

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 checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Hart	County Oceana
Fiscal Year End June 30, 2007	Opinion Date December 28, 2007	Date Audit Report Submitted to State December 28, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

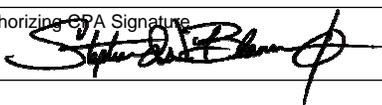
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	To be forwarded.	
Other (Describe)	<input type="checkbox"/>	No other reports required.	
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 616-975-4100	
Street Address 2330 EAST PARIS AVENUE SE		City GRAND RAPIDS	State MI
Authorizing CPA Signature 		Printed Name Stephen W. Blann, CPA, CGFM	Zip 49546
		License Number	24801



CITY OF HART, MICHIGAN

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

City of Hart, Michigan

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REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

INDEPENDENT AUDITORS' REPORT

December 28, 2007

Honorable Mayor and
Members of the City Council
Hart, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hart, Michigan (the "City"), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Hart, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hart, Michigan as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Lehmann Johnson".

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Hart, Michigan

Management's Discussion and Analysis

Management's discussion and analysis of the City of Hart, Michigan's financial performance provides an overview of the City's financial activities for the year ended June 30, 2007. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

Management has prepared the following highlights that summarize the financial trends at the City of Hart, Michigan.

- The City's net assets increased \$599,000 (or 3.5%). The governmental net assets increased by \$18,000 (or 1.6%) and the business-type net assets increased by \$581,000 (or 3.7%).
- Total City-wide revenues including all program and general revenues were \$7,242,000, an increase of \$917,000 (or 14%).
- Governmental revenues increased by \$184,000 (or 13%) and the business-type revenues increased by \$733,000 (or 15%).
- Total electric, water, and sewer operating revenues were \$5,077,000, an increase of \$563,000 over the prior year. The three most recent years of operating revenue is summarized here:
 - FY2005 -- \$4,063,000
 - FY2006 -- \$4,514,000 (11% increase)
 - FY2007 -- \$5,077,000 (12% increase)
- Electric, water and sewer functions had operating income of \$324,000 comprised of \$247,000 hydro income and \$77,000 water/sewer income. The three most recent years of combined operating income is summarized here:
 - FY2005 – (\$54,000) Loss
 - FY2006 -- \$84,000
 - FY2007 -- \$324,000
- The City benefited from capital grants (non-operating income) in the amount of \$385,000.
- Property tax revenues increased by \$48,000 to \$783,000.
- Charges for all types of City services increased by \$688,000 (or 14%) primarily due to increased demand and rate increases for garbage, water, sewer and electric services.

- Utility (business-type) charges for services increased by \$563,000 (or 12%) while utility expenses increased by only \$189,000 (or 4%).
- Total expenses of all of the City's programs were \$6,643,000, an increase of \$455,000 (or 7%). The governmental expenses increased by \$209,000 (or 15%) and the business-type expenses increased by \$246,000 (or 5%).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above report the City's net assets and changes in them. The reader can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's capital assets (roads, buildings, water and sewer lines) to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the public safety, general administration, parks and streets. Property taxes and State Shared Revenues finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services provided. The City's electric, water and sewer system is reported here.

Reporting the City's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council has established several other funds to help it control and manage money for particular purposes. The City's two types of funds, governmental and proprietary, use different accounting approaches.

- Governmental Funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- Proprietary Funds – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise fund is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

The City's combined net assets changed from a year ago, increasing from \$16,949,235 to \$17,547,244. Our analysis focuses on the net assets and changes in net assets of the City's governmental and business-type activities.

Table 1

Net Assets (in thousands) as of June 30, follows:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$1,285	\$ 1,296	\$7,245	\$7,545	\$8,530	\$8,841
Capital assets	1,057	1,086	15,711	14,885	16,768	15,971
Total assets	2,342	2,382	22,956	22,430	25,298	24,812
Long-term debt outstanding	1,034	1,077	5,921	5,680	6,955	6,757
Other liabilities	139	154	657	953	796	1,107
Total liabilities	1,173	1,231	6,578	6,633	7,751	7,864
Net assets:						
Invested in capital assets net of related debt	804	845	9,790	8,856	10,594	9,701
Restricted	120	95	477	463	597	558
Unrestricted	245	211	6,111	6,478	6,356	6,689
Total net assets	\$1,169	\$1,151	\$16,378	\$15,797	\$17,547	\$16,948

Net assets of the City's governmental activities increased by 1.5 percent (\$1,169,000 compared to \$1,151,000). Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased \$34,000. Restricted net assets, those restricted mainly for capital projects and special purposes increased by \$25,000.

The net assets of business-type activities increased by 3.7 percent (\$16,378,000 compared to \$15,797,000).

Table 2

Changes in Net Assets (in thousands) as of June 30, follows:

	Governmental Activities		Business-type Activities		Total Primary	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for services	\$322	\$229	\$5,177	\$4,582	\$5,499	\$4,811
Operating grants and contributions	156	154	-	-	156	154
Capital grants and contributions	7	38	378	126	385	164
General revenues:						
Property taxes	783	735	-	-	783	735
State shared	189	196	-	-	189	196
Cable franchise fees	19	15	-	-	19	15
Rental income	90	-	-	-	90	-
Sale of capital assets	-	2	(11)	-	(11)	2
Interest	14	23	109	212	123	235
Other	9	13	-	-	9	13
Total revenues	1,589	1,405	5,653	4,920	7,242	6,325
Expenses						
Governmental activities:						
General government	245	229	-	-	245	229
Public safety	342	350	-	-	342	350
Public works	823	570	-	-	823	570
Community and economic Development	12	17	-	-	12	17
Recreation and culture	101	87	-	-	101	87
Interest on long-term Debt	48	52	-	-	48	52
Utilities	-	-	5,072	4,883	5,072	4,883
Transfers	-	57	-	(57)	-	-
Total expenses and transfers	1,571	1,362	5,072	4,826	6,643	6,188
Changes in net assets	18	43	581	94	599	137
Net assets, beginning of year	1,151	1,108	15,797	15,703	16,948	16,811
Net assets, end of year	\$1,169	\$1,151	\$16,378	\$15,797	\$17,547	\$16,948

Governmental Activities

Revenues for the City's governmental activities increased \$184,000 while expenses increased \$209,000. Property taxes increased \$48,000. State Shared revenues decreased by \$7,000 to \$189,000.

Business-type Activities

Revenues for business-type activities increased by \$733,000 in part by \$378,000 in capital grants. Expenses increased in the business-type activities by \$246,000.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

At the end of fiscal year 2007 the governmental funds reported a *combined* fund balance of \$252,000 which is \$14,000 more than last year. The General Fund Undesignated Fund Balance at June 30, 2007 is \$180,000 which is 16% of 2006-2007 expenditures.

General Fund Budgetary Highlights

Revenues were \$21,000 more than the amended budget of \$1,205,000. Actual expenditures in the General Fund were \$38,000 below final amended budget amount of \$1,138,000. All program areas were at or under budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007 the City had \$16,768,000 invested in a broad range of capital assets including land, buildings, public safety equipment, roads, parks and electric, water and sewer lines. This amount includes a net increase (including additions and deductions) of \$796,000 or 5% over last year. The increase is due to infrastructure improvements including sewage lift stations and streets. Additional information on capital assets can be found in note 6 in the notes to the financial statements.

Long-term Debt

At June 30, 2007 the City had \$6,955,000 in long-term debt outstanding. This is a decrease of \$340,000 from last year. The most significant outstanding debts includes \$780,000 for the Hart Area Public Library, \$730,000 for the 1998 Water/Sewer Refunding Bonds, \$695,000

Electric System Bonds for the 88th Avenue Substation, \$3,445,000 obligation to Oceana County for the 2001 Wastewater Treatment Plant Improvements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

State-shared revenues appear to be steady for fiscal year 2007 with revenues projected at \$187,000 as the State of Michigan agreed to maintain funding levels.

Property taxes are expected to remain fairly stable for fiscal year 2007 with modest increases anticipated through redevelopment efforts.

The street improvement millage rate of approximately 2 mills was reinstated by the voters in May 2005 for another 5-year term insuring revenues for street rehabilitation in the amount of about \$75,000 annually.

Based on comprehensive studies by a professional rate analyst, utility rates were increased in December 2003, July 2005, July 2006, and July 2007 to correct an ongoing imbalance between revenues and expenditures particularly in the Water/Sewer Fund. Overall, rates for water and sewer services were increased by 5% and 9%, respectively, in July of 2007. Electric rates were increased by 5% in July 2007. As a result of the utility rate adjustments, the proprietary funds realized operating income of \$324,000 in FY2007, compared to \$84,000 operating income in FY2006, and a \$54,000 loss in FY2005.

The City is preparing for the Griswold Street reconstruction project commencing in the 2008 construction season. The City expects a \$287,000 State of Michigan grant to assist with the \$500,000 project. Progress continues on the \$1.1 million Lambrix Substation Voltage Upgrade with an expected completion date in September, 2008.

The General Fund has increased its undesignated fund balance to 16% of expenditures after several years below 10%.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager's Office at 407 State Street, Hart, MI, 49420.

BASIC FINANCIAL STATEMENTS

City of Hart, Michigan
Statement of Net Assets
June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Tax Increment Finance Authority
Assets				
Cash and cash equivalents	\$ 196,561	\$ 1,698,888	\$ 1,895,449	\$ 26,745
Receivables:				
Accounts	123,148	889,886	1,013,034	-
Special assessments	1,630	334,772	336,402	-
Leases	40,000	-	40,000	-
Due from other governmental units	22,623	-	22,623	-
Internal balances	(30,070)	30,070	-	-
Inventory	-	207,264	207,264	-
Restricted cash and cash equivalents	-	477,149	477,149	-
Long-term assets:				
Special assessments receivable	154,069	3,613,522	3,767,591	-
Leases receivable	740,000	-	740,000	-
Debt issuance costs, net	36,678	147,225	183,903	-
Capital assets:				
Nondepreciable	53,303	1,122,388	1,175,691	5,000
Depreciable, net	1,004,099	14,493,624	15,497,723	-
Total assets	2,342,041	23,014,788	25,356,829	31,745
Liabilities				
Accounts payable	28,997	458,942	487,939	-
Accrued liabilities	17,708	100,821	118,529	-
Unearned revenue	19,200	28,265	47,465	-
Long-term liabilities:				
Accrued compensated absences:				
Due within one year	49,493	31,496	80,989	-
Due in more than one year	42,955	38,033	80,988	-
Bonds and notes payable:				
Due within one year	91,760	673,021	764,781	-
Due in more than one year	942,133	5,247,634	6,189,767	-
Total liabilities	1,192,246	6,578,212	7,770,458	-
Net assets				
Invested in capital assets, net of related debt	803,509	9,695,357	10,498,866	5,000
Restricted for:				
Street construction and maintenance	24,757	-	24,757	-
Parks improvement	27,937	-	27,937	-
Solid waste alternative program	43,894	-	43,894	-
Debt service	798,315	477,149	1,275,464	-
Capital projects	104,479	-	104,479	-
Unrestricted (deficit)	(653,096)	6,264,070	5,610,974	26,745
Total net assets	\$ 1,149,795	\$ 16,436,576	\$ 17,586,371	\$ 31,745

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

City of Hart, Michigan
Statement of Activities
For the Year Ended June 30, 2007

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Primary government					
Governmental activities:					
General government	\$ 245,100	\$ 33,492	\$ -	\$ -	\$ (211,608)
Public safety	342,072	5,369	4,952	-	(331,751)
Public works	822,936	166,050	150,650	7,278	(498,958)
Community and economic development	11,855	-	-	-	(11,855)
Recreation and culture	101,204	97,600	-	-	(3,604)
Interest on long-term debt	47,880	-	-	-	(47,880)
Total governmental activities	<u>1,571,047</u>	<u>302,511</u>	<u>155,602</u>	<u>7,278</u>	<u>(1,105,656)</u>
Business-type activities:					
Hydro-electric	3,130,727	3,391,098	-	-	260,371
Water	303,314	304,675	-	-	1,361
Sewer	1,643,764	1,643,476	377,547	-	377,259
Total business-type activities	<u>5,077,805</u>	<u>5,339,249</u>	<u>377,547</u>	<u>-</u>	<u>638,991</u>
Total primary government	<u>\$ 6,648,852</u>	<u>\$ 5,641,760</u>	<u>\$ 533,149</u>	<u>\$ 7,278</u>	<u>\$ (466,665)</u>
Component unit					
Tax increment finance authority					
Public works	<u>\$ 129,986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (129,986)</u>

(Continued)

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

City of Hart, Michigan
Statement of Activities (Concluded)
For the Year Ended June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Tax Increment Finance Authority
Changes in net assets				
Net (expense) revenue	\$ (1,105,656)	\$ 638,991	\$ (466,665)	\$ (129,986)
General revenues:				
Property taxes, levied for:				
General purposes	701,303	-	701,303	35,748
Specific purposes	81,802	-	81,802	-
State shared revenues	189,182	-	189,182	-
Cable franchise fees	18,989	-	18,989	-
Rental income	90,327	-	90,327	-
Unrestricted interest earnings	13,629	-	13,629	4,112
Other	8,569	-	8,569	-
Total general revenues	1,103,801	-	1,103,801	39,860
Change in net assets	(1,855)	638,991	637,136	(90,126)
Net assets, beginning of year, as restated	1,151,650	15,797,585	16,949,235	121,871
Net assets, end of year	\$ 1,149,795	\$ 16,436,576	\$ 17,586,371	\$ 31,745

(Concluded)

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

City of Hart, Michigan
Balance Sheet
Governmental Funds
June 30, 2007

	General Fund	Library Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 86,758	\$ 7,496	\$ 102,307	\$ 196,561
Receivables:				
Accounts	97,756	-	25,392	123,148
Special assessments	-	-	155,699	155,699
Leases	-	780,000	-	780,000
Due from other governmental units	-	-	22,623	22,623
Due from other funds	33,434	-	-	33,434
Advances to other funds	15,274	-	-	15,274
	<hr/>			
Total assets	\$ 233,222	\$ 787,496	\$ 306,021	\$ 1,326,739
	<hr/>			
Liabilities				
Accounts payable	\$ 25,649	\$ -	\$ 3,348	\$ 28,997
Accrued liabilities	12,055	-	61	12,116
Due to other funds	-	-	65,934	65,934
Deferred revenue	-	780,000	174,899	954,899
Advances from other funds	12,844	-	-	12,844
	<hr/>			
Total liabilities	50,548	780,000	244,242	1,074,790
	<hr/>			
Fund balances				
Reserved for:				
Advances	2,430	-	-	2,430
Unreserved, undesignated (deficit), reported in:				
General fund	180,244	-	-	180,244
Special revenue funds	-	-	96,588	96,588
Debt service funds	-	7,496	16,411	23,907
Capital project funds	-	-	(51,220)	(51,220)
	<hr/>			
Total fund balances	182,674	7,496	61,779	251,949
	<hr/>			
Total liabilities and fund balances	\$ 233,222	\$ 787,496	\$ 306,021	\$ 1,326,739
	<hr/>			

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

City of Hart, Michigan
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets
of Governmental Activities on the Statement of Net Assets
June 30, 2007

Fund balances - total governmental funds	\$	251,949
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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 fund statements.

Add - nondepreciable capital assets		53,303
Add - depreciable capital assets, net		1,004,099

Certain assets, such as special assessments receivable are not due and receivable in the current period and therefore are offset with deferred revenue in the fund statements.

Add - deferred capital lease receivable		780,000
Add - deferred special assessments receivable		155,699

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the fund statements.

Deduct - bonds payable		(1,033,893)
Add - bond issuance costs		36,678
Deduct - compensated absences		(92,448)
Deduct - accrued interest on long-term liabilities		(5,592)

Net assets of governmental activities	\$	<u>1,149,795</u>
---------------------------------------	----	------------------

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

City of Hart, Michigan
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	General Fund	Library Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 701,303	\$ -	\$ 81,802	\$ 783,105
Licenses and permits	22,269	-	-	22,269
Intergovernmental revenues:				
State	191,930	-	148,450	340,380
Local	2,200	-	-	2,200
Charges for services	280,110	-	61,716	341,826
Fines and forfeitures	6,252	71,412	-	77,664
Investment earnings	9,510	-	3,819	13,329
Other	12,691	300	17,178	30,169
Total revenues	1,226,265	71,712	312,965	1,610,942
Expenditures				
Current:				
General government	232,903	-	-	232,903
Public safety	331,469	-	-	331,469
Public works	495,349	-	183,808	679,157
Community and economic development	11,855	-	-	11,855
Culture and recreation	15,827	-	63,313	79,140
Debt service:				
Principal	6,175	35,000	21,280	62,455
Interest	2,489	36,402	7,630	46,521
Capital outlay	4,489	-	148,481	152,970
Total expenditures	1,100,556	71,402	424,512	1,596,470
Revenues over (under) expenditures	125,709	310	(111,547)	14,472
Other financing sources (uses)				
Transfers in	528	-	51,740	52,268
Transfers out	(46,740)	-	(5,528)	(52,268)
Total other financing sources (uses)	(46,212)	-	46,212	-
Net changes in fund balances	79,497	310	(65,335)	14,472
Fund balances, beginning of year	103,177	7,186	127,114	237,477
Fund balances, end of year	\$ 182,674	\$ 7,496	\$ 61,779	\$ 251,949

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

City of Hart, Michigan
Reconciliation of the Statement of Revenue, Expenditures
and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

Net changes in fund balances - total governmental funds	\$	14,472
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
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.		
Add - purchase of capital assets		96,232
Deduct - depreciation expense		(125,222)
Special assessments and capital leases receivable are long-term in nature and are collectable over several years. However, the current receipts are reflected as revenues on the fund statements.		
Deduct - decrease in deferred special assessments		(6,750)
Deduct - decrease in deferred lease receivable		(35,000)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Add - principal payments on long-term liabilities		62,455
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Add - decrease in accrued interest on bonds		1,708
Deduct - increase in the accrual for compensated absences		(6,683)
Deduct - amortization of bond issuance costs		(3,067)
		(1,032)
Change in net assets of governmental activities	\$	(1,855)

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

City of Hart, Michigan
Statement of Revenues, Expenditures , and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance from Amended Budget Over (Under)
Revenues:				
Property taxes	\$ 684,500	\$ 695,000	\$ 701,303	\$ 6,303
Licenses and permits	21,120	21,120	22,269	1,149
Intergovernmental revenues:				
Federal	23,360	-	-	-
State	194,380	194,380	191,930	(2,450)
Local	2,200	2,200	2,200	-
Charges for Services	259,560	272,560	280,110	7,550
Fines and forfeitures	5,000	5,900	6,252	352
Investment earnings	2,700	5,640	9,510	3,870
Other	5,000	8,200	12,691	4,491
Total revenues	1,197,820	1,205,000	1,226,265	21,265
Expenditures:				
Current:				
General government:				
City Council	14,470	11,300	10,140	(1,160)
Administrative	85,680	124,250	111,085	(13,165)
Elections	5,400	4,400	4,058	(342)
Assessor	55,020	53,200	52,840	(360)
Attorney	18,900	18,900	18,414	(486)
City Hall	24,590	20,580	19,366	(1,214)
Cemetery	17,000	17,000	17,000	-
Total general government	221,060	249,630	232,903	(16,727)
Public safety:				
Police	306,280	299,770	295,495	(4,275)
Fire	35,980	35,980	35,974	(6)
Total public safety	342,260	335,750	331,469	(4,281)
Public works:				
Department of public works	295,540	353,210	339,331	(13,879)
Solid waste	143,000	144,100	144,018	(82)
Street lighting	12,000	12,000	12,000	-
Total public works	450,540	509,310	495,349	(13,961)
Community and economic development	20,000	12,000	11,855	(145)
Culture and recreation	26,400	16,750	15,827	(923)
Debt service:				
Principal	6,200	6,210	6,175	(35)
Interest and fees	39,810	2,490	2,489	(1)
Total debt service	46,010	8,700	8,664	(36)

City of Hart, Michigan
Statement of Revenues, Expenditures , and Changes in Fund Balance
Budget and Actual (Concluded)
General Fund
For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance from Amended Budget Over (Under)
Expenditures (continued):				
Capital outlay	\$ 5,750	\$ 5,980	\$ 4,489	\$ (1,491)
Total expenditures	1,112,020	1,138,120	1,100,556	(37,564)
Revenues over (under) expenditures	85,800	66,880	125,709	58,829
Other financing sources (uses)				
Loan proceeds	132,340	-	-	-
Transfers in	-	-	528	528
Transfers out	(53,620)	(53,620)	(46,740)	6,880
Total other financing sources (uses)	78,720	(53,620)	(46,212)	7,408
Net changes in fund balances	164,520	13,260	79,497	66,237
Fund balances, beginning of year	103,177	103,177	103,177	-
Fund balances, end of year	\$ 267,697	\$ 116,437	\$ 182,674	\$ 66,237

(Concluded)

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

City of Hart, Michigan
Statement of Fund Net Assets
Proprietary Funds
June 30, 2007

	Hydro Fund	Water Fund	Sewer Fund	Total
Assets				
Current assets:				
Cash and Investments	\$ 1,574,947	\$ 123,941	\$ -	\$ 1,698,888
Receivables:				
Accounts	513,923	48,700	327,263	889,886
Special assessments	-	1,834	332,938	334,772
Due from other funds	32,500	248,349	-	280,849
Inventory	147,941	31,952	27,371	207,264
Total current assets	2,269,311	454,776	687,572	3,411,659
Noncurrent assets:				
Capital assets, net:				
Capital assets not being depreciated	498,573	41,788	582,027	1,122,388
Capital assets being depreciated, net	3,500,936	1,490,269	9,502,419	14,493,624
Total capital assets, net	3,999,509	1,532,057	10,084,446	15,616,012
Restricted assets				
Advances to other funds	187,414	-	289,735	477,149
Bond issuance costs, net	184,342	-	-	184,342
Special assessments receivable	26,330	-	120,895	147,225
	-	173,328	3,440,194	3,613,522
Total noncurrent assets	4,397,595	1,705,385	13,935,270	20,038,250
Total assets	6,666,906	2,160,161	14,622,842	23,449,909
Liabilities				
Current liabilities:				
Accounts payable	190,416	3,598	264,928	458,942
Accrued liabilities	53,877	6,242	40,702	100,821
Customer deposits	26,315	-	-	26,315
Due to other funds	-	-	248,349	248,349
Unearned revenue	-	1,950	-	1,950
Accrued compensated absences, due in one year	19,055	1,899	10,542	31,496
Bonds and notes payable, due in one year	55,000	34,269	583,752	673,021
Total current liabilities	344,663	47,958	1,148,273	1,540,894
Noncurrent liabilities:				
Advances from other funds	-	-	186,772	186,772
Accrued compensated absences	23,010	2,294	12,729	38,033
Bonds payable, net of current maturities	640,000	239,640	4,367,994	5,247,634
Total noncurrent liabilities	663,010	241,934	4,567,495	5,472,439
Total liabilities	1,007,673	289,892	5,715,768	7,013,333
Net assets				
Invested in capital assets, net of related debt	3,304,509	1,258,148	5,132,700	9,695,357
Restricted for debt service	187,414	-	289,735	477,149
Unrestricted	2,167,310	612,121	3,484,639	6,264,070
Total net assets	\$ 5,659,233	\$ 1,870,269	\$ 8,907,074	\$ 16,436,576

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

City of Hart, Michigan
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	<u>Hydro Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 3,319,493	\$ 289,759	\$ 1,468,005	\$ 5,077,257
Operating expenses				
Administration	269,281	84,152	139,785	493,218
Operations	2,590,515	112,911	840,376	3,543,802
Depreciation and amortization	212,547	94,590	409,257	716,394
Total operating expenses	3,072,343	291,653	1,389,418	4,753,414
Operating income (loss)	247,150	(1,894)	78,587	323,843
Nonoperating revenues (expenses)				
Loss on sale of capital assets	-	-	(10,780)	(10,780)
Intergovernmental revenues - state	-	-	377,547	377,547
Interest income	71,605	14,916	175,471	261,992
Interest expense	(58,384)	(11,661)	(243,566)	(313,611)
Total nonoperating revenues (expenses)	13,221	3,255	298,672	315,148
Net income before transfers	260,371	1,361	377,259	638,991
Transfers				
Transfers in	-	-	100,000	100,000
Transfers out	(100,000)	-	-	(100,000)
Total transfers	(100,000)	-	100,000	-
Change in net assets	160,371	1,361	477,259	638,991
Net assets, beginning of year, as restated	5,498,862	1,868,908	8,429,815	15,797,585
Net assets, end of year	<u>\$ 5,659,233</u>	<u>\$ 1,870,269</u>	<u>\$ 8,907,074</u>	<u>\$ 16,436,576</u>

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

City of Hart, Michigan
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	Hydro Fund	Water Fund	Sewer Fund	Total
Cash flows from operating activities				
Receipts from customers and users	\$ 3,261,809	\$ 277,384	\$ 1,339,680	\$ 4,878,873
Payments to suppliers	(2,593,821)	(151,241)	(665,168)	(3,410,230)
Payments to employees	(249,318)	(37,684)	(129,474)	(416,476)
Net cash provided by operating activities	418,670	88,459	545,038	1,052,167
Cash flows from noncapital financing activities				
Transfers in	-	-	100,000	100,000
Transfers out	(100,000)	-	-	(100,000)
Coverage of fund cash deficits	-	(248,349)	248,349	-
Payments on fund advances	67,434	-	(22,000)	45,434
Net cash provided by (used in) noncapital financing activities	(32,566)	(248,349)	326,349	45,434
Cash flows from capital and related financing activities				
Special assessments collected	-	7,593	339,180	346,773
Acquisition of capital assets	(376,754)	(12,340)	(1,047,043)	(1,436,137)
State grants received	-	-	377,547	377,547
Proceeds from issuance of long-term debt	-	-	300,000	300,000
Principal paid on long-term debt	(56,174)	(10,850)	(510,526)	(577,550)
Interest and fiscal charges paid	(30,799)	(10,252)	(235,205)	(276,256)
Net cash used in capital and related financing activities	(463,727)	(25,849)	(776,047)	(1,265,623)
Cash flows from investing activities				
Interest earned on investments	71,605	14,916	175,471	261,992
Net (decrease) increase in cash and cash equivalents	(6,018)	(170,823)	270,811	93,970
Cash and cash equivalents, beginning of year	1,768,379	294,764	18,924	2,082,067
Cash and cash equivalents, end of year	\$ 1,762,361	\$ 123,941	\$ 289,735	\$ 2,176,037
Statement of fund net assets classifications of cash and cash equivalents:				
Cash and Investments	\$ 1,574,947	\$ 123,941	\$ -	\$ 1,698,888
Restricted assets	187,414	-	289,735	477,149
	\$ 1,762,361	\$ 123,941	\$ 289,735	\$ 2,176,037

(Continued)

City of Hart, Michigan
Statement of Cash Flows (Concluded)
Proprietary Funds
For the Year Ended June 30, 2007

	Hydro Fund	Water Fund	Sewer Fund	Total
Cash flows from operating activities				
Operating income (loss)	\$ 247,150	\$ (1,894)	\$ 78,587	\$ 323,843
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	212,547	94,590	409,257	716,394
Changes in operating assets and liabilities which provided (used) cash:				
Accounts receivable	(52,369)	(14,325)	(128,325)	(195,019)
Due from other funds	(30,000)	-	-	(30,000)
Inventories	49,741	1,283	325	51,349
Accounts payable	62	2,047	173,466	175,575
Accrued liabilities	9,452	615	2,116	12,183
Accrued compensated absences	(12,598)	4,193	9,612	1,207
Customer deposits	(5,315)	-	-	(5,315)
Deferred revenue	-	1,950	-	1,950
Net cash provided by operating activities	\$ 418,670	\$ 88,459	\$ 545,038	\$ 1,052,167

(Concluded)

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

City of Hart, Michigan
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Private Purpose Trust Fund	Agency Fund
	Historic District Commission	Tax Collection Fund
Assets		
Cash and investments	\$ 16,221	\$ -
Net assets		
Held in trust for benefits and other purpose	\$ 16,221	\$ -

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

City of Hart, Michigan
Statement of Changes In Fiduciary Net Assets
Private Purpose Trust Fund
June 30, 2007

	<u>Historic District Commission</u>
Additions	
Investment earnings	\$ 679
Net assets, beginning of year	<u>15,542</u>
Net assets, end of year	<u>\$ 16,221</u>

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

NOTES TO FINANCIAL STATEMENTS

City of Hart, Michigan

Notes to Financial Statements

For the Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hart (the "City") was incorporated June 30, 1954 under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: Public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

Blended Component Unit

Building Authority – The City appoints all Board members and approves annual budgets for the Authority, and the legal liability for the general obligation portion of the Authority's debt remains with the City. The Authority is reported as a debt service and capital projects fund.

Discretely Presented Component Unit

The discretely presented component unit reported by the City is the Tax Increment Finance Authority (TIFA). The TIFA board is appointed by the City Council, but the board, after appointments, operates as a separate entity. The TIFA board can authorize and issue debt independent from the City. The TIFA is presented as a governmental fund type.

Related Organization

The City of Hart's cemetery is a related organization which is excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the cemetery.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately

City of Hart, Michigan

Notes to Financial Statements

For the Year Ended June 30, 2007

from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. 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. After March 1 of each year, the County is responsible for collecting any outstanding real property taxes as of that date. 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. However, debt service and accrued employee benefit expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services and interest 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

City of Hart, Michigan

Notes to Financial Statements

For the Year Ended June 30, 2007

The City reports the following major governmental fund:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Library Debt Service Fund* is used to account for principal and interest payments on the Building Authority Bond issue and the offsetting capital lease receivable from the Hart Public Library.

The City reports the following major proprietary funds:

The Hydro Fund – This fund is used to account for the costs of purchasing and distributing electricity to City residents. Revenues are primarily from charges to customers for electricity usage and service charges to customers. These revenues are used to pay operating costs and principal and interest on revenue bonds and general obligation bonds which were used to finance improvements to the systems.

The Water Fund – This fund is used to account for the costs of providing water services to City residents. Revenues are primarily from charges to customers for water usage. These revenues are used to pay operating costs and principal and interest on revenue bonds and general obligation bonds which were used to finance improvements to the systems.

The Sewer Fund – This fund is used to account for the costs of collecting and treating wastewater. Revenues are primarily from charges to customers based on water usage. These revenues are used to pay operating costs and principal and interest on revenue bonds and general obligation bonds which were used to finance improvements to the systems.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for proceeds from specific revenue sources (other than or capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

The *Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The *Capital Projects Fund* is used to account for the accumulation and disbursement of funds for capital projects.

The *Private Purpose Trust Fund* is used to account for resources held in trust for the Historic District Commission.

The *Agency Fund* is used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

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 and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

City of Hart, Michigan

Notes to Financial Statements

For the Year Ended June 30, 2007

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-in-lieu of taxes and other charges between the City'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 functions concerned.

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 enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. 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 City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Budgets are adopted for general and special revenue funds on a basis consistent with generally accepted accounting principles (GAAP). The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Adoption and amendments of all budgets used by the City are governed by Public Act 621, which was followed for the year ended June 30, 2007. Expenditures may not exceed appropriations. The appropriations resolutions are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. The legal level of budgetary control is at the department level.
6. Budgeted amounts are as originally adopted, or as amended by the City Council.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less to be cash and temporary investments.

City of Hart, Michigan

Notes to Financial Statements

For the Year Ended June 30, 2007

Investments

State statutes authorize the City to invest in the following:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Restricted Assets

Certain resources set aside for the repayment of the City's enterprise fund revenue bonds, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added since 2003.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

City of Hart, Michigan

Notes to Financial Statements

For the Year Ended June 30, 2007

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds. Depreciation on capital assets (including infrastructure) of the primary government is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	25
Buildings	40
Vehicles and equipment	5-25
Utility systems	5-50
System infrastructure	10-20

Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

Library debt service fund – capital lease receivable	\$780,000
Nonmajor governmental funds – special assessments	155,399
Unearned charges for services	<u>19,200</u>
	<u>\$954,899</u>

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond issues, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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 uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in the contracts.

Vacation leave earned as of June 30, 2007, is recorded in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

City of Hart, Michigan

Notes to Financial Statements

For the Year Ended June 30, 2007

Property Taxes

City property taxes are attached as an enforceable lien on property as of July 1st. Taxes are levied July 1 and are due without penalty on or before August 31. These summer tax bills include the City's own property taxes and taxes billed on behalf of other districts within the City limits. Real property taxes not collected are returned to the County for collection, which advances the City 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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.

Special Assessments

Special assessments in governmental funds are recorded as revenues when due, not when levied. Estimated annual installments not yet available are reflected as deferred revenue.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies, advances, or equity contributions are determined by the City.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2007, the City carried commercial insurance to cover all risks of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. There was no significant change in coverage during the year.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended June 30, 2007, expenditures were incurred in excess of the amounts appropriated in the amended budget of special revenue fund types of the primary government as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Local streets fund			
Public works	\$ 81,280	\$ 81,373	\$ 93
Woodlawn street special assessment fund			
Transfers out	500	528	28
Solid waste alternative program fund			
Public works	-	8,738	8,738

City of Hart, Michigan

Notes to Financial Statements

For the Year Ended June 30, 2007

3. ACCUMULATED FUND DEFICITS

As of June 30, 2007, the Street Improvements and Creeks Drive capital projects funds had accumulated fund deficits of \$18,061 and \$33,434, respectively. The deficits will be eliminated through collection of special assessments, future operations and transfers.

4. DEPOSITS AND INVESTMENTS

The captions on the government-wide and fund statements relating to cash and investments are as follows:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Component Unit	Total
Cash and cash equivalents	\$ 196,561	\$ 1,698,888	\$ 16,221	\$26,745	\$1,938,415
Restricted cash and cash equivalents	-	477,149	-	-	477,149
Total cash and pooled investments	\$ 196,561	\$ 2,176,037	\$ 16,221	\$26,745	\$2,415,564

These deposits are in three (3) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. Deposits and investments are recorded in City records at fair value. Interest is recorded when earned.

Cash and investments are composed of the following at June 30, 2007:

Checking/Savings Accounts	\$ 1,451,232
Certificates of Deposit (due within one year)	731,961
Money market funds	231,321
Petty Cash	1,050
Total cash and investments	\$ 2,415,564

Investments

The City chooses to disclose its investments by specifically identifying each. As of year-end, the City had the following investments:

	Maturity	Fair Value	Rating
Money market mutual funds	N/A	\$ 231,321	N/A

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified under "statutory authority" in the significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity date for each investment is identified above for investments held at year-end.

City of Hart, Michigan

Notes to Financial Statements

For the Year Ended June 30, 2007

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of the City's specific financial institutions, qualified mutual funds, and qualified external investment pools as identified in "statutory authority" in the significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year-end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. As of year-end, \$1,839,655 of the City's bank balance of \$2,258,562 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk-Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for the investment custodial risk. At year-end, the City was not exposed to custodial credit risk, as all investments are held in the name of the City.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

5. CAPITAL LEASE RECEIVABLE

The Building Authority Capital Projects Fund sold a building that it constructed to Hart District Library through a capital lease. The agreement requires annual payments of \$35,000 to \$70,000 plus interest at rates from 3.5% to 5% through June 2022.

City of Hart, Michigan

Notes to Financial Statements

For the Year Ended June 30, 2007

6. CAPITAL ASSETS

Changes in capital assets for the year ending June 30, 2007, are as follows:

Primary Government

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 9,315	\$ -	\$ -	\$ 9,315
Construction in progress	43,988	-	-	43,988
Total capital assets, not being depreciated	53,303	-	-	53,303
Capital assets, being depreciated:				
Land improvements	31,710	-	-	31,710
Buildings and improvements	568,825	-	-	568,825
Vehicles and equipment	652,373	9,489	-	661,862
Infrastructure	537,661	86,743	-	624,404
Total capital assets being depreciated	1,790,569	96,232	-	1,886,801
Less accumulated depreciation for:				
Land improvements	2,220	1,268	-	3,488
Buildings and improvements	294,596	14,220	-	308,816
Vehicles and equipment	413,278	78,321	-	491,599
Infrastructure	47,386	31,413	-	78,799
Total accumulated depreciation	757,480	125,222	-	882,702
Net capital assets, being depreciated	1,033,089	(28,990)	-	1,004,099
Net governmental activities capital assets	\$ 1,086,392	\$ (28,990)	\$ -	\$ 1,057,402
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 325,115	\$ 5,000	\$ -	\$ 330,115
Construction in progress	82,658	1,067,370	(357,755)	792,273
Total capital assets, not being depreciated:	407,773	1,072,370	(357,755)	1,122,388
Capital assets being depreciated:				
Hydro system	7,231,933	88,509	-	7,320,442
Water system	3,139,496	10,000	-	3,149,496
Sewer system	12,828,580	600,673	-	13,429,253
Furniture and equipment	656,243	22,340	(21,560)	657,023
Total capital assets being depreciated	23,856,252	721,522	(21,560)	24,556,214

City of Hart, Michigan

Notes to Financial Statements

For the Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Less accumulated depreciation for:				
Hydro system	\$ 3,751,359	\$ 183,500	\$ -	\$ 3,934,860
Water system	1,601,909	90,520	-	1,692,429
Sewer system	3,584,830	381,417	-	3,966,247
Furniture and equipment	441,001	38,834	(10,780)	469,054
Total accumulated depreciation	9,379,099	694,271	(10,780)	10,062,590
Net capital assets, being depreciated	14,477,153	27,251	(10,780)	14,493,624
Net business-type activities capital assets	\$ 14,884,926	\$ 1,099,621	\$ (368,535)	\$ 15,616,012

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

Governmental activities:

General government	\$ 5,514
Public safety	15,603
Public works	82,041
Recreation and cultural	22,064

Total depreciation expense – governmental activities \$ 125,222

Business-type activities:

Hydro	\$ 209,914
Sewer	94,590
Water	389,767

Total depreciation expense – business-type activities \$ 694,271

Discretely Presented Component Unit

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Tax Increment Financing Authority				
Capital assets, not being depreciated				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000

City of Hart, Michigan

Notes to Financial Statements

For the Year Ended June 30, 2007

7. INTERFUND PAYABLES, RECEIVABLES, AND TRANSFERS

Interfund receivables/payables consist of the following at year-end:

	Due to	Due from
Governmental activities:		
General fund	\$ -	\$ 33,434
Nonmajor governmental funds	65,934	-
Business-type activities:		
Hydro fund	-	32,500
Water fund	-	248,349
Sewer fund	248,349	-
	\$ 314,283	\$ 314,283
	Advance to	Advance from
Governmental activities:		
General fund	\$ 15,274	\$ 12,844
Business-type activities:		
Hydro fund	184,342	-
Sewer fund	-	186,772
	\$ 199,616	\$ 199,616

Interfund balances represent borrowing to cover short-term cash flow needs as well as balances payable and receivable for goods and services received from and provided to other funds.

The composition of transfers for the year ended June 30, 2007, is as follows:

	Transfers In	Transfers Out
Governmental activities:		
General fund	\$ 528	\$ 46,740
Nonmajor governmental funds	51,740	5,528
	52,268	52,268
Business-type activities:		
Hydro fund	-	100,000
Sewer fund	100,000	-
	100,000	100,000
 Total	\$ 152,268	\$ 152,268

Transfers are used to: (1) move unrestricted revenues collected in the General Fund and other funds to finance various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

City of Hart, Michigan

Notes to Financial Statements

For the Year Ended June 30, 2007

8. LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended June 30, 2007:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
Governmental activities					
General Obligation Debt:					
\$950,000 General Obligation Building Authority Bonds, Series 2003. Bonds due in annual installments of \$35,000 to \$70,000 through June 1, 2022; interest at 3.5 to 5%.	\$ 815,000	\$ -	\$ 35,000	\$ 780,000	\$ 40,000
\$85,000 General Obligation Bonds, Series 2004. Bonds due in annual installments of \$5,000 to \$10,000 through September 1, 2013; interest at 3.2 – 4%.	75,000	-	5,000	70,000	10,000
\$250,000 Michigan Transportation Fund Bonds, Series 1993. Bonds due in annual installments of \$20,000 through August 1, 2007; interest at 5.8%.	40,000	-	20,000	20,000	20,000
\$166,454 Special Assessment Bonds of 2004. Bonds due in annual installments of \$1,300 to \$26,800 through September 1, 2013; interest at 3 – 4%.	165,173	-	1,280	163,893	21,760
\$11,474 Note payable to bank; final payment due September 2006; interest at 3.3%.	1,175	-	1,175	-	-
Total installment debt	1,096,348	-	62,455	1,033,893	91,760
Compensated absences	85,765	57,872	51,189	92,448	49,493
Total governmental activities	<u>\$1,182,113</u>	<u>\$ 57,872</u>	<u>\$ 113,644</u>	<u>\$ 1,126,341</u>	<u>\$141,253</u>
Business-type activities					
\$1,715,000 Water and Sewer Revenue Refunding Bonds, Series 1998. Bonds due in annual installments of \$110,000 to \$175,000 through July 1, 2012, interest at 4.8 – 5.2%.	\$ 840,000	\$ -	\$ 110,000	\$ 730,000	\$ 135,000

City of Hart, Michigan

Notes to Financial Statements

For the Year Ended June 30, 2007

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
\$420,000 Water and Sewer Revenue Bonds, Series 2001. Bonds due in annual installments of \$35,000 to \$50,000 through July 1, 2011; interest at 4 – 4.5%.	\$ 235,000	\$ -	\$ 45,000	\$ 190,000	\$ 45,000
\$950,000 Electric Supply System Revenue Bonds, Series 2002. Bonds due in annual installments of \$55,000 to \$85,000 through April 1, 2017; interest at 3 – 4.7%.	750,000	-	55,000	695,000	55,000
\$142,000 Special Assessment Bonds, Series 1998. Bonds due in annual installments of \$15,000 to \$20,000 through September 1, 2007; interest at 4.4%.	35,000	-	15,000	20,000	20,000
\$483,546 Special Assessment Bonds, Series 2004. Bonds due in annual installments of \$3,700 to \$77,700 through September 1, 2013; interest at 3 – 4%.	479,826	-	3,720	476,106	63,240
\$5,165,000 obligation to Oceana County. due in annual installments of \$310,000 to \$455,000 through November 1, 2015; interest at 3.8 – 4.85%.	3,755,000	-	310,000	3,445,000	320,000
\$300,000 Revenue Bonds, Series 2001. Bonds due in annual installments of \$25,000 through July 1, 2018; interest 1.625% for the first 5 years. Afterwards, the rate will be 5-year treasury rates, less .27%.	-	300,000	25,000	275,000	25,000

City of Hart, Michigan

Notes to Financial Statements

For the Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year
\$42,026 Note payable to bank; final payment paid September 2006.	\$ 4,420	\$ -	\$ 4,420	\$ -	\$ -
\$108,000 note due to bank due in annual installments, including interest, of approximately \$13,300 through September 1, 2014; interest at 3.95%.	98,959	-	9,410	89,549	9,781
Total installment debt	6,198,205	300,000	577,550	5,920,655	673,021
Compensated absences	68,322	36,828	35,621	69,529	31,496
Total business-type activities	\$ 6,266,527	\$336,828	\$ 613,171	\$ 5,990,184	\$ 704,517

The annual requirements, excluding compensated absences, to maturity on the total long-term obligations outstanding at June 30, 2007 are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 91,760	\$43,121	\$ 673,021	\$ 248,947
2009	71,760	40,030	673,408	221,396
2010	71,760	37,518	683,809	192,330
2011	73,040	34,966	737,947	161,641
2012	79,320	32,322	727,101	129,301
2013-2017	326,254	118,259	2,400,369	256,471
2018-2022	320,000	49,160	25,000	1,110
	\$1,033,894	\$355,376	\$5,920,655	\$1,211,196

For the governmental activities, compensated absences are generally liquidated by the general fund.

9. DEFINED CONTRIBUTION PENSION PLAN

The City also maintains three defined contribution retirement plans offered and administered by ICMA Retirement Corporation (ICMA). The City Services Defined Contribution Plan covers all City service employees hired on or after July 7, 1999 and all City services employees hired prior to July 7, 1999 who elected to convert from the defined benefit plan on July 7, 1999. The Non-Union Defined Contribution Plan covers all non-union employees hired on or after July 1, 1999 and all non-union employees hired prior to July 1, 1999 who elected to convert from the defined benefit plan on July 1, 1999. The Public Safety Defined Contribution Plan covers all public safety officers, lieutenants and sergeants hired on or after January 1, 2002 and all officers, lieutenants and sergeants hired prior to January 1, 2002 who elected to convert to the defined contribution plan on January 1, 2002. For the year ended June 30, 2007 the City contributed \$33,203 and employees contributed \$14,536 to the plan.

City of Hart, Michigan

Notes to Financial Statements

For the Year Ended June 30, 2007

10. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City does not contribute to the plan. All assets of the plan are held in trust for employees and the related assets and liabilities are not included in this report.

11. RESTATEMENT OF BEGINNING NET ASSETS

As of July 1, 2006, net assets reported of the Sewer fund and the business-type activities were increased by \$27,050 to reflect metered sales to customers of \$68,877 and billings from the Hydro Electric fund of \$41,827 that were attributable to the year ended June 30, 2006, and erroneously recorded as current year revenue and expense.

12. SUBSEQUENT EVENT

Subsequent to June 30, 2007 the City entered into two installment contracts for \$92,462 and \$390,855 for painting and repairs to the City's elevated water storage tank, and for the purchase of a substation transformer, respectively.

* * * * *

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

City of Hart, Michigan
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Funds			
	Major Streets	Local Streets	Park	Woodlawn Street Special Assessment
Assets				
Cash and investments	\$ 2,198	\$ 2,986	\$ 24,047	\$ -
Receivables				
Accounts	-	-	25,392	-
Special assessments	-	-	-	-
Due from other governmental units	15,675	6,948	-	-
Total assets	\$ 17,873	\$ 9,934	\$ 49,439	\$ -
Liabilities				
Accounts payable	\$ -	\$ 550	\$ 2,241	\$ -
Accrued liabilities	-	-	61	-
Due to other funds	-	2,500	-	-
Deferred revenue	-	-	19,200	-
Total liabilities	-	3,050	21,502	-
Fund balances (deficits)				
Unreserved:				
Undesignated, reported in				
Special Revenue Funds	17,873	6,884	27,937	-
Capital Projects Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Total fund balances (deficits)	17,873	6,884	27,937	-
Total liabilities and fund balances (deficits)	\$ 17,873	\$ 9,934	\$ 49,439	\$ -

Special Revenue Fund	Debt Service Fund	Capital Projects Funds			Total Other Governmental Funds
Solid Waste Alternative Program	1993 MTF Bonds Debt Retirement	Street Improvements	Enterprise Drive	Creeks Drive	
\$ 43,894	\$ 16,411	\$ 12,496	\$ 275	\$ -	\$ 102,307
-	-	-	-	-	25,392
-	-	-	9,779	145,920	155,699
-	-	-	-	-	22,623
<u>\$ 43,894</u>	<u>\$ 16,411</u>	<u>\$ 12,496</u>	<u>\$ 10,054</u>	<u>\$ 145,920</u>	<u>\$ 306,021</u>
\$ -	\$ -	\$ 557	\$ -	\$ -	\$ 3,348
-	-	-	-	-	61
-	-	30,000	-	33,434	65,934
-	-	-	9,779	145,920	174,899
-	-	30,557	9,779	179,354	244,242
43,894	-	-	-	-	96,588
-	-	(18,061)	275	(33,434)	(51,220)
-	16,411	-	-	-	16,411
<u>43,894</u>	<u>16,411</u>	<u>(18,061)</u>	<u>275</u>	<u>(33,434)</u>	<u>61,779</u>
<u>\$ 43,894</u>	<u>\$ 16,411</u>	<u>\$ 12,496</u>	<u>\$ 10,054</u>	<u>\$ 145,920</u>	<u>\$ 306,021</u>

City of Hart, Michigan
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue Funds			
	Major Streets	Local Streets	Park	Woodlawn Street Special Assessment
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
State	99,042	49,408	-	-
Charges for services	-	-	61,188	28
Investment earnings	203	-	1,098	-
Other	200	-	-	-
Total revenues	99,445	49,408	62,286	28
Expenditures				
Current:				
Public works	93,697	81,373	-	-
Culture and recreation	-	-	63,313	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	93,697	81,373	63,313	-
Revenues over (under) expenditures	5,748	(31,965)	(1,027)	28
Transfers				
Transfers in	-	30,000	-	-
Transfers out	(5,000)	-	-	(528)
Total transfers	(5,000)	30,000	-	(528)
Net changes in fund balances (deficits)	748	(1,965)	(1,027)	(500)
Fund balances (deficits), beginning of year	17,125	8,849	28,964	500
Fund balances (deficits), end of year	\$ 17,873	\$ 6,884	\$ 27,937	\$ -

Special Revenue Funds	Debt Service Fund	Capital Projects Funds			Total Other Governmental Funds
Solid Waste Alternative Program	1993 MTF Bonds Debt Retirement	Street Improvements	Enterprise Drive	Creeks Drive	
\$ -	\$ -	\$ 81,802	\$ -	\$ -	\$ 81,802
-	-	-	-	-	148,450
-	-	-	500	-	61,716
1,688	197	633	-	-	3,819
10,228	-	-	1,630	5,120	17,178
<u>11,916</u>	<u>197</u>	<u>82,435</u>	<u>2,130</u>	<u>5,120</u>	<u>312,965</u>
8,738	-	-	-	-	183,808
-	-	-	-	-	63,313
-	20,000	-	1,280	-	21,280
-	1,741	-	5,889	-	7,630
-	-	148,481	-	-	148,481
<u>8,738</u>	<u>21,741</u>	<u>148,481</u>	<u>7,169</u>	<u>-</u>	<u>424,512</u>
<u>3,178</u>	<u>(21,544)</u>	<u>(66,046)</u>	<u>(5,039)</u>	<u>5,120</u>	<u>(111,547)</u>
-	21,740	-	-	-	51,740
-	-	-	-	-	(5,528)
-	21,740	-	-	-	46,212
3,178	196	(66,046)	(5,039)	5,120	(65,335)
<u>40,716</u>	<u>16,215</u>	<u>47,985</u>	<u>5,314</u>	<u>(38,554)</u>	<u>127,114</u>
<u>\$ 43,894</u>	<u>\$ 16,411</u>	<u>\$ (18,061)</u>	<u>\$ 275</u>	<u>\$ (33,434)</u>	<u>\$ 61,779</u>

City of Hart, Michigan
Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
Major Streets Fund
For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance from Amended Budget Over (Under)
Revenues				
Intergovernmental:				
State	\$ 99,250	\$ 103,920	\$ 99,042	\$ (4,878)
Investment earnings	-	200	203	3
Other	-	200	200	-
Total revenues	99,250	104,320	99,445	(4,875)
Expenditures				
Current:				
Public works	88,000	97,360	93,697	(3,663)
Revenues over (under) expenditures	11,250	6,960	5,748	(1,212)
Other financing uses				
Transfers out	(5,000)	(5,000)	(5,000)	-
Net changes in fund balances	6,250	1,960	748	(1,212)
Fund balances, beginning of year	17,125	17,125	17,125	-
Fund balances, end of year	\$ 23,375	\$ 19,085	\$ 17,873	\$ (1,212)

City of Hart, Michigan
Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
Local Streets Fund
For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance from Amended Budget Over (Under)
Revenues				
Intergovernmental:				
State	\$ 45,250	\$ 52,520	\$ 49,408	\$ (3,112)
Expenditures				
Current:				
Public works	72,020	81,280	81,373	93
Revenues over (under) expenditures	(26,770)	(28,760)	(31,965)	(3,205)
Other financing sources				
Transfers in	30,000	30,000	30,000	-
Net changes in fund balances	3,230	1,240	(1,965)	(3,205)
Fund balances, beginning of year	8,849	8,849	8,849	-
Fund balances, end of year	\$ 12,079	\$ 10,089	\$ 6,884	\$ (3,205)

City of Hart, Michigan
Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
Park Fund
For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance from Amended Budget Over (Under)
Revenues				
Charges for services	\$ 77,200	\$ 77,200	\$ 61,188	\$ (16,012)
Investment earnings	200	200	1,098	898
Total revenues	77,400	77,400	62,286	(15,114)
Expenditures				
Current:				
Culture and recreation	69,870	65,340	63,313	(2,027)
Capital outlay	6,000	4,600	-	(4,600)
Total expenditures	75,870	69,940	63,313	(6,627)
Net changes in fund balances	1,530	7,460	(1,027)	(8,487)
Fund balances, beginning of year	28,964	28,964	28,964	-
Fund balances, end of year	\$ 30,494	\$ 36,424	\$ 27,937	\$ (8,487)

City of Hart, Michigan
Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
Woodlawn Street Special Assessment Fund
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance from Amended Budget Over (Under)</u>
Revenues				
Charges for services	\$ 30	\$ 30	\$ 28	\$ (2)
Other	470	470	-	(470)
Total revenues	500	500	28	(472)
Other financing uses				
Transfers out	(500)	(500)	(528)	28
Net changes in fund balances	-	-	(500)	(500)
Fund balances, beginning of year	500	500	500	-
Fund balances, end of year	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ (500)</u>

City of Hart, Michigan
Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
Solid Waste Alternative Program Fund
For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance from Amended Budget Over (Under)
Revenues				
Investment earnings	\$ -	\$ -	\$ 1,688	\$ 1,688
Other	-	-	10,228	10,228
<hr/>				
Total revenues	-	-	11,916	11,916
Expenditures				
Current:				
Public works	-	-	8,738	8,738
<hr/>				
Net changes in fund balances	-	-	3,178	3,178
Fund balances, beginning of year	40,716	40,716	40,716	-
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Fund balances, end of year	\$ 40,716	\$ 40,716	\$ 43,894	\$ 3,178

City of Hart, Michigan
Balance Sheet
Tax Increment Financing Authority
June 30, 2007

Assets

Cash and investments

\$ 26,745

Fund balances

Unreserved, undesignated

\$ 26,745

City of Hart, Michigan
Reconciliation of Fund Balances on the Balance Sheet
for Tax Increment Financing Authority to Net Assets
of Component Unit on the Statement of Net Assets
June 30, 2007

Fund balances - tax increment financing authority	\$ 26,745
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Amounts reported for *component unit* in the statement of net assets are different because:

Capital assets used in the component unit are not financial resources, and therefore are not reported in the fund statements.

Add - nondepreciable capital assets	<u>5,000</u>
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Net assets of component unit	<u><u>\$ 31,745</u></u>
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City of Hart, Michigan
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Tax Increment Financing Authority
For the Year Ended June 30, 2007

Revenues	
Property taxes	\$ 35,748
Investment earnings	<u>4,112</u>
Total revenues	39,860
 Expenditures	
Current:	
Public works	<u>129,986</u>
Net changes in fund balances	(90,126)
Fund balances, beginning of year	<u>116,871</u>
Fund balances, end of year	<u><u>\$ 26,745</u></u>