</u>	<u>Principal</u>	<u>Interest</u>		<u>Period Total</u>	<u>Fiscal Total</u>
		<u>Rate</u>	<u>Amount</u>		
5/1/2007	\$ 13,000	4.375%	27,563	40,563	
11/1/2007		4.375%	27,278	27,278	\$ 67,841
5/1/2008	14,000	4.375%	27,278	41,278	
11/1/2008		4.375%	26,972	26,972	68,250
5/1/2009	14,000	4.375%	26,972	40,972	
11/1/2009		4.375%	26,666	26,666	67,638
5/1/2010	15,000	4.375%	26,666	41,666	
11/1/2010		4.375%	26,338	26,338	68,003
5/1/2011	16,000	4.375%	26,338	42,338	
11/1/2011		4.375%	25,988	25,988	68,325
5/1/2012	16,000	4.375%	25,988	41,988	
11/1/2012		4.375%	25,638	25,638	67,625
5/1/2013	17,000	4.375%	25,638	42,638	
11/1/2013		4.375%	25,266	25,266	67,903
5/1/2014	18,000	4.375%	25,266	43,266	
11/1/2014		4.375%	24,872	24,872	68,138
5/1/2015	19,000	4.375%	24,872	43,872	
11/1/2015		4.375%	24,456	24,456	68,328
5/1/2016	20,000	4.375%	24,456	44,456	
11/1/2016		4.375%	24,019	24,019	68,475
5/1/2017	20,000	4.375%	24,019	44,019	
11/1/2017		4.375%	23,581	23,581	67,600
5/1/2018	21,000	4.375%	23,581	44,581	
11/1/2018		4.375%	23,122	23,122	67,703
5/1/2019	22,000	4.375%	23,122	45,122	
11/1/2019		4.375%	22,641	22,641	67,763
5/1/2020	23,000	4.375%	22,641	45,641	
11/1/2020		4.375%	22,138	22,138	67,778
5/1/2021	24,000	4.375%	22,138	46,138	
11/1/2021		4.375%	21,613	21,613	67,750
5/1/2022	25,000	4.375%	21,613	46,613	
11/1/2022		4.375%	21,066	21,066	67,678
5/1/2023	27,000	4.375%	21,066	48,066	
11/1/2023		4.375%	20,475	20,475	68,541
5/1/2024	28,000	4.375%	20,475	48,475	
11/1/2024		4.375%	19,863	19,863	68,338
5/1/2025	29,000	4.375%	19,863	48,863	
11/1/2025		4.375%	19,228	19,228	68,091
5/1/2026	30,000	4.375%	19,228	49,228	
11/1/2026		4.375%	18,572	18,572	67,800
5/1/2027	32,000	4.375%	18,572	50,572	
11/1/2027		4.375%	17,872	17,872	68,444
5/1/2028	33,000	4.375%	17,872	50,872	

(Continued)

VILLAGE OF PIGEON

**SCHEDULE OF SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS
SERIES 2004
FEBRUARY 28, 2007**

<u>Date</u>	<u>Principal</u>	<u>Interest</u>		<u>Period Total</u>	<u>Fiscal Total</u>
		<u>Rate</u>	<u>Amount</u>		
11/1/2028		4.375%	17,150	17,150	68,022
5/1/2029	35,000	4.375%	17,150	52,150	
11/1/2029		4.375%	16,384	16,384	68,534
5/1/2030	36,000	4.375%	16,384	52,384	
11/1/2030		4.375%	15,597	15,597	67,981
5/1/2031	38,000	4.375%	15,597	53,597	
11/1/2031		4.375%	14,766	14,766	68,363
5/1/2032	39,000	4.375%	14,766	53,766	
11/1/2032		4.375%	13,913	13,913	67,678
5/1/2033	41,000	4.375%	13,913	54,913	
11/1/2033		4.375%	13,016	13,016	67,928
5/1/2034	43,000	4.375%	13,016	56,016	
11/1/2034		4.375%	12,075	12,075	68,091
5/1/2035	45,000	4.375%	12,075	57,075	
11/1/2035		4.375%	11,091	11,091	68,166
5/1/2036	47,000	4.375%	11,091	58,091	
11/1/2036		4.375%	10,063	10,063	68,153
5/1/2037	49,000	4.375%	10,063	59,063	
11/1/2037		4.375%	8,991	8,991	68,053
5/1/2038	51,000	4.375%	8,991	59,991	
11/1/2038		4.375%	7,875	7,875	67,866
5/1/2039	54,000	4.375%	7,875	61,875	
11/1/2039		4.375%	6,694	6,694	68,569
5/1/2040	56,000	4.375%	6,694	62,694	
11/1/2040		4.375%	5,469	5,469	68,163
5/1/2041	58,000	4.375%	5,469	63,469	
11/1/2041		4.375%	4,200	4,200	67,669
5/1/2042	61,000	4.375%	4,200	65,200	
11/1/2042		4.375%	2,866	2,866	68,066
5/1/2043	64,000	4.375%	2,866	66,866	
11/1/2043		4.375%	1,466	1,466	68,331
5/1/2044	67,000	4.375%	1,466	68,466	68,466
Total	\$ 1,260,000		\$ 1,326,106	\$ 2,586,106	\$ 2,586,106

The Village of Pigeon Sanitary Sewer Disposal System Revenue Bonds, in the amount of \$1,285,000, were issued on May 27, 2004. The bond proceeds were used to upgrade the existing pump station, remove the accumulated sludge from the existing lagoon, construct a new 10 acre lagoon, and construct related improvements.

VILLAGE OF PIGEON, MICHIGAN
SCHEDULE OF GENERAL OBLIGATION UNLIMITED TAX BONDS
SERIES 2005
FEBRUARY 28, 2007

<u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>		<u>PERIOD TOTAL</u>	<u>FISCAL TOTAL</u>
		<u>RATE</u>	<u>AMOUNT</u>		
05/01/07			\$ 49,541	\$ 49,541	
11/01/07			49,541	49,541	\$ 99,082
05/01/08	\$ 10,000	4.80%	49,541	59,541	
11/01/08			49,301	49,301	108,842
05/01/09	25,000	4.80%	49,301	74,301	
11/01/09			48,701	48,701	123,002
05/01/10	35,000	4.80%	48,701	83,701	
11/01/10			47,861	47,861	131,562
05/01/11	35,000	4.80%	47,861	82,861	
11/01/11			47,021	47,021	129,882
05/01/12	35,000	4.80%	47,021	82,021	
11/01/12			46,181	46,181	128,202
05/01/13	40,000	4.80%	46,181	86,181	
11/01/13			45,221	45,221	131,402
05/01/14	45,000	4.80%	45,221	90,221	
11/01/14			44,141	44,141	134,362
05/01/15	50,000	4.80%	44,141	94,141	
11/01/15			42,941	42,941	137,082
05/01/16	55,000	4.80%	42,941	97,941	
11/01/16			41,621	41,621	139,562
05/01/17	60,000	4.80%	41,621	101,621	
11/01/17			40,181	40,181	141,802
05/01/18	70,000	4.80%	40,181	110,181	
11/01/18			38,501	38,501	148,682
05/01/19	75,000	4.80%	38,501	113,501	
11/01/19			36,701	36,701	150,202
05/01/20	85,000	4.80%	36,701	121,701	
11/01/20			34,661	34,661	156,362
05/01/21	95,000	4.80%	34,661	129,661	
11/01/21			32,381	32,381	162,042
05/01/22	105,000	4.85%	32,382	137,382	
11/01/22			29,835	29,835	167,217
05/01/23	115,000	4.90%	29,835	144,835	
11/01/23			27,018	27,018	171,853
05/01/24	125,000	5.05%	27,018	152,018	
11/01/24			23,861	23,861	175,879
05/01/25	135,000	5.05%	23,861	158,861	
11/01/25			20,453	20,453	179,314
05/01/26	145,000	5.05%	20,453	165,453	
11/01/26			16,791	16,791	182,244
05/01/27	155,000	5.05%	16,791	171,791	
11/01/27			12,878	12,878	184,669
05/01/28	165,000	5.10%	12,878	177,878	
11/01/28			8,670	8,670	186,548
05/01/29	170,000	5.10%	8,670	178,670	
11/01/29			4,335	4,335	183,005
05/01/30	170,000	5.10%	4,335	174,335	174,335
	<u>\$ 2,000,000</u>		<u>\$ 1,627,134</u>	<u>\$ 3,627,134</u>	<u>\$ 3,627,134</u>

The Village of Pigeon General Obligation Unlimited Tax Bonds, in the amount of \$2,000,000, were issued on April 25, 2005. The bond proceeds were issued for the purpose of acquiring and constructing storm sewer improvements in the Village and related road reconstruction.

VILLAGE OF PIGEON, MICHIGAN
SCHEDULE OF CAPITAL IMPROVEMENT BONDS
SERIES 2006
FEBRUARY 28, 2007

<u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>		<u>PERIOD TOTAL</u>	<u>FISCAL TOTAL</u>
		<u>RATE</u>	<u>AMOUNT</u>		
06/01/07	\$ 5,000	5.00%	2,938	7,938	
12/01/07			2,812	2,812	10,750
06/01/08	5,000	5.00%	2,813	7,813	
12/01/08			2,687	2,687	10,500
06/01/09	6,000	5.00%	2,688	8,688	
12/01/09			2,537	2,537	11,225
06/01/10	6,000	5.00%	2,538	8,538	
12/01/10			2,387	2,387	10,925
06/01/11	6,000	5.00%	2,388	8,388	
12/01/11			2,237	2,237	10,625
06/01/12	7,000	5.00%	2,238	9,238	
12/01/12			2,062	2,062	11,300
06/01/13	7,000	5.00%	2,063	9,063	
12/01/13			1,887	1,887	10,950
06/01/14	7,000	5.00%	1,888	8,888	
12/01/14			1,712	1,712	10,600
06/01/15	8,000	5.00%	1,713	9,713	
12/01/15			1,512	1,512	11,225
06/01/16	8,000	5.00%	1,513	9,513	
12/01/16			1,312	1,312	10,825
06/01/17	9,000	5.25%	1,313	10,313	
12/01/17			1,076	1,076	11,389
06/01/18	9,000	5.25%	1,076	10,076	
12/01/18			840	840	10,916
06/01/19	10,000	5.25%	840	10,840	
12/01/19			577	577	11,417
06/01/20	11,000	5.25%	577	11,577	
12/01/20			289	289	11,866
06/01/21	11,000	5.25%	289	11,289	
	<u>\$ 115,000</u>		<u>\$ 50,802</u>	<u>\$ 165,802</u>	<u>\$ 165,802</u>

The Village of Pigeon Capital Improvement Bonds in the amount of \$115,000 were issued on August 3, 2006. The bond proceeds were used to construct, improve and replace watermains and other water supply system improvements.

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 Honorable Village Council
Village of Pigeon
Pigeon, Michigan 48755

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pigeon, Michigan, as of and for the year ended February 28, 2007, which collectively comprise the Village of Pigeon, Michigan's basic financial statements and have issued our report thereon dated June 11, 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 Pigeon, 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 Pigeon, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Pigeon, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting 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 combination of control deficiencies, that adversely affects the Village of Pigeon, 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 Pigeon, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the Village of Pigeon, Michigan's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

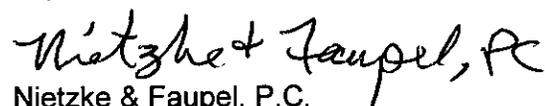
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Pigeon, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Pigeon, Michigan'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, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Nietzke & Faupel, P.C.
Pigeon, Michigan

June 11, 2007

**VILLAGE OF PIGEON
SCHEDULE OF FINDINGS
YEAR ENDED FEBRUARY 28, 2007**

FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

1. Segregation of duties

Condition: The Village Clerk is processing bills and receipts in the system along with collecting cash receipts from the customers.

Criteria: This combination indicates a lack of segregation of duties.

Effect: Because of the lack of segregation of duties, it would be possible to manipulate records.

Recommendation: Review procedures should be established in this area and they should be performed by someone independent of the billing procedures and the collection of the cash.