

VILLAGE OF BRITTON, MICHIGAN
FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2007
WITH
INDEPENDENT AUDITORS' REPORT

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF BRITTON	County LENAWEE
Fiscal Year End FEBRUARY 28, 2007	Opinion Date MAY 17, 2007	Date Audit Report Submitted to State MAY 30, 2007	

We affirm that:

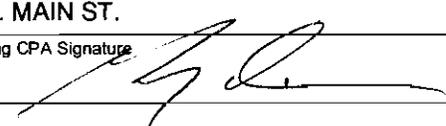
We are certified public accountants licensed to practice in Michigan.

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

- YES NO Check each applicable box below.** (See instructions for further detail.)
- 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.
 - 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.
 - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - The local unit has adopted a budget for all required funds.
 - A public hearing on the budget was held in accordance with State statute.
 - 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.
 - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - The local unit only holds deposits/investments that comply with statutory requirements.
 - 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).
 - 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.
 - The local unit is free of repeated comments from previous years.
 - The audit opinion is UNQUALIFIED.
 - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - The board or council approves all invoices prior to payment as required by charter or statute.
 - 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"/>	NOT NEEDED AT THIS TIME		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) ROBERTSON, EATON & OWEN, P.C.		Telephone Number (517) 265-6154		
Street Address 121 N. MAIN ST.		City ADRIAN	State MI	Zip 49221
Authorizing CPA Signature 		Printed Name GARY OWEN		License Number 1101008646

VILLAGE OF BRITTON, MICHIGAN
INDEPENDENT AUDITORS' REPORT
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VILLAGE OF BRITTON, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2007

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

Financial Highlights

- ◆ The assets of the Village of Britton, Michigan exceeded its liabilities at the close of the most recent fiscal year \$3,894,294 (*net assets*). Of this amount, \$1,175,931 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ The government's total net assets increased \$62,386.
- ◆ As of the close of the current year, the Village of Britton, Michigan's governmental funds reported combined ending fund balances of \$776,503, an increase of \$129,147 in comparison with the prior year.
- ◆ At the end of the current year, unreserved fund balance for the General Fund was \$497,524, or 217 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Britton, Michigan's basic financial statements. The Village of Britton, Michigan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net assets* presents information on all of the Village of Britton, Michigan'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 of Britton, Michigan 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 taxes).

Both of the government-wide financial statements distinguish functions of the Village of Britton, Michigan that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Britton, Michigan include general government, public safety, highways and streets, sanitation, public works, and culture and recreation. The business-type activities of the Village of Britton, Michigan include utility systems.

The government-wide financial statements can be found on pages 5 – 7 of this report.

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

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

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

The Village of Britton, Michigan maintains three 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 Fund, Major Street Fund, and Local Street Fund, which are considered to be major funds.

The Village of Britton, Michigan adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for all governmental funds to demonstrate compliance with budget.

The basic governmental fund financial statements can be found on pages 8 – 15 of this report.

Proprietary Fund. The Village of Britton, Michigan maintains one type of Proprietary Fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village of Britton, Michigan uses Enterprise Funds to account for its Water and Sewer Funds.

A Proprietary Fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Funds, which are considered to be major funds of the Village of Britton, Michigan.

The basic fund financial statements can be found on pages 16 – 19 of this 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 20 - 31 of this report.

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 of Britton, Michigan, assets exceeded liabilities by \$3,894,294 at the close of the most recent fiscal year.

By far the largest portion of the Village of Britton, Michigan's net assets (61 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village of Britton, Michigan uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village of Britton, Michigan's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Currently, the Village of Britton has no long-term debt.

Village of Britton, Michigan's Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets	\$ 792,542	\$ 751,147	\$ 1,543,689
Capital assets	<u>714,331</u>	<u>1,655,235</u>	<u>2,369,566</u>
Total assets	<u>\$ 1,506,873</u>	<u>\$ 2,406,382</u>	<u>\$ 3,913,255</u>
Current liabilities	\$ 16,039	\$ 2,922	\$ 18,961
Total liabilities	<u>\$ 16,039</u>	<u>\$ 2,922</u>	<u>\$ 18,961</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 714,331	\$ 1,655,235	\$ 2,369,566
Restricted	349,427		349,427
Unrestricted	<u>427,076</u>	<u>748,225</u>	<u>1,175,931</u>
Total net assets	<u>\$ 1,490,834</u>	<u>\$ 2,403,460</u>	<u>\$ 3,894,924</u>

An additional portion of the Village of Britton, Michigan's net assets (10 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$1,175,931) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village of Britton, Michigan is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Village of Britton, Michigan'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 of Britton, Michigan's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of this fiscal year.

As of the end of the current fiscal year, the Village of Britton, Michigan's governmental funds reported combined ending fund balances of \$776,503, an increase of \$129,147 in comparison with the prior year. Special Revenue Funds have \$278,979 available for their special uses.

The General Fund is the chief operating fund of the Village of Britton, Michigan. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$497,524.

The fund balance of the Village of Britton, Michigan's General Fund increased by \$104,730 during the current fiscal year.

Proprietary Fund - The Village of Britton, Michigan's Proprietary Fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the utility funds at the end of the year amounted to \$749,225. The total increase in net assets for the fund was \$2,089.

General Fund Budgetary Highlights

- Purchased a used Vector truck for drain cleaning purposes which increased costs including vehicle maintenance and utility costs for storing truck in heated garage.
- Further adjustment to DPW wage and sick/holiday/vacation expenses needed to be made to accommodate for the third full time employee hired in March 2006.

Capital Asset and Debt Administration

Capital assets. The Village of Britton, Michigan's investment in capital assets for its governmental and business-type activities as of February 28, 2007, amounts to \$2,369,566 (net of accumulated depreciation). This investment in capital assets includes land, buildings and utility systems, machinery and equipment, roads, and highways. The total increase in the Village of Britton, Michigan's investment in capital assets for the current fiscal year was 5% (a 6% decrease for governmental activities and a 10% percent increase for business-type activities).

Village of Britton, Michigan's Capital Assets

	Governmental Activities	Business-type Activities	Total
Land	\$ 24,425	\$ 107,083	\$ 131,508
Land improvements	5,890		5,890
Buildings	146,863		146,863
Equipment and furnishings	59,988		59,988
Vehicles	83,844		83,844
Infrastructure	393,321		393,321
Water system		893,632	893,632
Sewer system		654,520	654,520
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 714,331</u>	<u>\$ 1,655,235</u>	<u>\$ 2,369,566</u>

Additional information on the Village of Britton's capital assets can be found in Note 3 on pages 27 and 28.

Economic Factors and Next Year's Budgets and Rates

- Plans to build a DPW office and shop to make room for growth and eliminate high costs in deteriorating building. Estimated date of completion is July 2007.
- Plans to develop McKinney Park will increase parks and recreation expense.

Requests for Information

This financial report is designed to provide a general overview of the Village of Britton, Michigan'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 the Village of Britton, 120 College Avenue, P.O. Box 436, Britton, Michigan 49229.

May 17, 2007

INDEPENDENT AUDITORS' REPORT

Village Council
Village of Britton
Britton, Michigan

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 Britton, 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 Britton, 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 Britton, Michigan, as of February 28, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2007 on our consideration of Village of Britton, 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 read in conjunction with this report in considering the results of our audit.

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May 17, 2007

Village Council
Village of Britton
Britton, Michigan

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Britton, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements 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.

Robertson, Eaton & Owen, P.C.

May 17, 2007

**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**

Village Council
Village of Britton
Britton, Michigan

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 Britton, Michigan, as of and for the year ended February 28, 2007, which collectively comprise the Village of Britton, Michigan's basic financial statements and have issued our report thereon dated May 17, 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 Britton, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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May 17, 2007

Village of Britton
Britton, Michigan

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Village of Britton, 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 the management of Village of Britton, Michigan, Departments of the State of Michigan, 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.

Robertson, Eaton & Owen, P.C.

VILLAGE OF BRITTON, MICHIGAN

STATEMENT OF NET ASSETS

February 28, 2007

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
ASSETS:			
Cash and cash equivalents	\$ 282,526	\$ 738,409	\$ 1,020,935
Investments	465,883		465,883
Receivables (net)	13,562	39,809	53,371
Internal balances	30,571	(30,571)	
Prepaid supplies		3,500	3,500
Capital assets:			
Land	24,425	107,083	131,508
Land improvements	16,831		16,831
Buildings	234,357		234,357
Equipment, machinery, furnishings	171,385		171,385
Vehicles	155,644		155,644
Infrastructure – roads	1,048,696		1,048,696
Sewer system		2,086,574	2,086,574
Water system		1,208,376	1,208,376
Less: Accumulated depreciation	<u>(937,007)</u>	<u>(1,746,798)</u>	<u>(2,683,805)</u>
Total assets	<u>\$ 1,506,873</u>	<u>\$ 2,406,382</u>	<u>\$ 3,913,255</u>
LIABILITIES:			
Accounts payable	\$ 8,424	\$ 2,091	\$ 10,515
Accrued expenses	<u>7,615</u>	<u>831</u>	<u>8,446</u>
Total liabilities	<u>16,039</u>	<u>2,922</u>	<u>18,961</u>
NET ASSETS:			
Invested in capital assets, net of related debt	714,331	1,655,235	2,369,566
Restricted for:			
Highways and streets	349,427		349,427
Unrestricted	<u>427,076</u>	<u>748,225</u>	<u>1,175,931</u>
Total net assets	<u>\$ 1,490,834</u>	<u>\$ 2,403,460</u>	<u>\$ 3,894,294</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF BRITTON, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended February 28, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 59,933	\$	\$	\$
Highways, streets, and bridges	88,008			
Sanitation	32,556	32,530		
Recreation	3,483			
Department of Public Works	93,290			
Public safety	11,365	3,523		
CDBG Grant	6,227			62,033
Other	<u>37,360</u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	<u>332,222</u>	<u>36,053</u>	<u>-</u>	<u>62,033</u>
Business-Type activities:				
Water Fund	122,367	63,289		10,300
Sewer Fund	<u>68,964</u>	<u>34,822</u>	<u> </u>	<u>3,694</u>
	<u>191,331</u>	<u>98,111</u>	<u>-</u>	<u>13,994</u>
Total primary government	<u>\$ 523,553</u>	<u>\$ 134,164</u>	<u>\$ -</u>	<u>\$ 76,027</u>

General Revenues:

Property taxes
 Intergovernmental – State
 Unrestricted investment earnings
 Miscellaneous
 Transfers

Total general revenues and transfers

Change in net assets

Net assets – beginning of year

Net assets – end of year

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets
Primary Government

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (59,933)	\$	\$ (59,933)
(88,008)		(88,008)
(26)		(26)
(3,483)		(3,483)
(93,290)		(93,290)
(7,842)		(7,842)
55,806		55,806
<u>(37,360)</u>	<u> </u>	<u>(37,360)</u>
<u>(234,136)</u>	<u> -</u>	<u>(234,126)</u>
	(48,778)	(48,778)
<u> </u>	<u>(30,448)</u>	<u>(30,448)</u>
<u> -</u>	<u>(79,226)</u>	<u>(79,226)</u>
<u>\$ (234,136)</u>	<u>\$ (79,226)</u>	<u>\$ (313,362)</u>
\$ 165,966	\$	\$ 165,966
112,314		112,314
32,278	39,268	71,546
25,922		25,922
<u>(42,047)</u>	<u>42,047</u>	<u> </u>
<u>294,433</u>	<u>81,315</u>	<u>375,748</u>
60,297	2,089	62,386
<u>1,430,537</u>	<u>2,401,371</u>	<u>3,831,908</u>
<u>\$ 1,490,834</u>	<u>\$ 2,403,460</u>	<u>\$ 3,894,294</u>

VILLAGE OF BRITTON, MICHIGAN

BALANCE SHEET

GOVERNMENTAL FUNDS

February 28, 2007

	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Totals Governmental Funds</u>
ASSETS:				
Cash and cash equivalents	\$ 184,781	\$ 33,189	\$ 64,556	\$ 282,526
Investments	281,147	184,736		465,883
Accounts receivable	12,862	700		13,562
Due from other funds	<u>56,522</u>	<u> </u>	<u>6,000</u>	<u>62,522</u>
Total assets	<u>\$ 535,312</u>	<u>\$ 218,625</u>	<u>\$ 70,556</u>	<u>\$ 824,493</u>
LIABILITIES:				
Accounts payable	\$ 8,424	\$	\$	\$ 8,424
Accrued liabilities	7,049	309	257	7,615
Due to other funds	<u>22,315</u>	<u>7,979</u>	<u>1,657</u>	<u>31,951</u>
Total liabilities	<u>37,788</u>	<u>8,288</u>	<u>1,914</u>	<u>47,990</u>
FUND BALANCES:				
Unreserved, reported in:				
General Fund	497,524			497,524
Major street		210,337		210,337
Local street	<u> </u>	<u> </u>	<u>68,642</u>	<u>68,642</u>
Total fund balances	<u>497,524</u>	<u>210,337</u>	<u>68,642</u>	<u>776,503</u>
Total liabilities and fund balances	<u>\$ 535,312</u>	<u>\$ 218,625</u>	<u>\$ 70,556</u>	<u>\$ 824,493</u>

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 governmental funds.	\$ 714,331
Total fund balance in governmental funds	<u>776,503</u>
Total net assets of governmental activities	<u>\$ 1,490,834</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF BRITTON, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended February 28, 2007

	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Totals Governmental Funds</u>
Revenues:				
Property taxes	\$ 165,966	\$	\$	\$ 165,966
Intergovernmental – State	68,127	34,160	10,027	112,314
Intergovernmental – Federal	62,033			62,033
Licenses and permits	3,523			3,523
Interest earned	17,966	12,643	1,669	32,278
Miscellaneous	25,922			25,922
Solid waste/recycling	<u>32,530</u>	<u> </u>	<u> </u>	<u>32,530</u>
Total revenues	<u>376,067</u>	<u>46,803</u>	<u>11,696</u>	<u>434,566</u>
Expenditures:				
Current:				
General government	57,179			57,179
Highways, streets, and bridges	7,508	23,612	10,070	41,190
Sanitation	32,556			32,556
Recreation	2,794			2,794
Department of Public Works	74,701			74,701
Public safety	11,365			11,365
CDBG Grant	6,227			6,227
Other	<u>37,360</u>	<u> </u>	<u> </u>	<u>37,360</u>
Total expenditures	<u>229,690</u>	<u>23,612</u>	<u>10,070</u>	<u>263,372</u>
Excess (deficiency) of revenues over (under) expenditures	<u>146,377</u>	<u>23,191</u>	<u>1,626</u>	<u>171,194</u>
Other financing sources (uses):				
Transfers in			6,000	6,000
Transfers out	<u>(42,047)</u>	<u>(6,000)</u>	<u> </u>	<u>(48,047)</u>
Total other financing sources (uses)	<u>(42,047)</u>	<u>(6,000)</u>	<u>6,000</u>	<u>(42,047)</u>
Net changes in fund balances	104,330	17,191	7,626	129,147
Fund balances – beginning of year	<u>393,194</u>	<u>193,146</u>	<u>61,016</u>	<u>647,356</u>
Fund balances – end of year	<u>\$ 497,524</u>	<u>\$ 210,337</u>	<u>\$ 68,642</u>	<u>\$ 776,503</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF BRITTON, MICHIGAN

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

February 28, 2007

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

Net change in fund balance – total governmental funds including prior year adjustment.	\$ 129,147
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. (Total depreciation \$68,850. less total capital outlays \$-0-)	<u>(68,850)</u>
Change in net assets in governmental activities	<u>\$ 60,297</u>

VILLAGE OF BRITTON, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL

For the Year Ended February 28, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 153,800	\$ 153,800	\$ 165,966	\$ 12,166
Intergovernmental revenue – State:				
State shared revenues	40,000	48,700	67,581	18,881
Liquor Control Funds	<u>700</u>	<u>700</u>	<u>546</u>	<u>(154)</u>
Total intergovernmental revenue – state	<u>40,700</u>	<u>49,400</u>	<u>68,127</u>	<u>18,727</u>
Intergovernmental revenue – Federal:				
CDBG Grant	<u> </u>	<u> </u>	<u>62,033</u>	<u>62,033</u>
Licenses and permits:				
Building permits	2,050	2,050	2,668	618
Electrical permits	<u>1,000</u>	<u>1,000</u>	<u>855</u>	<u>(145)</u>
Total licenses and permits	<u>3,050</u>	<u>3,050</u>	<u>3,523</u>	<u>473</u>
Solid waste – recycling	<u>32,000</u>	<u>32,000</u>	<u>32,530</u>	<u>530</u>
Miscellaneous revenues:				
Miscellaneous	2,000	2,000	18,229	16,229
Donations			700	700
Late fees – utility bills	4,000	4,000	6,993	2,993
Interest	<u>2,000</u>	<u>2,000</u>	<u>17,966</u>	<u>15,966</u>
Total miscellaneous revenues	<u>8,000</u>	<u>8,000</u>	<u>43,888</u>	<u>35,888</u>
Total revenues	\$ 237,550	\$ 246,250	\$ 376,067	\$ 129,817

The notes to the financial statements are an integral part of this statement.

VILLAGE OF BRITTON, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL

For the Year Ended February 28, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
Municipal Council salaries and expense	\$ 5,150	\$ 5,150	\$ 3,464	\$ 1,686
Election expense	60	60	5	55
Clerk	2,200	3,200	2,356	844
Treasurer	2,700	3,550	3,060	490
Repairs and maintenance	5,000	3,500	2,454	1,046
Heat and lights	8,100	8,100	10,031	(1,931)
Beautification labor	4,500	7,500	7,129	371
Beautification miscellaneous	4,200	2,700	1,316	1,384
Office expense	2,200	2,200	2,447	(247)
Legal and auditing	11,000	9,000	7,018	1,982
Telephone	5,500	6,000	5,713	287
Advertising	2,900	2,900	3,197	(297)
Miscellaneous	<u>10,200</u>	<u>7,400</u>	<u>8,989</u>	<u>(1,589)</u>
Total general government	<u>63,710</u>	<u>61,260</u>	<u>57,179</u>	<u>4,081</u>
Highways, Streets, and Bridges:				
Vehicle repair and maintenance	7,000	12,000	13,415	(1,415)
Drain wages	1,000	2,250	2,922	(672)
Drain expense	1,000	500	277	223
Street lighting	9,000	9,000	9,239	(239)
Less: Equipment rental charged to other funds			<u>(18,345)</u>	<u>18,345</u>
Total highways, streets, and bridges	<u>18,000</u>	<u>23,750</u>	<u>7,508</u>	<u>16,242</u>
Sanitation:				
Trash pick up	4,200	2,200	972	1,228
Solid waste/recycling	<u>32,000</u>	<u>32,000</u>	<u>31,584</u>	<u>416</u>
Total sanitation	<u>36,200</u>	<u>34,200</u>	<u>32,556</u>	<u>1,644</u>
Recreation:				
Wages	3,500	3,500	2,581	919
Park expense	<u>1,000</u>	<u>500</u>	<u>213</u>	<u>287</u>
Total recreation	<u>4,500</u>	<u>4,000</u>	<u>2,794</u>	<u>1,206</u>
Public Safety:				
Police protection	5,700	5,700	5,096	604
Hydrant rental	3,500	3,500	3,500	
Building/electrical inspection	<u>10,000</u>	<u>5,000</u>	<u>2,769</u>	<u>2,231</u>
Total public safety	<u>19,200</u>	<u>14,200</u>	<u>11,365</u>	<u>2,835</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF BRITTON, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Year Ended February 28, 2007

	Budgeted Amounts		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Expenditures: (Continued)				
Department of Public Works:				
Wages	\$ 35,000	\$ 35,000	\$ 38,168	\$ (3,168)
Material and supplies	9,800	12,400	16,143	(3,743)
Capital outlay	<u>2,000</u>	<u>22,000</u>	<u>20,390</u>	<u>1,610</u>
Total Department of Public Works	<u>46,800</u>	<u>69,400</u>	<u>74,701</u>	<u>(5,301)</u>
CDBG Grant – costs			<u>6,227</u>	<u>(6,227)</u>
Other:				
Health insurance	24,000	24,000	21,665	2,335
Sick time	11,000	2,000	3,515	(1,515)
Vacation time	7,000	5,500	5,619	(119)
Payroll taxes	10,000	10,000	9,017	983
Uniforms	2,000	2,800	3,080	(280)
Insurance	15,000	15,000	13,537	1,463
Planning Commission	1,100	1,100	610	490
Less: Benefits reclassified to other funds			<u>(19,683)</u>	<u>19,683</u>
Total other	<u>70,100</u>	<u>60,400</u>	<u>37,360</u>	<u>23,040</u>
Total expenditures	<u>258,510</u>	<u>267,210</u>	<u>229,690</u>	<u>37,520</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,960)</u>	<u>(20,960)</u>	<u>146,377</u>	<u>167,337</u>
Other financing sources (uses):				
Transfers in				
Transfers out			<u>(42,047)</u>	<u>(42,047)</u>
Total other financing sources (uses)			<u>(42,047)</u>	<u>(42,047)</u>
Net change in fund balance	<u>(20,960)</u>	<u>(20,960)</u>	104,330	<u>125,290</u>
Fund balance – beginning of year			<u>393,194</u>	
Fund balance – end of year			<u>\$ 497,524</u>	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF BRITTON, MICHIGAN

MAJOR STREET FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL

For the Year Ended February 28, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues:				
State	\$ 28,000	\$ 28,000	\$ 34,160	\$ 6,160
Interest income	<u>1,500</u>	<u>1,500</u>	<u>12,643</u>	<u>11,143</u>
Total revenues	<u>29,500</u>	<u>29,500</u>	<u>46,803</u>	<u>17,303</u>
Expenditures:				
Administrative:				
Clerk wages	2,000	2,000	1,963	37
Heavy maintenance	6,250	1,250	4,411	(3,161)
Routine maintenance:				
Labor	2,000	3,500	3,330	170
Payroll taxes	400	400	400	
Health insurance	700	700	694	6
Materials and supplies	2,000	2,000	1,719	281
Equipment rental	2,150	5,950	5,913	37
Sick and holiday pay	800	1,200	1,130	70
Other cost	2,900	2,900	2,160	740
Winter maintenance:				
Labor and supplies	2,300	2,200	639	1,561
Equipment rental	<u>2,000</u>	<u>1,400</u>	<u>1,253</u>	<u>147</u>
Total expenditures	<u>23,500</u>	<u>23,500</u>	<u>23,612</u>	<u>(112)</u>
Excess of revenues over expenditures	6,000	6,000	23,191	17,191
Other financing uses:				
Transfers out	<u>(6,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
Net change in fund balance			17,191	17,191
Fund balance – beginning of year			<u>193,146</u>	
Fund balance – end of year			<u>\$ 210,337</u>	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF BRITTON, MICHIGAN

LOCAL STREET FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL

For the Year Ended February 28, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues:				
State	\$ 8,750	\$ 8,750	\$ 10,027	\$ 1,277
Interest income	<u>600</u>	<u>600</u>	<u>1,669</u>	<u>1,069</u>
Total revenues	<u>9,350</u>	<u>9,350</u>	<u>11,696</u>	<u>2,346</u>
Expenditures:				
Administrative:				
Clerk wages	2,500	2,500	1,963	537
Heavy maintenance	3,300	300	66	234
Routine maintenance:				
Labor	1,250	2,250	1,244	1,006
Payroll taxes	300	300	242	58
Health insurance	600	600	356	244
Materials and supplies	1,800	2,000	1,849	151
Equipment rental	1,000	2,800	3,562	(762)
Sick and holiday pay	500	500	427	73
Winter maintenance:				
Labor and supplies	2,200	2,200	361	1,839
Equipment rental	<u>1,900</u>	<u>1,900</u>		<u>1,900</u>
Total expenditures	<u>15,350</u>	<u>15,350</u>	<u>10,070</u>	<u>5,280</u>
Deficiency of revenues under Expenditures	(6,000)	(6,000)	1,626	7,626
Other financing sources:				
Transfers in	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>
Net change in fund balance	-	-	7,626	7,626
Fund balance – beginning of year			<u>61,016</u>	
Fund balance – end of year			<u>\$ 68,642</u>	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF BRITTON, MICHIGAN

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

February 28, 2007

Business-Type Activities – Enterprise Funds

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals Proprietary Funds</u>
ASSETS:			
Current assets:			
Cash and investments in bank	\$ 142,137	\$ 596,272	\$ 738,409
Receivables:			
Water usage	17,407		17,407
Sewer usage		7,264	7,264
Grants			
Special assessment		12,946	12,946
Other		2,049	2,049
Due from other funds	3,500	18,888	22,388
Prepaid supplies	3,500		3,500
Interest receivable	<u> </u>	<u>143</u>	<u>143</u>
Total current assets	<u>166,544</u>	<u>637,562</u>	<u>804,106</u>
Capital assets:			
Land	107,083		107,083
Water Fund	1,129,747		1,129,747
Sewer Fund		2,086,574	2,086,574
Land improvements	55,774		55,774
Equipment	22,855		22,855
Less: Accumulated depreciation	<u>(314,744)</u>	<u>(1,432,054)</u>	<u>(1,746,798)</u>
Total capital assets – net	<u>1,000,715</u>	<u>654,520</u>	<u>1,655,235</u>
Total assets	<u>\$ 1,167,259</u>	<u>\$ 1,292,082</u>	<u>\$ 2,459,341</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 1,736	\$ 355	\$ 2,091
Accrued payroll	383	448	831
Due to other funds	<u>52,959</u>	<u> </u>	<u>52,959</u>
Total current liabilities	<u>55,078</u>	<u>803</u>	<u>55,881</u>
NET ASSETS:			
Invested in capital assets, net of related debt	1,000,715	654,520	1,655,235
Unrestricted	<u>111,466</u>	<u>636,759</u>	<u>749,225</u>
Total net assets	<u>\$ 1,112,181</u>	<u>\$ 1,291,279</u>	<u>\$ 2,403,460</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF BRITTON, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended February 28, 2007

Business-Type Activities – Enterprise Funds

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals Proprietary Funds</u>
Operating revenues:			
Water charges	\$ 57,289	\$	\$ 57,289
Sewer usage fee		24,532	24,532
Other	<u>6,000</u>	<u>10,290</u>	<u>16,290</u>
Total operating revenues	<u>63,289</u>	<u>34,822</u>	<u>98,111</u>
Operating expenses:			
Administrative wages	7,825	7,681	15,506
Wages	23,087	7,409	30,496
Employee benefits	4,355	1,416	5,771
Water treatment and testing	3,960	300	4,260
Materials and supplies	25,520		25,520
Legal and accounting fees	330	656	986
Equipment rental	5,214	2,403	7,617
Utilities	8,474	1,464	9,938
Miscellaneous	1,090	2,929	4,019
Depreciation	40,609	43,707	84,316
Payroll withholding	<u>1,903</u>	<u>999</u>	<u>2,902</u>
Total operating expenses	<u>122,367</u>	<u>68,964</u>	<u>191,331</u>
Operating loss	<u>(59,078)</u>	<u>(34,142)</u>	<u>(93,220)</u>
Nonoperating revenues:			
Interest income	3,424	35,844	39,268
Sewer capital reserve fees		3,694	3,694
Water capital improvement fees	<u>10,300</u>		<u>10,300</u>
Total nonoperating revenues	<u>13,724</u>	<u>39,538</u>	<u>53,262</u>
Net loss before transfers	(45,354)	5,396	(39,958)
Transfers in	<u>42,047</u>		<u>42,047</u>
Change in net assets	(3,307)	5,396	2,089
Total net assets – beginning of year	<u>1,115,488</u>	<u>1,285,883</u>	<u>2,401,371</u>
Total net assets – end of year	<u>\$ 1,112,181</u>	<u>\$ 1,291,279</u>	<u>\$ 2,403,460</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF BRITTON, MICHIGAN
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended February 28, 2007

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals Proprietary Funds</u>
Cash flows from operating activities:			
Cash received from customers	\$ 69,222	\$ 49,624	\$ 118,846
Cash paid to suppliers and employees	<u>(31,342)</u>	<u>(55,581)</u>	<u>(86,923)</u>
Net cash provided by (used in) operating activities	<u>37,880</u>	<u>(5,957)</u>	<u>31,923</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	<u>(51,590)</u>	<u>-</u>	<u>(51,590)</u>
Net cash used in capital and related financing activities	<u>(51,590)</u>	<u>-</u>	<u>(51,590)</u>
Cash flows from investing activities:			
Interest received	<u>3,424</u>	<u>35,844</u>	<u>39,268</u>
Net cash provided by investing activities	<u>3,424</u>	<u>35,844</u>	<u>39,268</u>
Cash flows from financing activities:			
Sewer capital reserve fee		3,694	3,694
Water capital improvement fees	10,300		10,300
Transfers from other funds	<u>42,047</u>	<u>-</u>	<u>42,047</u>
Net cash provided by financing activities	<u>52,347</u>	<u>3,694</u>	<u>56,041</u>
Net increase (decrease) in cash and cash equivalents	42,061	33,581	75,642
Cash and cash equivalents at beginning of year	<u>100,076</u>	<u>562,691</u>	<u>662,767</u>
Cash and cash equivalents at end of year	<u>\$ 142,137</u>	<u>\$ 596,272</u>	<u>\$ 738,409</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF BRITTON, MICHIGAN
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended February 28, 2007

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH
PROVIDED BY (USED IN) OPERATING ACTIVITIES**

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals Proprietary Funds</u>
Net operating loss	\$ (59,078)	\$ (34,142)	\$ (93,220)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:			
Depreciation expense	40,609	43,707	84,316
(Increase) decrease in:			
Accounts receivable	5,933	14,802	20,735
Due from other funds	3,500	(17,329)	(13,829)
Increase (decrease) in:			
Accounts payable and other liabilities	744	(10,667)	(9,923)
Due to other funds	<u>46,172</u>	<u>(2,328)</u>	<u>43,844</u>
Net cash provided by (used in) operating activities	<u>\$ 37,880</u>	<u>\$ (5,957)</u>	<u>\$ 31,923</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF BRITTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Britton, Michigan (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

Effective March 1, 2004, the Village of Britton, Michigan implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Significant changes in the statement include the following:

- ◆ A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Village’s overall financial position and results of operations has been included with the financial statements.
- ◆ Financial statements prepared using full accrual accounting for all of the Village’s activities.
- ◆ A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Village of Britton, Michigan has elected to implement the general provisions of the statement.

A. Reporting Entity

The Village of Britton is a Michigan Municipal Corporation governed by the Village Council. The accompanying financial statements present the government and entities for which the government is considered to be financially accountable.

B. Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF BRITTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
February 28, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Amounts due from other governments and services provided 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the 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.

The *Major Street Fund* is a special revenue fund that receives State and local funding for the purpose of construction and maintenance of Village streets designated as major streets under State of Michigan Act 51 of Public Acts of 1951.

The *Local Street Fund* is a special revenue fund that receives State and local funding for the purpose of construction and maintenance of Village streets designated as local streets under State of Michigan Act 51 of Public Acts of 1951.

The government reports the following major proprietary funds:

The *Water Fund* accounts for the acquisition, operation, and maintenance of the Village's water system.

The *Sewer Fund* accounts for the acquisition, operation, and maintenance of the Village's sewer system.

VILLAGE OF BRITTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities (Water and Sewer Funds), subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of utility charges between the Village's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various function concerned.

Amounts reported as *program revenues* included 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Funds relate to charges to customers for sales and services. Operating expenses for the 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.

D. Estimates

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

E. Assets, liabilities, and net assets or equity.

1. Cash and investments

Cash includes amounts in cash on hand, demand deposits, except those deposits noted as investments (see below), as well as short-term investments with a maturity date within three months of the date acquired by the government.

Investments include money market and certificates of deposit where the intent is to hold funds long-term, as well as investments with maturity dates over three months of the date acquired by the government.

VILLAGE OF BRITTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State statutes authorize the government to invest in Obligations of the U.S. Treasury, Federal Agencies, commercial paper, corporate bonds, repurchase agreements, and State approved Investment Pools.

Investments are stated at cost or amortized cost. The Village Council will use amortized cost only when it reflects fair value of the investment. Currently, no investments are stated at amortized cost.

2. 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). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The Village had no advances between funds at February 28, 2007.

Personal property taxes receivable is shown net of an allowance for uncollectibles.

The Village of Britton's tax bills are for the period from July 1 to June 30. The taxes are based on the assessed valuations as of December 31 of the preceding year. Taxes collected for the period from July 1, 2006 to June 30, 2007 based on assessments as of December 31, 2005 are recorded as revenues in the Village's fiscal year ended February 28, 2007.

Since the County through revolving funds obtains the delinquent real property taxes for the Village, the sixty (60) day rule does not apply to such delinquent taxes receivable.

The Village had a general tax millage 9.6900 for 2006. The Village's maximum allowable millage is 12 mills. Total taxable value of Village property was \$14,550,300.

3. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

VILLAGE OF BRITTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, 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 \$5,000 (amount not rounded) 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets 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 of business-type activities is included as part of the capitalized value of the assets constructed.

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

Assets	Years
Land improvements	20
Buildings	75
Machinery, equipment, and furnishings	15 – 20
Utility systems	10 – 50
Infrastructure	20 – 50

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The accounting basis used by the Village for budgeting is in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Village follows the budgetary procedures outlined by the State of Michigan including public hearings and proper adoption. All funds of the Village have a budget. All annual appropriations lapse at fiscal year end. The budgets are amended during the year as needed.

VILLAGE OF BRITTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

B. Excess of expenditures over appropriations in budgetary funds

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Village for these budgetary funds were adopted to the function/activity level.

During the year ended February 28, 2006, the Village incurred expenditures in the following funds which were in excess of the amounts appropriated:

<u>Fund</u>	<u>Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
General Government:			
Heat and light	\$ 8,100	\$ 10,031	\$ 1,931
Office expense	2,200	2,447	247
Advertising	2,900	3,197	297
Department of Public Works			
Wages	35,000	38,168	3,168
Material and supplies	12,400	16,143	3,743
CDBG Grant – Costs		6,227	6,227
Other			
Sick time	2,000	3,515	1,515
Vacation time	5,500	5,619	119
Major Street:			
Heavy Maintenance	1,250	4,411	3,161
Local Street:			
Equipment rental	2,800	3,562	762

These additional expenditures were funded by greater than anticipated revenues in the case of the General Fund.

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Primary Government

Deposits. At year end, the carrying value of the Village's deposits was \$1,486,818 and the bank balance was \$1,489,108. The total bank balance is classified in the following three categories of credit risk: (1) Insured or collateralized with securities held by the Village or by its agent in the Village's name. (2) Collateralized with securities held by a pledging financial institution's trust department or agent in the Village's name. (3) Uncollateralized. (This includes any bank balance that is collateralized with securities held by a pledging financial institution or by its trust department or agent but not in the Village's name.)

VILLAGE OF BRITTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
February 28, 2007

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

Due to higher cash flows during certain times of the year, especially when property taxes are being collected, deposits of the Village increase significantly. As a result, the amounts classified in category 3 at those times of year were substantially higher than at year end.

	<u>CATEGORIES</u>			
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>
United Bank & Trust Accounts	\$ <u>100,000</u>	\$ <u>-</u>	\$ <u>1,389,108</u>	\$ <u>1,489,108</u>

B. Receivables

Receivables as of year end for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Receivables:						
Taxes	\$ 11,583	\$	\$	\$	\$	\$ 11,583
Accounts				17,407	7,264	24,671
Special assessments					12,946	12,946
Intergovernmental						
Accrued interest	1,279	700			143	2,122
Other	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>2,049</u>	<u>2,049</u>
Net total receivables	<u>\$ 12,862</u>	<u>\$ 700</u>	<u>\$ -</u>	<u>\$ 17,407</u>	<u>\$ 22,402</u>	<u>\$ 53,371</u>

VILLAGE OF BRITTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
February 28, 2007

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets

Capital asset activity for the year ended February 28, 2007 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 24,425	\$ -	\$ -	\$ 24,435
Total capital assets, not being depreciated	<u>24,425</u>	<u>-</u>	<u>-</u>	<u>24,425</u>
Capital assets, being depreciated:				
Land improvements	16,831			16,831
Buildings	234,357			234,357
Equipment, machinery, and furnishings	171,385			171,385
Vehicles	135,644	20,000		155,644
Infrastructure	<u>1,044,531</u>	<u>4,165</u>		<u>1,048,696</u>
Total capital assets, being depreciated	<u>1,602,748</u>	<u>24,165</u>	<u>-</u>	<u>1,626,913</u>
Less: Accumulated depreciation for:				
Land improvements	10,099	842		10,941
Buildings	84,369	3,125		87,494
Equipment, machinery, and furnishings	102,373	9,024		111,397
Vehicles	62,202	9,598		71,800
Infrastructure	<u>609,114</u>	<u>46,261</u>		<u>655,375</u>
Total accumulated Depreciation	<u>868,157</u>	<u>68,850</u>	<u>-</u>	<u>937,007</u>
Total capital assets, being depreciated, net	<u>734,591</u>	<u>(44,685)</u>	<u>-</u>	<u>689,906</u>
Governmental activities, capital assets – net	<u>\$ 759,016</u>	<u>\$ (44,685)</u>	<u>\$ -</u>	<u>\$ 714,331</u>

VILLAGE OF BRITTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
February 28, 2007

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated – land	\$ 107,083	\$ -	\$ -	\$ 107,083
Capital assets, being depreciated:				
Water system	983,791	224,585		1,208,376
Sewer system	<u>2,086,574</u>			<u>2,086,574</u>
Total capital assets, being depreciated	<u>3,070,365</u>	<u>224,585</u>	<u>-</u>	<u>3,294,950</u>
Less: Accumulated depreciation for:				
Water system	274,135	40,609		314,744
Sewer system	<u>1,388,347</u>	<u>43,707</u>		<u>1,432,054</u>
Total accumulated depreciation	<u>1,662,482</u>	<u>84,316</u>	<u>-</u>	<u>1,746,798</u>
Total capital assets, being depreciated – net	<u>\$ 1,407,883</u>	<u>\$ 140,269</u>	<u>\$ -</u>	<u>\$ 1,548,152</u>
Business-type activities - capital assets – net	<u>\$ 1,514,966</u>	<u>\$ 140,269</u>	<u>\$ -</u>	<u>\$ 1,655,235</u>

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

Governmental activities:	
General government	\$ 2,754
Department of Public Works	18,589
Culture and recreation	689
Highways and streets	<u>46,818</u>
Total depreciation expense – governmental activities	<u>\$ 68,850</u>
Business-type activities:	
Water system	\$ 40,609
Sewer system	<u>43,707</u>
Total depreciation expense – business-type activities	<u>\$ 84,316</u>

VILLAGE OF BRITTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
February 28, 2007

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund receivables, payables, and transfers

Primary Government

Due to/from other funds:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 56,522	Local Street	\$ 1,657
		Major Street	1,979
		Water	52,886
	<hr/>		<hr/>
	56,522		56,522
Local Street	6,000	Major Street	6,000
Water	3,500	General	3,500
Sewer	73	Water	73
Sewer	<hr/>	General	<hr/>
	18,815		18,815
	<hr/>		<hr/>
	\$ 84,910		\$ 84,910

Interfund transfers:

	<u>Transfers In</u>		
Transfers out:	<u>Local Street</u>	<u>Water</u>	<u>Total</u>
General Fund	\$	\$ 42,047	\$ 42,047
Major Street	<hr/>	<hr/>	<hr/>
	6,000		6,000
	<hr/>	<hr/>	<hr/>
	\$ 6,000	\$ 42,047	\$ 48,047

VILLAGE OF BRITTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 4. RETIREMENT PLAN

A. PLAN DESCRIPTION

The Village contributes to the Michigan Municipal Employees' Retirement System (MERS), an agent multi-employer defined benefit pension plan, which provides retirement benefits to all full-time employees of the Village. MERS is administered by its Board of Trustees. The actuary for the System is the Segal Company. The Municipal Employees' Retirement Act of 1984, as amended by 1996 Public Act 220 of the State of Michigan, assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; for the Village of Britton, that authority rests with the Village. The Municipal Employees' Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to Municipal Employees Retirement System of Michigan, 447 North Canal Road, Lansing, Michigan 48917.

B. FUNDING POLICY

Employees contribute a percent of their annual compensation, as selected by the municipality. Any percentage from 0% to 10% may be selected. A 3%/5% contribution program was available prior to 1985 and may be continued, but not adopted after 1984. Under this program, the employees contribute 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200. The Village is required to contribute the remaining amounts necessary to fund the plan, using an actuarial basis resulting in a level contribution method as required by State statute.

ANNUAL PENSION COST

For the year ended February 28, 2007, the Village's annual pension cost was zero. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included -

- [a] 8.0% investment rate of return,
- [b] projected salary increases of 4.5% per year compounded annually,
- [c] the assumption that benefits will increase 2.5% per year (annually) after retirement.

VILLAGE OF BRITTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 4. RETIREMENT PLAN (Continued)

The actuarial value of MERS' assets was determined using techniques that smooth the effects of short term volatility in the market value of investments over a five year period.

Currently, there is no unfunded actuarial accrued liability.

Actuarial Accrued Liability (as of 12/31/2005)	\$
Retirees and beneficiaries currently receiving benefits	63,180
Terminated employees not yet receiving benefits	
Current employees --	
Accumulated employee contributions including allocated investment income	56,976
Employer financed	<u>77,649</u>
Total Actuarial Accrued Liability	197,805
Net Assets Available for Benefits at Actuarial Value	<u>228,160</u>
(Market Value is \$222,148)	
Unfunded (Overfunded) Actuarial Accrued Liability	<u>\$ (30,355)</u>

THREE YEAR TREND INFORMATION

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
February 28, 2005	-0-	100%	0
February 28, 2006	-0-	100%	0
February 28, 2007	-0-	100%	0

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>[a]</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>Entry Age</u> <u>[b]</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>[b-a]</u>	<u>Funded</u> <u>Ratio</u> <u>[a/b]</u>	<u>Covered</u> <u>Payroll</u> <u>[c]</u>	<u>UAAL</u> <u>as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>[(b-a)/c]</u>
12/31/01	\$ 192,055	\$ 136,296	\$ (55,579)	141%	\$ 56,633	-
12/31/02	194,682	142,270	(52,412)	137%	56,721	-
12/31/03	206,328	154,937	(51,391)	133%	61,194	-
12/31/04	216,841	154,807	(62,034)	140%	55,242	-
12/31/05	228,160	197,805	(30,355)	115%	73,376	-