

Auditing Procedures Report

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

| | | | |
|---|--------------|--------------------------------------|--------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name | County |
| Fiscal Year End | Opinion Date | Date Audit Report Submitted to State | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

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

| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) |
|--|--------------------------|--|
| Financial Statements | <input type="checkbox"/> | |
| The letter of Comments and Recommendations | <input type="checkbox"/> | |
| Other (Describe) | <input type="checkbox"/> | |
| Certified Public Accountant (Firm Name) | | Telephone Number |
| Street Address | City | State Zip |
| Authorizing CPA Signature <i>Hennrich A. Berthiaume</i> | Printed Name | License Number |

CITY OF VASSAR

Tuscola County, Michigan

FINANCIAL STATEMENTS

June 30, 2007

CITY OF VASSAR

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CITY OF VASSAR

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June 30, 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* 64**



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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
City of Vassar, Michigan

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2007 on our consideration of the City of Vassar's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, schedule of pension plan funding progress and budgetary comparison schedule are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Vassar's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Berthiaume & Co.

September 20, 2007
Saginaw, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF VASSAR

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Vassar (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$10,602,194 (net assets). Of this amount, \$1,672,720 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and others.

During the fiscal year, the City's total net assets decreased by \$978,180. Governmental activities accounted for \$944,398 of this decrease, while business-type activities accounted for \$33,782.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,222,232, a decrease of \$149,246 in comparison with prior year. Approximately 13 percent of this total or \$156,425 is reserved for various purposes. Of the remaining unreserved fund balance, \$37,589 is designated for special purposes, leaving an unreserved, undesignated fund balance of \$1,028,218.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$395,789, or approximately forty-one (41) percent of the General Fund's annual expenditures (including transfers).

Overview of the Financial Statements

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

Government-wide Financial Statements

The government-wide statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City'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 City 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 (for example, earned but unused vacation leave).

The government-wide financial statements can be found on pages 13 through 14 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 City, like other state or local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary 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 the 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 on 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 City maintains fourteen (14) 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, which is considered to be a major fund. Data from the other thirteen (13) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for each of its governmental funds. A budgetary comparison statement has been provided for the General Fund, the City's only major fund, to demonstrate compliance with that budget.

Proprietary Funds – The City maintains two different types of proprietary funds. Enterprise Funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for sewage collection, water distribution, and stormwater management. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses Internal Service Funds to account for insurance claims.

Proprietary funds provide 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 Sewer and Water Funds, which are considered to be major funds of the City. The nonmajor Enterprise Fund and Internal Service Fund is presented in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 19 through 23 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiduciary Funds – Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

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.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City.

The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplemental information.

Government-wide Financial Analysis

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For all activities of the City, assets exceeded liabilities by \$10,602,194 at the close of the most recent fiscal year. Most of this amount (77 percent) reflects the investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; thus, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (7 percent) represents resources that are subject to external restrictions on how they are to be used. The remaining balance of unrestricted net assets (16 percent) may be used to meet the government's ongoing obligations to citizens and others.

CITY OF VASSAR

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Vassar's Net Assets

| | <i>Governmental Activities</i> | | <i>Business-type Activities</i> | | <i>Total</i> | |
|--|------------------------------------|---------------------|-------------------------------------|---------------------|---------------------|---------------------|
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| Assets: | | | | | | |
| Current and other assets | \$ 1,430,338 | \$ 1,637,484 | \$ 1,878,029 | \$ 1,944,957 | \$ 3,308,367 | \$ 3,582,441 |
| Capital assets | 3,204,563 | 3,344,586 | 6,607,431 | 6,752,210 | 9,811,994 | 10,096,796 |
| Total assets | <u>4,634,901</u> | <u>4,982,070</u> | <u>8,485,460</u> | <u>8,697,167</u> | <u>13,120,361</u> | <u>13,679,237</u> |
| Liabilities: | | | | | | |
| Current liabilities | 165,054 | 142,490 | 206,739 | 217,615 | 371,793 | 360,105 |
| Long-term liabilities | <u>847,040</u> | <u>272,375</u> | <u>1,299,334</u> | <u>1,466,383</u> | <u>2,146,374</u> | <u>1,738,758</u> |
| Total liabilities | <u>1,012,094</u> | <u>414,865</u> | <u>1,506,073</u> | <u>1,683,998</u> | <u>2,518,167</u> | <u>2,098,863</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 2,978,111 | 3,063,143 | 5,167,431 | 5,137,210 | 8,145,542 | 8,200,353 |
| Restricted | 571,650 | 575,119 | 212,282 | 211,077 | 783,932 | 786,196 |
| Unrestricted | <u>73,046</u> | <u>928,943</u> | <u>1,599,674</u> | <u>1,664,882</u> | <u>1,672,720</u> | <u>2,593,825</u> |
| Total net assets | <u>\$ 3,622,807</u> | <u>\$ 4,567,205</u> | <u>\$ 6,979,387</u> | <u>\$ 7,013,169</u> | <u>\$10,602,194</u> | <u>\$11,580,374</u> |

Statement of Activities

During the current fiscal year, the government's total net assets decreased by \$978,180. Governmental activities accounted for \$944,398 of this decrease, while business-type activities accounted for \$33,782.

Governmental Activities

The net assets decreased for governmental activities in the current fiscal year due to the City's costs associated with the Moore Drain reconstruction project and other financial constraints.

- Current assets decreased because the City Council agreed to pay a portion of our total obligation on the Moore Drain project instead of financing the total debt. There was \$150,000 paid from the General Fund's fund balance and \$39,000 paid from the Local Street Fund's fund balance.
- Capital assets decreased as a result of spending cuts implemented in the current fiscal year and the continued depreciation of existing capital assets. The value will continue to decline as older assets continue to reach fully depreciated status without new capital purchases to replace their value in the net assets total.
- Long-term liabilities increased due to the bond issued for the Moore Drain project.

Business-type Activities

The City's Water Fund has remained stable over the past year in spite of revenue reductions that are related to changes in the manufacturing sector's water usage. The Sewer Fund has also experienced a declining revenue trend for the past several years. The depreciation of assets is also a factor in the total value of net assets for these funds.

CITY OF VASSAR

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Vassar's Changes in Net Assets

| | <i>Governmental Activities</i> | | <i>Business-type Activities</i> | | <i>Total</i> | |
|---|------------------------------------|---------------------|-------------------------------------|---------------------|----------------------|----------------------|
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 371,188 | \$ 384,770 | \$ 1,017,122 | \$ 996,485 | \$ 1,388,310 | \$ 1,381,255 |
| Operating grants | 263,814 | 278,712 | 221 | 237 | 264,035 | 278,949 |
| Capital grants | - | 20,883 | - | - | - | 20,883 |
| General revenues | | | | | | |
| Property taxes | 987,405 | 958,524 | - | - | 987,405 | 958,524 |
| Franchise fees | 7,822 | 7,563 | - | - | 7,822 | 7,563 |
| State revenue sharing | 359,914 | 370,961 | - | - | 359,914 | 370,961 |
| Investment earnings | 72,075 | 57,923 | 84,150 | 62,224 | 156,225 | 120,147 |
| Miscellaneous | 14,257 | 20,889 | - | - | 14,257 | 20,889 |
| Total revenues | <u>2,076,475</u> | <u>2,100,225</u> | <u>1,101,493</u> | <u>1,058,946</u> | <u>3,177,968</u> | <u>3,159,171</u> |
| Program Expenses: | | | | | | |
| General government | 577,155 | 717,468 | - | - | 577,155 | 717,468 |
| Public safety | 641,375 | 698,985 | - | - | 641,375 | 698,985 |
| Public works | 1,464,079 | 603,341 | - | - | 1,464,079 | 603,341 |
| Health and welfare | 22,584 | 22,584 | - | - | 22,584 | 22,584 |
| Community and economic development | 28,562 | 16,950 | - | - | 28,562 | 16,950 |
| Recreation and culture | 242,611 | 226,350 | - | - | 242,611 | 226,350 |
| Interest on long-term debt | 42,545 | 12,378 | - | - | 42,545 | 12,378 |
| Sewer | - | - | 757,394 | 719,885 | 757,394 | 719,885 |
| Water | - | - | 366,769 | 386,134 | 366,769 | 386,134 |
| Stormwater Management | - | - | 27,959 | - | 27,959 | - |
| Total program expenses | <u>3,018,911</u> | <u>2,298,056</u> | <u>1,152,122</u> | <u>1,106,019</u> | <u>4,171,033</u> | <u>3,404,075</u> |
| Increase in net assets before other items | <u>(942,436)</u> | <u>(197,831)</u> | <u>(50,629)</u> | <u>(47,073)</u> | <u>(993,065)</u> | <u>(244,904)</u> |
| Other items: | | | | | | |
| Contributions to principal | 900 | 1,750 | - | - | 900 | 1,750 |
| Sale of capital assets - gains | 9,215 | - | 4,770 | - | 13,985 | - |
| Transfers | (12,077) | (12,058) | 12,077 | 12,058 | - | - |
| Total other items | <u>(1,962)</u> | <u>(10,308)</u> | <u>16,847</u> | <u>12,058</u> | <u>14,885</u> | <u>1,750</u> |
| Change in net assets | (944,398) | (208,139) | (33,782) | (35,015) | (978,180) | (243,154) |
| Net assets, beginning, restated | <u>4,567,205</u> | <u>4,775,344</u> | <u>7,013,169</u> | <u>7,048,184</u> | <u>11,580,374</u> | <u>11,823,528</u> |
| Net assets, ending | <u>\$ 3,622,807</u> | <u>\$ 4,567,205</u> | <u>\$ 6,979,387</u> | <u>\$ 7,013,169</u> | <u>\$ 10,602,194</u> | <u>\$ 11,580,374</u> |

CITY OF VASSAR

MANAGEMENT'S DISCUSSION AND ANALYSIS

City Funds Financial Analysis

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

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as show accountability for certain activities. The City's major governmental fund is the General Fund. Additionally, the City reports the Sewer and Water funds as major proprietary funds.

The General Fund accounts for functions relating to the general government activities of the City, which are financed by property tax levies, distribution of State revenues, and fees charged for various municipal activities and services. This fund had a decreased fund balance of \$102,260.

The Sewer Fund covers the operations of the City's sewage treatment plant and the maintenance and construction of the sewer distribution system.

The Water Fund finances the operations of the water treatment plant and the entire transmission and distribution system.

General Fund Budgetary Highlights

Over the course of the year, the City Council and City management monitor and amend the budget to account for unanticipated events during the year.

The current fiscal year was marked by budget cuts and spending adjustments due to unforeseen changes in the City's financial condition. The originally adopted budget for the current fiscal year did not take into consideration the total cost of the Moore Drain project or the fact that a related debt payment would be due in February 2007. Therefore, the City administration and department heads worked together to find ways to reduce expenditures throughout the early months of the fiscal year to prepare for these expenditures. Initial budget amendments were approved by City Council in September 2006 and quarterly budget amendments were subsequently adopted through the end of the year to reflect the changes in our financial position.

Once again, several factors impacted the General Fund in this fiscal year. The significant items include the following:

- **Total Revenue:** The City experienced a decrease of \$32,431, which equals a 1.80% reduction in total revenue in fiscal year 2007 over the adopted budget amount.
- **Total Expenditures:** Total expenditures increased a total of 56.72% above the original budgeted total, due to the Moore Drain project costs. Significant reductions were made throughout the General Fund budget because of cost-saving measures implemented in fiscal year 2007 to accommodate the costs for the Moore Drain project.
- **Interfund Transfers:** Interfund transfers from the General Fund decreased by \$55,810 (16.86%) from the original adopted budget as a result of budget cuts throughout the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- **State Revenue Sharing:** Once again the State of Michigan reduced the amount of state-shared revenue distributed to local governmental units. Our revenue sharing total in the fiscal year was reduced by 2.98% over the total received in fiscal year 2006. This accounted for a \$11,047 reduction in our budgeted revenue sharing total for the year. Fiscal year 2007 marked the sixth consecutive fiscal year that the City's state-shared revenue funds have been reduced. This equals a 25.40% reduction in revenue for that time period.
- **Interest Revenue:** The City's investment strategy for the year provided continued improvement in interest earnings. The General Fund benefited from this strategy, earning a total of \$34,075 in interest, which is a 20.35% increase in interest earnings over the previous fiscal year.
- **Personnel Costs:** Personnel costs were reviewed throughout the fiscal year and some significant changes were made. The most significant change took place when the City joined MERS Premier Health Systems in January 2007. Other changes made in the second half of the fiscal year included: eliminating unnecessary overtime hours worked and modifying the police officers' schedule from 12-hour shifts to an 8-hour shift basis. The changes in work hours reduced the City's total obligation for employer retirement contributions for the fiscal year.
- **Loan Proceeds:** The City entered into a bond financing arrangement with the Tuscola County Drain Commissioner for the Moore Drain project. The proceeds from this bond issue were unrecorded in our final budget, but are reflected in the Budgetary Comparison Schedule (page 45).

Capital Assets and Debt Administration

Capital Assets – The City's investment in capital assets for governmental and business-type activities as of June 30, 2007 amounts to \$9,811,994 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, vehicles, furniture and equipment, systems, streets, and sidewalks. Governmental activities included additions of \$64,117 in buildings and improvements, equipment and infrastructure. Business-type activities included additions of \$144,693 in various equipment and land improvements. The current year expenditure of \$909,726 for the Moore Drain project was not considered an addition to the capital assets because the Drain is owned by the County not the City.

Debt – At the end of the current fiscal year, the City had total debt outstanding of \$2,318,937. Of this amount, \$878,937 comprises debt backed by the full faith and credit of the government. The remaining of the City's debt (\$1,440,000) is backed solely by specified revenue sources. Governmental activities debt increased by \$652,485 net current year's payment. This amount is the City's portion of Tuscola County's financing for Moore Drain.

Economic Factors

The City of Vassar's economic future is currently dependent upon many factors that are beyond the control of the City Council and City management. The downturn in the automotive industry combined with the restructuring of that industry not only affected our current revenue stream but it will have a significant impact on the City's financial future.

The State of Michigan's economy continued to decline in this fiscal year. The local economy reflects this trend and ultimately affects our long-term financial outlook. This affects our customers' ability to pay taxes and/or utility bills in a timely manner, which impacts our cash flow. In addition, the declining economy has affected property sales and there has been an increase in mortgage foreclosures in the City. Home sale trends are significant because they can impact the overall taxable value of residential property in future tax years.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Another significant factor in the economic picture is the ongoing decrease in taxable value for industrial property (real and personal) that continued in fiscal year 2007. The total taxable value for industrial property was down \$225,400 (2.6%) over the previous year's total. Since fiscal year 2003, the total for industrial properties has decreased \$1,220,200 (13%).

Interest rates held steady throughout this fiscal year, which improved our interest earnings over fiscal year 2006. While interest earnings have improved in recent years, funds available for investment may be impacted by the slowing economy in the future.

These uncertain times in our economy create the need for the City to utilize strategic planning methods in the years ahead. In spite of the cost saving measures implemented this fiscal year, rising costs for fuel, electricity, supplies, and personnel continued to impact our overall budget. All City funds are impacted by these increased costs. The City administration and Council will continue to look for ways to reduce costs wherever possible.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact Vassar City Hall, 287 E. Huron Avenue, Vassar, MI 48768.

BASIC FINANCIAL STATEMENTS

CITY OF VASSAR

STATEMENT OF NET ASSETS

June 30, 2007

| | <i>Primary Government</i> | | | <i>Component Units</i> |
|---|------------------------------------|-------------------------------------|----------------------|----------------------------|
| | <i>Governmental Activities</i> | <i>Business-type Activities</i> | <i>Total</i> | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 1,148,270 | \$ 1,467,543 | \$ 2,615,813 | \$ 81,393 |
| Receivables | 242,452 | 138,567 | 381,019 | 18,931 |
| Internal balances | - | - | - | - |
| Inventory | 13,628 | - | 13,628 | - |
| Prepaid expenses | 25,988 | 5,030 | 31,018 | - |
| Restricted cash and cash equivalents | - | 212,282 | 212,282 | - |
| Capital assets: | | | | |
| Nondepreciable capital assets | 526,669 | 43,009 | 569,678 | 54,264 |
| Depreciable capital assets, net | 2,677,894 | 6,564,422 | 9,242,316 | 78,248 |
| Other assets | - | 54,607 | 54,607 | - |
| Total assets | <u>4,634,901</u> | <u>8,485,460</u> | <u>13,120,361</u> | <u>232,836</u> |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | 81,378 | 36,739 | 118,117 | 1,900 |
| Long-term liabilities: | | | | |
| Due within one year | 83,676 | 170,000 | 253,676 | - |
| Due in more than one year | <u>847,040</u> | <u>1,299,334</u> | <u>2,146,374</u> | <u>-</u> |
| Total liabilities | <u>1,012,094</u> | <u>1,506,073</u> | <u>2,518,167</u> | <u>1,900</u> |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | 2,978,111 | 5,167,431 | 8,145,542 | 132,512 |
| Restricted for: | | | | |
| Debt service | - | 194,348 | 194,348 | - |
| Asset replacement | - | 17,934 | 17,934 | - |
| Streets | 454,841 | - | 454,841 | - |
| Nonexpendable cemetery principal | 116,809 | - | 116,809 | - |
| Unrestricted | <u>73,046</u> | <u>1,599,674</u> | <u>1,672,720</u> | <u>98,424</u> |
| Total net assets | <u>\$ 3,622,807</u> | <u>\$ 6,979,387</u> | <u>\$ 10,602,194</u> | <u>\$ 230,936</u> |

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

CITY OF VASSAR

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

| | <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> | |
| Functions/Programs | | | | | |
| PRIMARY GOVERNMENT: | | | | | |
| <i>Governmental activities:</i> | | | | | |
| General government | \$ 577,155 | \$ 93,511 | \$ 515 | \$ - | \$ (483,129) |
| Public safety | 641,375 | 88,319 | 5,366 | - | (547,690) |
| Public works | 1,464,079 | 133,078 | 241,265 | - | (1,089,736) |
| Health and welfare | 22,584 | 22,806 | - | - | 222 |
| Community and economic development | 28,562 | - | 152 | - | (28,410) |
| Recreation and culture | 242,611 | 33,474 | 16,516 | - | (192,621) |
| Interest on long-term debt | 42,545 | - | - | - | (42,545) |
| Total governmental activities | <u>3,018,911</u> | <u>371,188</u> | <u>263,814</u> | <u>-</u> | <u>(2,383,909)</u> |
| <i>Business-type activities:</i> | | | | | |
| Sewer | 757,394 | 531,055 | 77 | - | (226,262) |
| Water | 366,769 | 435,057 | 144 | - | 68,432 |
| Stormwater Management | 27,959 | 51,010 | - | - | 23,051 |
| Total business-type activities | <u>1,152,122</u> | <u>1,017,122</u> | <u>221</u> | <u>-</u> | <u>(134,779)</u> |
| Total primary government | <u>\$4,171,033</u> | <u>\$ 1,388,310</u> | <u>\$ 264,035</u> | <u>\$ -</u> | <u>\$(2,518,688)</u> |
| COMPONENT UNITS: | | | | | |
| Economic development corporation | \$ 20,303 | \$ - | \$ - | \$ - | \$ (20,303) |
| Downtown development authority | 24,918 | 824 | - | - | (24,094) |
| Total component units | <u>\$ 45,221</u> | <u>\$ 824</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (44,397)</u> |

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

| | <u>Primary Government</u> | | | <u>Component Units</u> |
|---|------------------------------------|--|----------------------|----------------------------|
| | <u>Governmental Activities</u> | <u>Business- type Activities</u> | <u>Total</u> | |
| <i>Changes in net assets:</i> | | | | |
| Net (Expense) Revenue | \$ (2,383,909) | \$ (134,779) | \$ (2,518,688) | \$ (44,397) |
| General revenues | | | | |
| Taxes: | | | | |
| Property taxes, levied for general purpose | 907,684 | - | 907,684 | - |
| Property taxes, County allocation for streets | 74,687 | - | 74,687 | - |
| Property taxes, captured by component units | - | - | - | 79,860 |
| Payment in lieu of property taxes | 5,034 | - | 5,034 | - |
| Franchise fees | 7,822 | - | 7,822 | - |
| Grants and contributions not restricted to specific programs | 359,914 | - | 359,914 | - |
| Unrestricted investment earnings | 72,075 | 84,150 | 156,225 | 633 |
| Miscellaneous | 14,257 | - | 14,257 | - |
| Contributions to principal of permanent fund | 900 | - | 900 | - |
| Special item - Gain on sale of capital asset | 9,215 | 4,770 | 13,985 | - |
| Transfers | (12,077) | 12,077 | - | - |
| Total general revenues, contributions, special item, and transfers | <u>1,439,511</u> | <u>100,997</u> | <u>1,540,508</u> | <u>80,493</u> |
| Change in net assets | (944,398) | (33,782) | (978,180) | 36,096 |
| Net assets, beginning of year, restated | <u>4,567,205</u> | <u>7,013,169</u> | <u>11,580,374</u> | <u>194,840</u> |
| Net assets, end of year | <u>\$ 3,622,807</u> | <u>\$ 6,979,387</u> | <u>\$ 10,602,194</u> | <u>\$ 230,936</u> |

CITY OF VASSAR

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2007

| | <i>General Fund</i> | <i>Nonmajor Governmental Funds</i> | <i>Total Governmental Funds</i> |
|---------------------------------------|-------------------------|--|---|
| Assets: | | | |
| Cash and cash equivalents | \$ 357,499 | \$ 755,218 | \$ 1,112,717 |
| Taxes receivable | 17,079 | - | 17,079 |
| Accounts receivable | 14,054 | 2,029 | 16,083 |
| Special assessments receivable | - | 3,486 | 3,486 |
| Notes receivable | 30,415 | 64,867 | 95,282 |
| Accrued interest receivable | 444 | 3,979 | 4,423 |
| Due from other governmental units | 67,132 | 38,470 | 105,602 |
| Due from other funds | - | 1,658 | 1,658 |
| Inventory | 13,628 | - | 13,628 |
| Prepaid expenditures | 20,294 | 5,694 | 25,988 |
| Total assets | <u>\$ 520,545</u> | <u>\$ 875,401</u> | <u>\$ 1,395,946</u> |
| Liabilities and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable | \$ 29,709 | \$ 12,869 | \$ 42,578 |
| Due to other governmental units | 13,632 | - | 13,632 |
| Due to other funds | - | 1,658 | 1,658 |
| Deferred revenue | 47,493 | 68,353 | 115,846 |
| Total liabilities | <u>90,834</u> | <u>82,880</u> | <u>173,714</u> |
| Fund balances: | | | |
| Reserved for: | | | |
| Inventory | 13,628 | - | 13,628 |
| Prepaid expenditures | 20,294 | 5,694 | 25,988 |
| Nonexpendable cemetery principal | - | 116,809 | 116,809 |
| Unreserved: | | | |
| Designated, reported in: | | | |
| General fund | 37,589 | - | 37,589 |
| Undesignated, reported in: | | | |
| General fund | 358,200 | - | 358,200 |
| Special revenue funds | - | 670,018 | 670,018 |
| Total fund balances | <u>429,711</u> | <u>792,521</u> | <u>1,222,232</u> |
| Total liabilities and fund balances | <u>\$ 520,545</u> | <u>\$ 875,401</u> | <u>\$ 1,395,946</u> |

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

CITY OF VASSAR

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

June 30, 2007

| | | |
|---|--------------------|----------------------------|
| Total fund balances for governmental funds | | \$ 1,222,232 |
| Total net assets reported for governmental activities in the statement of of net assets is different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | | |
| Governmental capital assets | 5,183,330 | |
| Less accumulated depreciation | <u>(1,978,767)</u> | 3,204,563 |
| Accrued interest in the governmental activities is not payable from current resources and therefore is not reported in the governmental funds. | | (25,168) |
| Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities. | | |
| Delinquent personal property taxes | 17,078 | |
| Notes | 95,282 | |
| Special assessments | <u>3,486</u> | 115,846 |
| Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds: | | |
| Long-term debt | (878,937) | |
| Compensated absences payable | <u>(51,779)</u> | (930,716) |
| The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets. | | <u>36,050</u> |
| Net assets of governmental activities | | <u><u>\$ 3,622,807</u></u> |

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

CITY OF VASSAR

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2007

| | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|--|---|
| Revenues: | | | |
| Property taxes | \$ 915,373 | \$ 74,687 | \$ 990,060 |
| Licenses and permits | 11,182 | - | 11,182 |
| State grants | 362,673 | 241,244 | 603,917 |
| Contributions from other units | 4,991 | 94,770 | 99,761 |
| Charges for services | 198,921 | 37,105 | 236,026 |
| Fines and forfeits | 9,860 | - | 9,860 |
| Interest and rents | 190,231 | 47,001 | 237,232 |
| Other revenue | 106,513 | 36,357 | 142,870 |
| Total revenues | <u>1,799,744</u> | <u>531,164</u> | <u>2,330,908</u> |
| Expenditures: | | | |
| Current | | | |
| General government | 491,365 | 55,001 | 546,366 |
| Public safety | 551,423 | 97,436 | 648,859 |
| Public works | 1,075,173 | 411,997 | 1,487,170 |
| Health and welfare | 22,584 | - | 22,584 |
| Community and economic development | 28,562 | - | 28,562 |
| Recreation and culture | - | 209,975 | 209,975 |
| Other | 12,979 | - | 12,979 |
| Capital outlay | 30,146 | 55,036 | 85,182 |
| Debt service | | | |
| Principal | 82,331 | 7,000 | 89,331 |
| Interest and fees | 19,041 | 4,854 | 23,895 |
| Total expenditures | <u>2,313,604</u> | <u>841,299</u> | <u>3,154,903</u> |
| Excess (deficiency) of revenues over expenditures | <u>(513,860)</u> | <u>(310,135)</u> | <u>(823,995)</u> |
| Other financing sources (uses): | | | |
| Contract financing | 686,826 | - | 686,826 |
| Transfers from other funds | - | 280,760 | 280,760 |
| Transfers to other funds | (275,226) | (17,611) | (292,837) |
| Total other financing sources (uses) | <u>411,600</u> | <u>263,149</u> | <u>674,749</u> |
| Net change in fund balances | (102,260) | (46,986) | (149,246) |
| Fund balances, beginning of year | <u>531,971</u> | <u>839,507</u> | <u>1,371,478</u> |
| Fund balances, end of year | <u>\$ 429,711</u> | <u>\$ 792,521</u> | <u>\$ 1,222,232</u> |

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

CITY OF VASSAR

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

Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ (149,246)

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

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

| | | |
|---------------------------|------------------|-----------|
| Capital outlay | 64,117 | |
| Less depreciation expense | <u>(204,140)</u> | (140,023) |

Collection of certain items recorded as deferred revenue are considered current financial resources in the governmental funds. In the statement of activities, these items have been recorded as revenue.

| | | |
|------------------------------------|--------------|----------|
| Delinquent personal property taxes | (2,654) | |
| Notes | (31,268) | |
| Special assessments | <u>(752)</u> | (34,674) |

Proceeds from long-term financing is revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets. (686,826)

Repayments of principal on long-term obligations are expenditures in governmental but the payments reduce long-term liabilities in the statement of net assets. 89,331

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

| | | |
|--|-----------------|----------|
| Change in compensated absences payable | (5,864) | |
| Change in accrued interest payable | <u>(18,650)</u> | (24,514) |

The net revenue (expense) of the internal service fund is reported with governmental activities. 1,554

Change in net assets of governmental activities \$ (944,398)

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

CITY OF VASSAR

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2007

| | <i>Business-type Activities</i> | | | <i>Governmental</i> | |
|---|---------------------------------|-----------------------|---|---------------------------------------|------------------------------------|
| | <i>Sewer Fund</i> | <i>Water Fund</i> | <i>Nonmajor Enterprise Fund</i> | <i>Total Enterprise Funds</i> | <i>Self Insurance Fund</i> |
| Assets: | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 529,013 | \$ 924,884 | \$ 13,646 | \$ 1,467,543 | \$ 35,553 |
| Accounts receivable | 54,489 | 38,271 | 5,126 | 97,886 | - |
| Special assessments receivable | 12,647 | 23,488 | - | 36,135 | - |
| Accrued interest receivable | - | 4,546 | - | 4,546 | 497 |
| Prepaid expenses | 4,310 | 720 | - | 5,030 | - |
| Total current assets | <u>600,459</u> | <u>991,909</u> | <u>18,772</u> | <u>1,611,140</u> | <u>36,050</u> |
| Noncurrent assets: | | | | | |
| Restricted cash and cash equivalents | 126,849 | 85,433 | - | 212,282 | - |
| Capital assets: | | | | | |
| Nondepreciable capital assets | 33,422 | 9,587 | - | 43,009 | - |
| Depreciable capital assets, net | 5,036,311 | 1,501,303 | 26,808 | 6,564,422 | - |
| Deferred financing costs | 23,364 | 31,243 | - | 54,607 | - |
| Total noncurrent assets | <u>5,219,946</u> | <u>1,627,566</u> | <u>26,808</u> | <u>6,874,320</u> | <u>-</u> |
| Total assets | <u>5,820,405</u> | <u>2,619,475</u> | <u>45,580</u> | <u>8,485,460</u> | <u>36,050</u> |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 10,828 | 7,715 | - | 18,543 | - |
| Accrued interest payable | 10,262 | 7,934 | - | 18,196 | - |
| Current portion of long-term debt | 95,874 | 74,126 | - | 170,000 | - |
| Total current liabilities | <u>116,964</u> | <u>89,775</u> | <u>-</u> | <u>206,739</u> | <u>-</u> |
| Noncurrent liabilities: | | | | | |
| Compensated absences payable | 13,966 | 15,368 | - | 29,334 | - |
| Long-term debt | 716,234 | 553,766 | - | 1,270,000 | - |
| Total noncurrent liabilities | <u>730,200</u> | <u>569,134</u> | <u>-</u> | <u>1,299,334</u> | <u>-</u> |
| Total liabilities | <u>847,164</u> | <u>658,909</u> | <u>-</u> | <u>1,506,073</u> | <u>-</u> |
| Net assets: | | | | | |
| Invested in capital assets, net of related debt | 4,257,625 | 882,998 | 26,808 | 5,167,431 | - |
| Restricted for: | | | | | |
| Debt service | 108,915 | 85,433 | - | 194,348 | - |
| Asset replacement | 17,934 | - | - | 17,934 | - |
| Unrestricted | 588,767 | 992,135 | 18,772 | 1,599,674 | 36,050 |
| Total net assets | <u>\$ 4,973,241</u> | <u>\$ 1,960,566</u> | <u>\$ 45,580</u> | <u>\$ 6,979,387</u> | <u>\$ 36,050</u> |

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

CITY OF VASSAR

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended June 30, 2007

| | <i>Business-type Activities</i> | | | <i>Governmental</i> | |
|---|---------------------------------|-----------------------|---|---------------------------------------|------------------------------------|
| | | | | <i>Activities</i> | |
| | <i>Sewer Fund</i> | <i>Water Fund</i> | <i>Nonmajor Enterprise Fund</i> | <i>Total Enterprise Funds</i> | <i>Self Insurance Fund</i> |
| Operating revenues: | | | | | |
| Charges for services | \$ 523,994 | \$ 419,634 | \$ 51,007 | \$ 994,635 | \$ - |
| Penalties | - | 12,683 | - | 12,683 | - |
| Other | 7,061 | 2,740 | 3 | 9,804 | - |
| Total operating revenues | <u>531,055</u> | <u>435,057</u> | <u>51,010</u> | <u>1,017,122</u> | <u>-</u> |
| Operating expenses: | | | | | |
| Personnel | 209,694 | 78,555 | - | 288,249 | - |
| Fringe benefits | 84,206 | 16,679 | - | 100,885 | - |
| Supplies | 20,573 | 33,914 | - | 54,487 | - |
| Contracted services | 4,606 | 27,599 | 1,795 | 34,000 | - |
| Administrative expense | 22,000 | 16,000 | 1,000 | 39,000 | - |
| Communication | 4,768 | 12,409 | - | 17,177 | - |
| Fees and permits | 4,317 | 3,815 | - | 8,132 | - |
| Conference and travel | 325 | 503 | - | 828 | - |
| Insurance | 13,854 | 3,926 | - | 17,780 | 185 |
| Utilities | 70,958 | 33,295 | - | 104,253 | - |
| Repairs and maintenance | 41,296 | 21,242 | 22,459 | 84,997 | - |
| Equipment rental | 4,309 | 20,150 | - | 24,459 | - |
| Other services and supplies | 828 | - | 1,661 | 2,489 | - |
| Loss on disposal of capital assets | - | 1,304 | - | 1,304 | - |
| Depreciation | <u>228,126</u> | <u>58,998</u> | <u>1,044</u> | <u>288,168</u> | <u>-</u> |
| Total operating expenses | <u>709,860</u> | <u>328,389</u> | <u>27,959</u> | <u>1,066,208</u> | <u>185</u> |
| Operating income (loss) | <u>(178,805)</u> | <u>106,668</u> | <u>23,051</u> | <u>(49,086)</u> | <u>(185)</u> |
| Non-operating revenues (expenses): | | | | | |
| Interest income | 34,415 | 49,665 | 70 | 84,150 | 1,739 |
| Special assessments interest | 77 | 144 | - | 221 | - |
| Gain on sale of capital assets | 2,160 | 2,610 | - | 4,770 | - |
| Interest and amortization expense | <u>(47,534)</u> | <u>(38,380)</u> | <u>-</u> | <u>(85,914)</u> | <u>-</u> |
| Net non-operating revenues | <u>(10,882)</u> | <u>14,039</u> | <u>70</u> | <u>3,227</u> | <u>1,739</u> |
| Net income (loss) before transfers | (189,687) | 120,707 | 23,121 | (45,859) | 1,554 |

continued

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

CITY OF VASSAR

PROPRIETARY FUNDS

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

Year Ended June 30, 2007

| | <i>Business-type Activities</i> | | | <i>Total Enterprise Funds</i> | <i>Governmental Activities</i> |
|--|---------------------------------|-----------------------|---|---------------------------------------|------------------------------------|
| | <i>Sewer Fund</i> | <i>Water Fund</i> | <i>Nonmajor Enterprise Fund</i> | | <i>Self Insurance Fund</i> |
| Transfers from (to) other funds | <u>(10,382)</u> | <u>-</u> | <u>22,459</u> | <u>12,077</u> | <u>-</u> |
| Net income (loss) | (200,069) | 120,707 | 45,580 | (33,782) | 1,554 |
| Net assets, beginning of year | <u>5,173,310</u> | <u>1,839,859</u> | <u>-</u> | <u>7,013,169</u> | <u>34,496</u> |
| Net assets, end of year | <u>\$ 4,973,241</u> | <u>\$ 1,960,566</u> | <u>\$ 45,580</u> | <u>\$ 6,979,387</u> | <u>\$ 36,050</u> |

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

CITY OF VASSAR

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

Year Ended June 30, 2007

| | <i>Business-type Activities</i> | | | <i>Governmental Activities</i> | |
|--|---------------------------------|-------------------|---------------------------------|--------------------------------|----------------------------|
| | <i>Sewer Fund</i> | <i>Water Fund</i> | <i>Nonmajor Enterprise Fund</i> | <i>Total Enterprise Funds</i> | <i>Self Insurance Fund</i> |
| Cash flows from operating activities: | | | | | |
| Cash received from customers | \$ 534,693 | \$ 443,533 | \$ 45,884 | \$ 1,024,110 | \$ (497) |
| Cash payments to employees | (208,453) | (76,845) | - | (285,298) | - |
| Cash payments to suppliers for goods and services | (278,992) | (188,295) | (26,915) | (494,202) | (185) |
| Net cash provided (used) by operating activities | 47,248 | 178,393 | 18,969 | 244,610 | (682) |
| Cash flows from non-capital financing activities: | | | | | |
| Transfers from (to) other funds | (10,382) | - | 22,459 | 12,077 | - |
| Net cash provided (used) by non-capital financing activities | (10,382) | - | 22,459 | 12,077 | - |
| Cash flows from capital and related financing activities: | | | | | |
| Special assessments interest | 77 | 144 | - | 221 | - |
| Gain on sale of capital assets | 2,160 | 2,610 | - | 4,770 | - |
| Acquisition of capital assets | (36,486) | (80,355) | (27,852) | (144,693) | - |
| Principal payments | (98,694) | (76,306) | - | (175,000) | - |
| Interest paid | (44,649) | (34,521) | - | (79,170) | - |
| Net cash used by capital and related financing activities | (177,592) | (188,428) | (27,852) | (393,872) | - |
| Cash flows from investing activities: | | | | | |
| Interest received | 34,415 | 49,665 | 70 | 84,150 | 1,739 |
| Net cash provided by investing activities | 34,415 | 49,665 | 70 | 84,150 | 1,739 |
| Net increase in cash and cash equivalents | (106,311) | 39,630 | 13,646 | (53,035) | 1,057 |
| Cash and cash equivalents, beginning of year | 762,173 | 970,687 | - | 1,732,860 | 34,496 |
| Cash and cash equivalents, end of year | \$ 655,862 | \$ 1,010,317 | \$ 13,646 | \$ 1,679,825 | \$ 35,553 |

continued

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

CITY OF VASSAR

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS, CONTINUED

Year Ended June 30, 2007

| | <i>Business-type Activities</i> | | | | <i>Governmental</i> |
|--|---------------------------------|-------------------|------------------|-------------------|---------------------|
| | | | | <i>Total</i> | <i>Self</i> |
| | <i>Sewer</i> | <i>Water</i> | <i>Nonmajor</i> | <i>Enterprise</i> | <i>Insurance</i> |
| | <i>Fund</i> | <i>Fund</i> | <i>Fund</i> | <i>Funds</i> | <i>Fund</i> |
| Reconciliation of operating income | | | | | |
| (loss) to net cash provided (used) by | | | | | |
| operating activities: | | | | | |
| Operating income (loss) | \$ (178,805) | \$ 106,668 | \$ 23,051 | \$ (49,086) | \$ (185) |
| Adjustments: | | | | | |
| Depreciation | 228,126 | 58,998 | 1,044 | 288,168 | - |
| Loss on capital assets | - | 1,304 | - | 1,304 | - |
| Change in assets and liabilities: | | | | | |
| Accounts receivable | (3,563) | 4,362 | (5,126) | (4,327) | - |
| Special assessments receivable | 2,973 | 5,521 | - | 8,494 | - |
| Accrued interest receivable | 4,228 | (1,407) | - | 2,821 | (497) |
| Prepaid expenses | 115 | 46 | - | 161 | - |
| Accounts payable | (5,932) | 2,068 | - | (3,864) | - |
| Accrued interest payable | (1,135) | (877) | - | (2,012) | - |
| Compensated absences payable | 1,241 | 1,710 | - | 2,951 | - |
| Net cash provided (used) by operating activities | <u>\$ 47,248</u> | <u>\$ 178,393</u> | <u>\$ 18,969</u> | <u>\$ 244,610</u> | <u>\$ (682)</u> |

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

CITY OF VASSAR

FIDUCIARY FUNDS STATEMENT OF NET ASSETS

June 30, 2007

| | <i>Private Purpose Trust Funds</i> | <i>Agency Funds</i> | <i>Total</i> |
|---------------------------|--|-------------------------|-----------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 2,745 | \$ 20,441 | \$ 23,186 |
| Total assets | <u>2,745</u> | <u>20,441</u> | <u>23,186</u> |
| Liabilities: | | | |
| Accounts payable | - | 20,441 | 20,441 |
| Total liabilities | <u>-</u> | <u>20,441</u> | <u>20,441</u> |
| Net Assets: | | | |
| Held in trust | <u>2,745</u> | <u>-</u> | <u>2,745</u> |
| Total net assets | <u>\$ 2,745</u> | <u>\$ -</u> | <u>\$ 2,745</u> |

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

CITY OF VASSAR

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
Year Ended June 30, 2007

| | <i>Private Purpose Trust Funds</i> |
|---|--|
| Additions: | |
| Investment income | \$ 124 |
| Total additions | <u>124</u> |
| Deductions: | |
| Contribution to General Fund | <u>59</u> |
| Total deductions | <u>59</u> |
| Net increase (decrease) | 65 |
| Net assets held in trust, beginning of year | <u>2,680</u> |
| Net assets held in trust, end of year | <u><u>\$ 2,745</u></u> |

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

NOTES TO FINANCIAL STATEMENTS

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Vassar was incorporated in 1945 and is located in Tuscola County, Michigan. The City is organized under Michigan's Comprehensive Home Rule City Act. City government is directed by a five member City Council elected by the community at large. The legislative body selects from among its members the Mayor and appoints a City Manager to administer the affairs of the City. The City provides the following services to approximately 2,800 residents as authorized by its charter: Public safety (police and fire), highways and streets, sanitation, health and social services, recreation and culture, public improvements, planning and zoning, and general administrative services.

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

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the City's reporting entity because of their operational or financial relationship with the City.

Discretely Presented Component Units - The component units column in the government-wide financial statements includes the financial data of the City's two component units. These units are reported in a separate column to emphasize that they are legally separate from the City. The component units are described as follows:

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

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

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

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Government-wide Financial Statements:

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. 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.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

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

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

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

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

Fund Financial Statements:

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Property taxes, franchise fees, licenses, 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

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

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

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 City has elected not to follow subsequent private-sector guidance.

Assets, Liabilities, and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools, if any, to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Restricted Assets – Certain resources set aside for repayment of bonds and to meet bond covenants, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

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

Inventories and Prepaid Expenses – Inventories are valued at cost, on a first-in, first-out basis. Inventories of some materials of governmental funds are recorded as expenditures when consumed rather than when purchased, but the majority are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenses in both the government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as assets with an initial individual cost in excess of \$1,500. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after July 1, 2003. Capital assets are depreciated using the straight-line method over the following useful lives:

| | |
|-------------------------------|-------------|
| Buildings and improvements | 20-50 years |
| Infrastructure | 20-50 years |
| Vehicles | 3-25 years |
| Furniture and other equipment | 3-15 years |

Compensated Absences – It is the City’s policy to permit employees to accumulate earned but unused sick days. Depending on whether the employee is union, non-union, full-time or part-time and on hire date, the employee can accumulate from 45 to 180 sick days. Upon retirement or leaving the employment of the City, union employees are paid for one half of their accumulated days, while non-union employees are paid for all of their accumulated days, subject to certain limitations. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual’s employment has terminated as of year end.

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Use of Estimates:

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

Eliminations and Reclassifications:

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

Property Taxes:

Property taxes attach as an enforceable lien on property as of December 1. Taxes are levied on July 1 and are due without penalty on or before July 31. The City bills and collects its own property taxes as well as those of Vassar Public Schools, Tuscola Intermediate School District and Tuscola County. Collections of these taxes and remittance of them to the entities are accounted for in the tax collection agency fund. City property tax revenues are recognized in the general fund. The delinquent real property taxes of the City are purchased by Tuscola County.

The 2006 taxable valuation of the City totaled \$52,445,224, on which ad valorem taxes levied consisted of 17.5000 mills for the City’s operating purposes.

The City also receives road taxes levied by Tuscola County.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

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

1. Prior to the first Council meeting in April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them, for the General Fund and Special Revenue Funds.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to the third Monday in May, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all funds except Trust and Agency and Internal Service Funds.
5. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund budget as originally adopted and amended by the City Council is included in the required supplemental information.
6. All annual appropriations lapse at fiscal year end.

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

| | <i>Final Budget</i> | | <i>Actual</i> | | <i>Excess</i> |
|---------------------|-------------------------|----|---------------|----|---------------|
| General Fund | | | | | |
| Capital outlay | \$ 24,458 | \$ | 30,146 | \$ | 5,688 |

NOTE 3: DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. At year-end, the City had \$2,957,115 (including the component units) of bank deposits (certificates of deposit, checking, and savings accounts), of which \$657,793 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

At year-end, the City had no investments.

NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

The authorizing ordinance for the 1998 Refunding Bonds requires the establishment and maintenance of various reserve funds as follows:

Operation and Maintenance Fund - The City is required to set aside a sum sufficient to provide for the payment of the next month's administration and operation expenses.

Bond and Interest Redemption Fund - The City is required to set aside a sum sufficient to provide for the payment of the current bond principal and interest payment less accrued interest available in the Redemption Fund.

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Replacement Fund - The City is required to set aside money in a Replacement Fund, as the Council may deem advisable.

Improvement Fund - The City is required to set aside money in an Improvement Fund, as the Council may deem advisable.

The official statement for the 1998 Refunding Bonds states the following:

Bond Reserve Account: Upon the issuance of the Bonds, the bond reserve account established with respect to the Refunded Bonds (the "Bond Reserve Account") will be equal to the lesser of (1) the maximum annual debt service due on the Bonds, (2) 125% of the average annual debt service requirements on the Bonds, or (3) 10% of the principal amount of the Bonds. Except as provided in the Ordinance, the monies credited to the Bond Reserve Account shall be used solely for the payment of the principal and interest on the Bonds as to which there would otherwise be a default. If at any time it shall be necessary to use monies credited to the Bond Reserve Account for such payment, then the monies so used shall be replaced from the Net Revenues first received thereafter which are not required for current principal and interest requirements. If Additional Bonds from time to time are issued, each ordinance authorizing the Additional Bonds shall provide for additional deposits to the Bond Reserve Account to be made in an amount that will result in the Bond Reserve Account being equal to the lesser of (1), (2), or (3) above after issuance of the Additional Bonds.

As of June 30, 2007 the City has set aside sufficient amounts as follows:

| | <i>Business-type Activities</i> | | |
|---------------------------------------|---------------------------------|------------------|-------------------|
| | <i>Sewer</i> | <i>Water</i> | <i>Total</i> |
| Restricted cash and cash equivalents: | | | |
| Bond reserve | \$ 108,762 | \$ 84,090 | \$ 192,852 |
| Bond and interest redemption | 153 | 1,343 | 1,496 |
| Replacement reserve | 17,934 | - | 17,934 |
| | <u>\$ 126,849</u> | <u>\$ 85,433</u> | <u>\$ 212,282</u> |

The required minimum amount for the bond reserve is 125% of the average annual debt service requirement. The total bond reserve amount was deposited upon issuance of the bonds. The City has sufficient assets in both funds to fund the reserves.

NOTE 5: CAPITAL ASSETS

Capital assets activity of the City's governmental and business-type activities at June 30, 2007 was as follows:

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

| | <u>July 1, 2006</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2007</u> |
|---|-------------------------|---------------------|--------------------|--------------------------|
| Governmental activities: | | | | |
| Nondepreciable capital assets | | | | |
| Land | \$ 526,669 | \$ - | \$ - | \$ 526,669 |
| Depreciable capital assets | | | | |
| Buildings and improvements | 1,276,440 | 40,923 | - | 1,317,363 |
| Furniture and equipment | 1,119,532 | 12,678 | (6,800) | 1,125,410 |
| Infrastructure | 1,472,839 | 10,516 | - | 1,483,355 |
| Vehicles | 730,533 | - | - | 730,533 |
| Total depreciable capital assets | 4,599,344 | 64,117 | (6,800) | 4,656,661 |
| Accumulated depreciation | <u>(1,781,427)</u> | <u>(204,140)</u> | <u>6,800</u> | <u>(1,978,767)</u> |
| Depreciable capital assets, net | <u>2,817,917</u> | <u>(140,023)</u> | <u>-</u> | <u>2,677,894</u> |
| Governmental activities, capital assets, net | <u>\$ 3,344,586</u> | <u>\$ (140,023)</u> | <u>\$ -</u> | <u>\$ 3,204,563</u> |
| Business-type activities: | | | | |
| Nondepreciable capital assets | | | | |
| Land | \$ 43,009 | \$ - | \$ - | \$ 43,009 |
| Depreciable capital assets | | | | |
| Equipment | 494,808 | 96,723 | (42,948) | 548,583 |
| Land improvements | 32,637 | 27,852 | - | 60,489 |
| Sewer mains | 1,223,884 | 20,118 | - | 1,244,002 |
| Sewer treatment plant | 7,721,379 | - | - | 7,721,379 |
| Water buildings and tower | 518,952 | - | - | 518,952 |
| Water mains | 2,046,120 | - | - | 2,046,120 |
| Total depreciable capital assets | 12,037,780 | 144,693 | (42,948) | 12,139,525 |
| Accumulated depreciation | <u>(5,328,579)</u> | <u>(288,168)</u> | <u>41,644</u> | <u>(5,575,103)</u> |
| Depreciable capital assets, net | <u>6,709,201</u> | <u>(143,475)</u> | <u>(1,304)</u> | <u>6,564,422</u> |
| Business-type activities, capital assets, net | <u>\$ 6,752,210</u> | <u>\$ (143,475)</u> | <u>\$ (1,304)</u> | <u>\$ 6,607,431</u> |
| Component units: | | | | |
| Nondepreciable capital assets | | | | |
| Land | \$ 46,101 | \$ 8,163 | \$ - | \$ 54,264 |
| Depreciable capital assets | | | | |
| Buildings and improvements | 79,845 | - | - | 79,845 |
| Total depreciable capital assets | 79,845 | - | - | 79,845 |
| Accumulated depreciation | <u>-</u> | <u>(1,597)</u> | <u>-</u> | <u>(1,597)</u> |
| Depreciable capital assets, net | <u>79,845</u> | <u>(1,597)</u> | <u>-</u> | <u>78,248</u> |
| Component units, capital assets, net | <u>\$ 125,946</u> | <u>\$ 6,566</u> | <u>\$ -</u> | <u>\$ 132,512</u> |

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Depreciation expense was charged to programs of the governmental, business-type activities and component units as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Component Units</u> |
|--------------------------------|------------------------------------|-------------------------------------|----------------------------|
| General government | \$ 15,136 | \$ - | \$ - |
| Public safety | 58,066 | - | - |
| Public works | 98,595 | - | - |
| Recreation and culture | 32,343 | - | - |
| Sewer | - | 228,126 | - |
| Water | - | 58,998 | - |
| Stormwater Management | - | 1,044 | - |
| Downtown Development Authority | - | - | 1,597 |
| Total depreciation | <u>\$ 204,140</u> | <u>\$ 288,168</u> | <u>\$ 1,597</u> |

NOTE 6: DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At year end, the various components of deferred revenue are as follows:

| | <u>Unavailable</u> | |
|-------------------------|-------------------------------|----------------------------|
| | <u>Governmental Funds</u> | <u>Component Units</u> |
| Personal property taxes | \$ 17,079 | \$ - |
| Special assessments | 3,486 | - |
| Notes | 95,281 | 18,931 |
| Total | <u>\$ 115,846</u> | <u>\$ 18,931</u> |

NOTE 7: LONG-TERM LIABILITIES

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

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

| <u>Types of Indebtedness</u> | <u>Maturity</u> | <u>Interest Rates</u> | <u>Annual Principal Installments</u> | <u>Original Issue Amount</u> | <u>Balance at Year-End</u> |
|---|-------------------|-----------------------|--------------------------------------|------------------------------|----------------------------|
| Governmental activities: | | | | | |
| <i>Notes:</i> | | | | | |
| 2004 Rural Development - Fire Truck | 9/01/06-9/01/19 | 4.75% | \$7,000-8,700 | \$ 111,700 | \$ 98,700 |
| <i>Agreements:</i> | | | | | |
| 2003 Installment Purchase - Expedition | 4/16/06-4/16/07 | 5.7461% | 7,400 | 27,274 | - |
| 2004 Installment Purchase - Street Sweeper | 10/28/06-10/28/10 | 3.30% | 25,780-29,428 | 162,800 | 112,061 |
| 2005 Installment Purchase - Crown Victorias | 8/05/06-8/05/07 | 6.00% | 14,803-15,691 | 47,126 | 15,691 |
| 2006 County Contract - Moore Drain | 12/01/06-12/01/25 | 5.31734% | 34,341 | 686,826 | 652,485 |
| Business-type activities: | | | | | |
| <i>Revenue Refunding Bonds:</i> | | | | | |
| 1998 Issue - Water and Sewer Systems | 4/01/06-4/01/27 | 4.6-5.25% | \$45,000-180,000 | \$ 2,775,000 | \$ 1,440,000 |

The following is a summary of long-term liabilities transactions for the year ended June 30, 2007:

| | <u>July 1, 2006</u> | <u>Additions</u> | <u>Payments</u> | <u>June 30, 2007</u> | <u>Due Within One Year</u> |
|---|---------------------|-------------------|---------------------|----------------------|----------------------------|
| Governmental activities: | | | | | |
| <i>Notes and Agreements:</i> | | | | | |
| 2005 Installment purchase - Crown Victorias | \$ 30,494 | \$ - | \$ (14,803) | \$ 15,691 | \$ 15,691 |
| 2003 Installment purchase - Expedition | 7,400 | - | (7,400) | - | - |
| 2004 Installment purchase - Street Sweeper | 137,848 | - | (25,787) | 112,061 | 26,644 |
| 2004 Rural Development note - Fire Truck | 105,700 | - | (7,000) | 98,700 | 7,000 |
| 2006 County Contract - Moore Drain | - | 686,826 | (34,341) | 652,485 | 34,341 |
| Compensated absences | 45,915 | 5,864 | - | 51,779 | - |
| Total governmental activities | | | | | |
| -long-term liabilities | <u>\$ 327,357</u> | <u>\$ 692,690</u> | <u>\$ (89,331)</u> | <u>\$ 930,716</u> | <u>\$ 83,676</u> |
| Business-type activities: | | | | | |
| <i>Revenue Refunding Bonds:</i> | | | | | |
| 1998 Issue | \$ 1,615,000 | \$ - | \$ (175,000) | \$ 1,440,000 | \$ 170,000 |
| Compensated absences | 26,383 | 2,951 | - | 29,334 | - |
| Total business-type activities | | | | | |
| -long-term liabilities | <u>\$ 1,641,383</u> | <u>\$ 2,951</u> | <u>\$ (175,000)</u> | <u>\$ 1,469,334</u> | <u>\$ 170,000</u> |

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Annual debt service requirements to maturity for all outstanding debt (excluding compensated absences payable) as of June 30, 2007 are as follows:

| <i>Fiscal</i> <u>Year Ended</u> | <u>Governmental Activities</u> | | | <u>Business-type Activities</u> | | |
|------------------------------------|--------------------------------|-------------------|---------------------|---------------------------------|-------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2008 | \$ 83,676 | \$ 43,913 | \$ 127,589 | \$ 170,000 | \$ 72,783 | \$ 242,783 |
| 2009 | 68,878 | 40,011 | 108,889 | 170,000 | 64,792 | 234,792 |
| 2010 | 69,800 | 36,840 | 106,640 | 180,000 | 56,633 | 236,633 |
| 2011 | 70,762 | 33,713 | 104,475 | 50,000 | 47,812 | 97,812 |
| 2012 | 41,341 | 30,583 | 71,924 | 50,000 | 45,250 | 95,250 |
| 2013-2017 | 210,705 | 120,279 | 330,984 | 245,000 | 187,813 | 432,813 |
| 2018-2022 | 196,405 | 65,528 | 261,933 | 250,000 | 127,256 | 377,256 |
| 2023-2027 | 137,370 | 18,264 | 155,634 | 325,000 | 51,187 | 376,187 |
| | <u>\$ 878,937</u> | <u>\$ 389,131</u> | <u>\$ 1,268,068</u> | <u>\$ 1,440,000</u> | <u>\$ 653,526</u> | <u>\$ 2,093,526</u> |

NOTE 8: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

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

| | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> | <u>Component</u> <u>Units</u> |
|---|--|---|----------------------------------|
| Receivables: | | | |
| Personal property taxes | \$ 17,079 | \$ - | \$ - |
| Accounts | 16,083 | 97,886 | - |
| Special assessments | 3,486 | 36,135 | - |
| Notes | 95,282 | - | 18,931 |
| Accrued interest | 4,920 | 4,546 | - |
| Intergovernmental | 105,602 | - | - |
| Total receivables | <u>\$ 242,452</u> | <u>\$ 138,567</u> | <u>\$ 18,931</u> |
| Accounts payable and accrued expenses: | | | |
| Accounts | \$ 42,578 | \$ 18,543 | \$ 1,900 |
| Accrued interest | 25,168 | 18,196 | - |
| Intergovernmental | 13,632 | - | - |
| Total accounts payable and accrued expenses | <u>\$ 81,378</u> | <u>\$ 36,739</u> | <u>\$ 1,900</u> |

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 9: INTERFUND BALANCES AND TRANSFERS

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

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-------------------------|------------------------------|-----------------|
| Cemetery Operating Fund | Cemetery Perpetual Care Fund | <u>\$ 1,658</u> |

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers reported in the fund statements were as follows:

| <u>Funds Transferred From</u> | <u>Funds Transferred To</u> | <u>Amount</u> |
|-------------------------------|------------------------------|-------------------|
| General Fund | Nonmajor Governmental Funds | |
| | Major Street Fund | \$ 2,500 |
| | Local Street Fund | 65,000 |
| | Fire Fund | 30,087 |
| | Cemetery Operating Fund | 25,678 |
| | DPW Park Maintenance Fund | 108,961 |
| | Parks and Recreation Fund | 33,000 |
| | Equipment Replacement Fund | <u>10,000</u> |
| | | \$ 275,226 |
| Sewer Fund | Nonmajor Enterprise Fund | |
| | Stormwater Management Fund | 22,459 |
| Nonmajor Governmental Funds | Sewer Fund | |
| Equipment Replacement Fund | | 12,077 |
| Nonmajor Governmental Funds | Nonmajor Governmental Funds | |
| Cemetery Operating Fund | Cemetery Perpetual Care Fund | <u>5,535</u> |
| | Total | <u>\$ 315,297</u> |

NOTE 10: 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

The City manages its workers' compensation insurance by participating in Michigan Municipal League, a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to Michigan Municipal League for its insurance coverage. The Michigan Municipal League is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based coverage for each incident to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City obtains its other insurance coverage through a commercial insurance company.

NOTE 11: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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

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

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's management and personnel policy. The required employee contribution rates and the City's actuarially determined rates for the fiscal year ended June 30, 2007 were as follows:

| <u>Valuation Division</u> | <u>Employer Contribution Rate</u> | <u>Employee Contribution Rate</u> |
|-------------------------------|---|---|
| General - Non-Union | 12.72% | 4.70% |
| Police - Non-Union | 16.95% | 4.80% |
| General - Union | 8.83% | 4.70% |
| Clerical - Union | 9.62% | 4.70% |
| Police - POAM | 11.49% | 4.80% |

Annual Pension Costs – For year ended June 30, 2007, the City's annual pension cost of \$105,265 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Three year trend information as of June 30, follows:

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|-------------------------------|-------------|-------------|-------------|
| Annual pension cost | \$ 105,265 | \$ 92,416 | \$ 88,867 |
| Percentage of APC contributed | 100% | 100% | 100% |
| Net pension obligation | - | - | - |

Post Employment Benefits:

In addition to the pension benefits described above, the City has a policy of paying the health insurance of all department heads upon retirement that had obtained twenty years of service. This benefit is payable until death. Currently, there are four retirees eligible for and receiving this benefit. The City is using a pay-as-you-go method of funding this benefit. The amount paid for the year ended June 30, 2007 was \$24,232.

Deferred Compensation Plan:

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

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

NOTE 12: FUND EQUITY

Specific reservations on fund equity include:

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

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

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

Specific designations on fund equity include:

Designated for accumulated sick leave – This designation was created to indicate funds set aside to cover payment of accumulated sick leave.

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 13: COMPONENT UNITS REPORTING

Statement of Net Assets:

| | <i><u>Economic Development Corporation</u></i> | <i><u>Downtown Development Authority</u></i> | <i><u>Total Component Units</u></i> |
|---|--|--|---|
| Assets: | | | |
| Cash and cash equivalents | \$ 57,068 | \$ 24,325 | \$ 81,393 |
| Receivables | - | 18,931 | 18,931 |
| Capital assets: | | | |
| Nondepreciable capital assets | 46,163 | 8,101 | 54,264 |
| Depreciable capital assets, net | <u>-</u> | <u>78,248</u> | <u>78,248</u> |
| Total assets | <u>103,231</u> | <u>129,605</u> | <u>232,836</u> |
| Liabilities: | | | |
| Accounts payable and accrued expenses | <u>616</u> | <u>1,284</u> | <u>1,900</u> |
| Total liabilities | <u>616</u> | <u>1,284</u> | <u>1,900</u> |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 46,163 | 86,349 | 132,512 |
| Unrestricted | <u>56,452</u> | <u>41,972</u> | <u>98,424</u> |
| Total net assets | <u>\$ 102,615</u> | <u>\$ 128,321</u> | <u>\$ 230,936</u> |

RECONCILIATION OF FUND BALANCES TO NET ASSETS:

Total fund balances for component units \$ 79,493

Total net assets reported for the component units in the statement of net assets is different because:

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

| | | |
|-------------------------------|----------------|---------|
| Governmental capital assets | 134,109 | |
| Less accumulated depreciation | <u>(1,597)</u> | 132,512 |

Deferred revenues reported in the component units funds are recognized as revenues for the statement of activities.

| | | |
|-------|--|---------------|
| Notes | | <u>18,931</u> |
|-------|--|---------------|

Net assets of component units \$ 230,936

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Statement of Activities:

| | <u>Economic Development Corporation</u> | <u>Downtown Development Authority</u> | <u>Total Component Units</u> |
|---|---|---|--------------------------------------|
| Revenues: | | | |
| Program revenues | | | |
| Operating grants and contributions | \$ - | \$ 824 | \$ 824 |
| General revenues | | | |
| Property taxes | 41,700 | 38,160 | 79,860 |
| Investment earnings | 345 | 288 | 633 |
| | <u>42,045</u> | <u>39,272</u> | <u>81,317</u> |
| Total revenues | | | |
| | <u>42,045</u> | <u>39,272</u> | <u>81,317</u> |
| Expenses: | | | |
| Community and economic development | <u>20,303</u> | <u>24,918</u> | <u>45,221</u> |
| Total expenses | <u>20,303</u> | <u>24,918</u> | <u>45,221</u> |
| Change in net assets | 21,742 | 14,354 | 36,096 |
| Net assets, beginning of year, restated | <u>85,868</u> | <u>108,972</u> | <u>194,840</u> |
| Net assets, end of year | <u>\$ 107,610</u> | <u>\$ 123,326</u> | <u>\$ 230,936</u> |

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE COMPONENT UNITS TO THE STATEMENT OF ACTIVITIES:

Net change in fund balances - component units \$ 30,148

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

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

| | | |
|---------------------------|----------------|-------|
| Capital outlay | 8,163 | |
| Less depreciation expense | <u>(1,597)</u> | 6,566 |

Collection of certain items recorded as deferred revenue are considered current financial resources in the component units funds. In the statement of activities these items have been recorded as revenue.

Notes (618)

Change in net assets of component units \$ 36,096

CITY OF VASSAR

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE 13: PRIOR PERIOD ADJUSTMENT

Correction of an Error:

Accumulated depreciation on governmental activities capital assets was overstated in prior years. The effect on beginning net assets is as follows:

| | <u><i>Governmental Activities</i></u> |
|--|---|
| Net assets at June 30, 2006 as previously stated | \$ 4,518,826 |
| Adjust overstatement of accumulated depreciation | <u>48,379</u> |
| Net assets at June 30, 2006, as restated | <u>\$ 4,567,205</u> |

Correction of an Error:

In the current year, it was discovered that the Downtown Development Authority, during the prior year, gave grants to local businesses of \$14,300, which were incorrectly recorded as loans receivable.

Correction of this error effects beginning net assets for the component units as follows:

| | <u><i>Component Units</i></u> |
|--|-----------------------------------|
| Net assets at June 30, 2006 as previously stated | \$ 209,140 |
| Reverse recognition of grants as loan revenue | <u>(14,300)</u> |
| Net assets at June 30, 2006, as restated | <u>\$ 194,840</u> |

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF VASSAR

SCHEDULE OF PENSION PLAN FUNDING PROGRESS

Year Ended June 30, 2007

| <u>Actuarial Valuation Date</u> | <u>12/31/06</u> | <u>12/31/05</u> | <u>12/31/04</u> |
|---|-----------------|-----------------|-----------------|
| Actuarial Value of Assets | \$ 4,163,696 | \$ 3,888,727 | \$ 3,666,073 |
| Actuarial Accrued Liability (AAL) | 4,956,839 | 4,697,685 | 4,323,504 |
| Unfunded AAL (UAAL) | 793,143 | 808,958 | 657,431 |
| Funded Ratio | 84% | 83% | 85% |
| Covered Payroll | 1,001,592 | 1,001,251 | 918,331 |
| UAAL as a percentage of covered payroll | 79% | 81% | 72% |

CITY OF VASSAR

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

| | <i>Budgeted Amounts</i> | | <i>Actual</i> | <i>Actual</i> |
|---|-------------------------|-------------------|-------------------|---------------------|
| | <i>Original</i> | <i>Final</i> | | <i>Over (Under)</i> |
| | | | | <i>Final Budget</i> |
| Revenues: | | | | |
| Property taxes | \$ 909,726 | \$ 909,586 | \$ 915,373 | \$ 5,787 |
| Licenses and permits | 10,150 | 10,150 | 11,182 | 1,032 |
| State grants | 377,193 | 363,963 | 362,673 | (1,290) |
| Contributions from other units | 5,991 | 4,991 | 4,991 | - |
| Charges for services | 191,014 | 195,348 | 198,921 | 3,573 |
| Fines and forfeits | 35,000 | 9,500 | 9,860 | 360 |
| Interest and rents | 208,200 | 184,450 | 190,231 | 5,781 |
| Other revenue | 94,901 | 94,580 | 106,513 | 11,933 |
| Total revenues | <u>1,832,175</u> | <u>1,772,568</u> | <u>1,799,744</u> | <u>27,176</u> |
| Expenditures: | | | | |
| Current | | | | |
| General government | 529,866 | 495,772 | 491,365 | (4,407) |
| Public safety | 571,660 | 565,396 | 551,423 | (13,973) |
| Public works | 245,872 | 1,082,649 | 1,075,173 | (7,476) |
| Health and welfare | 22,585 | 22,584 | 22,584 | - |
| Community and economic development | 2,500 | 28,561 | 28,562 | 1 |
| Other | 23,196 | 13,616 | 12,979 | (637) |
| Capital outlay | 80,624 | 24,458 | 30,146 | 5,688 |
| Debt service | | | | |
| Principal | - | 82,331 | 82,331 | - |
| Interest and fees | - | 19,041 | 19,041 | - |
| Total expenditures | <u>1,476,303</u> | <u>2,334,408</u> | <u>2,313,604</u> | <u>(20,804)</u> |
| Excess (deficiency) of revenues over expenditures | <u>355,872</u> | <u>(561,840)</u> | <u>(513,860)</u> | <u>47,980</u> |
| Other financing sources (uses): | | | | |
| Contract financing | - | 686,826 | 686,826 | - |
| Transfers from other funds | 6,000 | 5,940 | - | (5,940) |
| Transfers to other funds | (331,036) | (275,226) | (275,226) | - |
| Total other financing sources (uses) | <u>(325,036)</u> | <u>417,540</u> | <u>411,600</u> | <u>(5,940)</u> |
| Net change in fund balance | 30,836 | (144,300) | (102,260) | 42,040 |
| Fund balance, beginning of year | <u>531,971</u> | <u>531,971</u> | <u>531,971</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 562,807</u> | <u>\$ 387,671</u> | <u>\$ 429,711</u> | <u>\$ 42,040</u> |

OTHER SUPPLEMENTAL INFORMATION

CITY OF VASSAR

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended June 30, 2007

Revenues:

Current Taxes:

| | |
|---|----------------|
| Property taxes | \$ 873,910 |
| Administration fees, penalties and interest | 36,429 |
| Payment in lieu of taxes | 5,034 |
| | <u>915,373</u> |

Licenses and permits:

| | |
|-------------------------------|---------------|
| Business licenses and permits | 3,360 |
| CATV franchise fees | 7,822 |
| | <u>11,182</u> |

State Grants:

| | |
|-----------------------------------|----------------|
| Liquor license fees | 1,142 |
| State revenue sharing - sales tax | 359,914 |
| Police | 1,617 |
| | <u>362,673</u> |

Contribution from other units:

| | |
|---|--------------|
| Bullard Sanford Memorial Library - administrative charges | <u>4,991</u> |
|---|--------------|

Charges for services:

| | |
|-----------------------------|----------------|
| Refuse collection fees | 100,555 |
| Ambulance | 22,806 |
| Police services and reports | 3,410 |
| Other | 18,650 |
| Charges to other funds | 53,500 |
| | <u>198,921</u> |

Fines and forfeits:

| | |
|-----------------|--------------|
| Ordinance fines | <u>9,860</u> |
|-----------------|--------------|

Interest and rents:

| | |
|----------------|----------------|
| Interest | 35,683 |
| Equipment rent | 147,348 |
| Rents | 7,200 |
| | <u>190,231</u> |

Other Revenue:

| | |
|-----------------------------|----------------|
| Sale of fixed assets | 9,215 |
| Contributions and donations | 659 |
| Reimbursements | 75,165 |
| Loan repayments | 12,599 |
| Other | 8,875 |
| | <u>106,513</u> |

| | |
|----------------|------------------|
| Total revenues | <u>1,799,744</u> |
|----------------|------------------|

Other Financing Sources:

| | |
|----------------------------------|----------------|
| Proceeds from contract financing | <u>686,826</u> |
|----------------------------------|----------------|

| | |
|--|---------------------|
| Total revenues and other financing sources | <u>\$ 2,486,570</u> |
|--|---------------------|

CITY OF VASSAR

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended June 30, 2007

Expenditures:

General Government:

Mayor and Council:

| | |
|---------------------------|--------------|
| Personnel | \$ 2,600 |
| Conference and travel | 135 |
| Printing and publications | 4,064 |
| Other | 1,231 |
| | <u>8,030</u> |

Manager:

| | |
|------------------------|---------------|
| Personnel | 57,931 |
| Fringe benefits | 13,673 |
| Supplies | 102 |
| Dues and subscriptions | 75 |
| Conference and travel | 696 |
| | <u>72,477</u> |

Clerk:

| | |
|------------------------|---------------|
| Personnel | 48,297 |
| Fringe benefits | 11,123 |
| Supplies | 210 |
| Dues and subscriptions | 80 |
| Conference and travel | 96 |
| | <u>59,806</u> |

Audit:

| | |
|---------------------|--------------|
| Contracted services | <u>8,785</u> |
|---------------------|--------------|

Information Technology:

| | |
|-------------------------|---------------|
| Contracted services | 8,814 |
| Repairs and maintenance | 4,552 |
| | <u>13,366</u> |

Treasurer:

| | |
|------------------------|----------------|
| Personnel | 72,616 |
| Fringe benefits | 54,919 |
| Dues and subscriptions | 195 |
| Conference and travel | 358 |
| | <u>128,088</u> |

Assessor:

| | |
|---------------------------|---------------|
| Personnel | 380 |
| Contracted services | 9,000 |
| Printing and publications | 299 |
| Other | 375 |
| | <u>10,054</u> |

Elections:

| | |
|---------------------|--------------|
| Supplies | 1,175 |
| Contracted services | 1,987 |
| | <u>3,162</u> |

CITY OF VASSAR

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended June 30, 2007

Expenditures, continued:

General Government, continued:

Building and Grounds:

| | |
|-------------------------|---------|
| Personnel | 63,291 |
| Fringe benefits | 25,571 |
| Supplies | 14,106 |
| Contracted services | 3,956 |
| Communication | 9,182 |
| Dues and subscriptions | 3,220 |
| Conference and travel | 560 |
| Utilities | 17,071 |
| Repairs and maintenance | 11,414 |
| Equipment rental | 1,949 |
| Other | 3,100 |
| | <hr/> |
| | 153,420 |

Attorney:

| | |
|---------------------|--------|
| Contracted services | <hr/> |
| | 32,994 |

Community Promotion and Marketing:

| | |
|----------|-------|
| Supplies | <hr/> |
| | 1,183 |

| | |
|--------------------------|---------|
| Total general government | <hr/> |
| | 491,365 |

Public Safety:

Police:

| | |
|-------------------------|---------|
| Personnel | 353,704 |
| Fringe benefits | 155,076 |
| Supplies | 18,332 |
| Contracted services | 2,632 |
| Communication | 5,428 |
| Dues and subscriptions | 180 |
| Conference and travel | 1,897 |
| Insurance | 7,502 |
| Repairs and maintenance | 6,573 |
| Equipment rental | 99 |
| | <hr/> |
| | 551,423 |

Public Works:

Department of Public Works:

| | |
|-------------------------|--------|
| Personnel | 27,228 |
| Fringe benefits | 5,154 |
| Supplies | 19,239 |
| Contracted services | 5,981 |
| Repairs and maintenance | 12,545 |
| Equipment rental | 4,223 |
| | <hr/> |
| | 74,370 |

CITY OF VASSAR

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended June 30, 2007

Expenditures, continued:

Sidewalks:

| | |
|------------------|--------------|
| Personnel | 754 |
| Fringe benefits | 47 |
| Equipment rental | 348 |
| | <u>1,149</u> |

Street Lighting:

| | |
|-----------|---------------|
| Utilities | <u>55,734</u> |
|-----------|---------------|

Moore Drain:

| | |
|-------------------------|----------------|
| Repairs and maintenance | <u>836,826</u> |
|-------------------------|----------------|

Refuse:

| | |
|---------------------|----------------|
| Contracted services | <u>101,747</u> |
|---------------------|----------------|

Parking Lot:

| | |
|------------------|--------------|
| Personnel | 770 |
| Fringe benefits | 59 |
| Supplies | 171 |
| Utilities | 3,351 |
| Equipment rental | 996 |
| | <u>5,347</u> |

| | |
|--------------------|------------------|
| Total public works | <u>1,075,173</u> |
|--------------------|------------------|

Health and Welfare:

Ambulance:

| | |
|---------------------|---------------|
| Contracted services | <u>22,584</u> |
|---------------------|---------------|

Community and Economic Development:

Economic Development:

| | |
|-----------------------|---------------|
| Personnel | 100 |
| Fringe benefits | 8 |
| Supplies | 53 |
| Contracted services | 27,503 |
| Conference and travel | 246 |
| Equipment rental | 152 |
| Other | 500 |
| | <u>28,562</u> |

Other:

| | |
|----------------------|---------------|
| Insurance and bonds | 11,646 |
| Fringe benefits | 1,178 |
| Tax tribunal refunds | 155 |
| | <u>12,979</u> |

CITY OF VASSAR

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended June 30, 2007

Expenditures, continued:

Capital Outlay:

| | |
|--------------------|---------------|
| General government | 13,833 |
| Public safety | 500 |
| Public works | <u>15,813</u> |
| | <u>30,146</u> |

Debt Service:

| | |
|-------------------|----------------|
| Principal | 82,331 |
| Interest and fees | <u>19,041</u> |
| | <u>101,372</u> |

Total expenditures 2,313,604

Other Financing Uses:

Transfers to other funds 275,226

Total expenditures and other financing uses \$ 2,588,830

CITY OF VASSAR

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

June 30, 2007

| | <i>Special Revenue Funds</i> | | | | | |
|---------------------------------------|----------------------------------|----------------------------------|-------------------------|----------------------|--|----------------------|
| | <i>Major Street Fund</i> | <i>Local Street Fund</i> | <i>Highway Fund</i> | <i>Fire Fund</i> | <i>Cemetery Operating Fund</i> | <i>Band Fund</i> |
| Assets: | | | | | | |
| Cash and cash equivalents | \$ 201,446 | \$ 215,694 | \$ 745 | \$ 122,489 | \$ 14,211 | \$ 4,453 |
| Accounts receivable | - | - | - | - | 1,372 | - |
| Special assessments receivable | - | 3,486 | - | - | - | - |
| Notes receivable | - | - | - | 48,575 | - | - |
| Accrued interest receivable | - | 3,306 | - | 673 | - | - |
| Due from other governmental units | 24,250 | 9,455 | 4,525 | 240 | - | - |
| Due from other funds | - | - | - | - | 1,658 | - |
| Prepaid expenditures | 2,478 | 2,478 | - | 290 | 156 | - |
| Total assets | <u>\$ 228,174</u> | <u>\$ 234,419</u> | <u>\$ 5,270</u> | <u>\$ 172,267</u> | <u>\$ 17,397</u> | <u>\$ 4,453</u> |
| Liabilities and Fund Balances: | | | | | | |
| <i>Liabilities:</i> | | | | | | |
| Accounts payable | \$ 1,810 | \$ 2,456 | \$ 224 | \$ 3,659 | \$ 925 | \$ - |
| Due to other funds | - | - | - | - | - | - |
| Deferred revenue | - | 3,486 | - | 48,575 | - | - |
| Total liabilities | <u>1,810</u> | <u>5,942</u> | <u>224</u> | <u>52,234</u> | <u>925</u> | <u>-</u> |
| <i>Fund balances:</i> | | | | | | |
| Reserved for: | | | | | | |
| Prepaid expenditures | 2,478 | 2,478 | - | 290 | 156 | - |
| Nonexpendable cemetery principal | - | - | - | - | - | - |
| Unreserved: | | | | | | |
| Special revenue funds | <u>223,886</u> | <u>225,999</u> | <u>5,046</u> | <u>119,743</u> | <u>16,316</u> | <u>4,453</u> |
| Total fund balances | <u>226,364</u> | <u>228,477</u> | <u>5,046</u> | <u>120,033</u> | <u>16,472</u> | <u>4,453</u> |
| Total liabilities and fund balances | <u>\$ 228,174</u> | <u>\$ 234,419</u> | <u>\$ 5,270</u> | <u>\$ 172,267</u> | <u>\$ 17,397</u> | <u>\$ 4,453</u> |

| <i>Special Revenue Funds</i> | | | | | | <i>Permanent Fund</i> | <i>Total Nonmajor Governmental Funds</i> |
|----------------------------------|----------------------------------|-----------------------------|----------------------------------|-----------------------------------|--------------------------------|-------------------------------------|--|
| <i>DPW Park Maintenance Fund</i> | <i>Parks and Recreation Fund</i> | <i>Street Lighting Fund</i> | <i>Drug Law Enforcement Fund</i> | <i>Equipment Replacement Fund</i> | <i>DDA Loan Revolving Fund</i> | <i>Cemetery Perpetual Care Fund</i> | |
| \$ 6,371 | \$ 7,121 | \$ 3,106 | \$ 499 | \$ 30,499 | \$ 30,267 | \$ 118,317 | \$ 755,218 |
| 307 | 200 | - | - | - | - | 150 | 2,029 |
| - | - | - | - | - | - | - | 3,486 |
| - | - | - | - | - | 16,292 | - | 64,867 |
| - | - | - | - | - | - | - | 3,979 |
| - | - | - | - | - | - | - | 38,470 |
| - | - | - | - | - | - | - | 1,658 |
| 292 | - | - | - | - | - | - | 5,694 |
| <u>\$ 6,970</u> | <u>\$ 7,321</u> | <u>\$ 3,106</u> | <u>\$ 499</u> | <u>\$ 30,499</u> | <u>\$ 46,559</u> | <u>\$ 118,467</u> | <u>\$ 875,401</u> |
| | | | | | | | |
| \$ 2,557 | \$ 658 | \$ 580 | \$ - | \$ - | \$ - | \$ - | \$ 12,869 |
| - | - | - | - | - | - | 1,658 | 1,658 |
| - | - | - | - | - | 16,292 | - | 68,353 |
| <u>2,557</u> | <u>658</u> | <u>580</u> | <u>-</u> | <u>-</u> | <u>16,292</u> | <u>1,658</u> | <u>82,880</u> |
| | | | | | | | |
| 292 | - | - | - | - | - | - | 5,694 |
| - | - | - | - | - | - | 116,809 | 116,809 |
| <u>4,121</u> | <u>6,663</u> | <u>2,526</u> | <u>499</u> | <u>30,499</u> | <u>30,267</u> | <u>-</u> | <u>670,018</u> |
| <u>4,413</u> | <u>6,663</u> | <u>2,526</u> | <u>499</u> | <u>30,499</u> | <u>30,267</u> | <u>116,809</u> | <u>792,521</u> |
| <u>\$ 6,970</u> | <u>\$ 7,321</u> | <u>\$ 3,106</u> | <u>\$ 499</u> | <u>\$ 30,499</u> | <u>\$ 46,559</u> | <u>\$ 118,467</u> | <u>\$ 875,401</u> |

CITY OF VASSAR

NONMAJOR GOVERNMENTAL FUNDS

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

Year Ended June 30, 2007

| | <i>Special Revenue Funds</i> | | | | | |
|--|----------------------------------|----------------------------------|-------------------------|----------------------|--|----------------------|
| | <i>Major Street Fund</i> | <i>Local Street Fund</i> | <i>Highway Fund</i> | <i>Fire Fund</i> | <i>Cemetery Operating Fund</i> | <i>Band Fund</i> |
| Revenues: | | | | | | |
| Property taxes | \$ 49,875 | \$ 24,812 | \$ - | \$ - | \$ - | \$ - |
| State grants | 154,773 | 59,940 | 26,531 | - | - | - |
| Contributions from other units | - | - | - | 94,770 | - | - |
| Charges for services | - | - | - | 20 | 15,960 | - |
| Interest and rents | 6,919 | 10,560 | 58 | 6,342 | 519 | 342 |
| Other revenue | 71 | 844 | - | 2,066 | 4,350 | - |
| Total revenues | <u>211,638</u> | <u>96,156</u> | <u>26,589</u> | <u>103,198</u> | <u>20,829</u> | <u>342</u> |
| Expenditures: | | | | | | |
| Current | | | | | | |
| General government | - | - | - | - | 55,001 | - |
| Public safety | - | - | - | 97,436 | - | - |
| Public works | 162,476 | 217,187 | 25,431 | - | - | - |
| Recreation and culture | - | - | - | - | - | 4,077 |
| Capital outlay | - | - | - | 48,068 | - | - |
| Debt service | | | | | | |
| Principal | - | - | - | 7,000 | - | - |
| Interest and fees | - | - | - | 4,854 | - | - |
| Total expenditures | <u>162,476</u> | <u>217,187</u> | <u>25,431</u> | <u>157,358</u> | <u>55,001</u> | <u>4,077</u> |
| Excess (deficiency) of revenues over expenditures | <u>49,162</u> | <u>(121,031)</u> | <u>1,158</u> | <u>(54,160)</u> | <u>(34,172)</u> | <u>(3,735)</u> |
| Other financing sources (uses): | | | | | | |
| Transfers from other funds | 2,500 | 65,000 | - | 30,087 | 31,212 | - |
| Transfers to other funds | - | - | - | - | - | - |
| Total other financing sources | <u>2,500</u> | <u>65,000</u> | <u>-</u> | <u>30,087</u> | <u>31,212</u> | <u>-</u> |
| Net change in fund balance | 51,662 | (56,031) | 1,158 | (24,073) | (2,960) | (3,735) |
| Fund balances, beginning of year | <u>174,702</u> | <u>284,508</u> | <u>3,888</u> | <u>144,106</u> | <u>19,432</u> | <u>8,188</u> |
| Fund balances, end of year | <u>\$ 226,364</u> | <u>\$ 228,477</u> | <u>\$ 5,046</u> | <u>\$ 120,033</u> | <u>\$ 16,472</u> | <u>\$ 4,453</u> |

| <i>Special Revenue Funds</i> | | | | | | <i>Permanent Fund</i> | <i>Total Nonmajor Governmental Funds</i> |
|----------------------------------|----------------------------------|-----------------------------|----------------------------------|-----------------------------------|--------------------------------|-------------------------------------|--|
| <i>DPW Park Maintenance Fund</i> | <i>Parks and Recreation Fund</i> | <i>Street Lighting Fund</i> | <i>Drug Law Enforcement Fund</i> | <i>Equipment Replacement Fund</i> | <i>DDA Loan Revolving Fund</i> | <i>Cemetery Perpetual Care Fund</i> | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 74,687 |
| - | - | - | - | - | - | - | 241,244 |
| - | - | - | - | - | - | - | 94,770 |
| 210 | 20,915 | - | - | - | - | - | 37,105 |
| 12,849 | 509 | 268 | 22 | 1,639 | 1,439 | 5,535 | 47,001 |
| 1,400 | 15,950 | 6,893 | - | 2,340 | 1,543 | 900 | 36,357 |
| <u>14,459</u> | <u>37,374</u> | <u>7,161</u> | <u>22</u> | <u>3,979</u> | <u>2,982</u> | <u>6,435</u> | <u>531,164</u> |
| - | - | - | - | - | - | - | 55,001 |
| - | - | - | - | - | - | - | 97,436 |
| - | - | 6,903 | - | - | - | - | 411,997 |
| 119,484 | 86,414 | - | - | - | - | - | 209,975 |
| - | 293 | - | - | 6,675 | - | - | 55,036 |
| - | - | - | - | - | - | - | 7,000 |
| - | - | - | - | - | - | - | 4,854 |
| <u>119,484</u> | <u>86,707</u> | <u>6,903</u> | <u>-</u> | <u>6,675</u> | <u>-</u> | <u>-</u> | <u>841,299</u> |
| <u>(105,025)</u> | <u>(49,333)</u> | <u>258</u> | <u>22</u> | <u>(2,696)</u> | <u>2,982</u> | <u>6,435</u> | <u>(310,135)</u> |
| 108,961 | 33,000 | - | - | 10,000 | - | - | 280,760 |
| - | - | - | - | (12,076) | - | (5,535) | (17,611) |
| <u>108,961</u> | <u>33,000</u> | <u>-</u> | <u>-</u> | <u>(2,076)</u> | <u>-</u> | <u>(5,535)</u> | <u>263,149</u> |
| 3,936 | (16,333) | 258 | 22 | (4,772) | 2,982 | 900 | (46,986) |
| 477 | 22,996 | 2,268 | 477 | 35,271 | 27,285 | 115,909 | 839,507 |
| <u>\$ 4,413</u> | <u>\$ 6,663</u> | <u>\$ 2,526</u> | <u>\$ 499</u> | <u>\$ 30,499</u> | <u>\$ 30,267</u> | <u>\$ 116,809</u> | <u>\$ 792,521</u> |

CITY OF VASSAR

COMPONENT UNITS COMBINING BALANCE SHEET

June 30, 2007

| | <i><u>Economic Development Corporation</u></i> | <i><u>Downtown Development Authority</u></i> | <i><u>Total Component Units</u></i> |
|---------------------------------------|--|--|---|
| Assets: | | | |
| Cash and cash equivalents | \$ 57,068 | \$ 24,325 | \$ 81,393 |
| Notes receivable | - | 18,931 | 18,931 |
| Total assets | <u>\$ 57,068</u> | <u>\$ 43,256</u> | <u>\$ 100,324</u> |
| Liabilities and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable | \$ 616 | \$ 1,284 | \$ 1,900 |
| Deferred revenue | - | 18,931 | 18,931 |
| Total liabilities | <u>616</u> | <u>20,215</u> | <u>20,831</u> |
| Fund balances: | | | |
| Unreserved | <u>56,452</u> | <u>23,041</u> | <u>79,493</u> |
| Total fund balances | <u>56,452</u> | <u>23,041</u> | <u>79,493</u> |
| Total liabilities and fund balances | <u>\$ 57,068</u> | <u>\$ 43,256</u> | <u>\$ 100,324</u> |

CITY OF VASSAR

COMPONENT UNITS

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

Year Ended June 30, 2007

| | <u><i>Economic Development Corporation</i></u> | <u><i>Downtown Development Authority</i></u> | <u><i>Total Component Units</i></u> |
|------------------------------------|--|--|---|
| Revenues: | | | |
| Property taxes | \$ 41,700 | \$ 38,160 | \$ 79,860 |
| Interest and rents | 345 | 288 | 633 |
| Other revenue | - | 1,442 | 1,442 |
| Total revenues | <u>42,045</u> | <u>39,890</u> | <u>81,935</u> |
| Expenditures: | | | |
| Current | | | |
| Community and economic development | 20,303 | 23,321 | 43,624 |
| Capital outlay | <u>8,163</u> | <u>-</u> | <u>8,163</u> |
| Total expenditures | <u>28,466</u> | <u>23,321</u> | <u>51,787</u> |
| Net change in fund balances | 13,579 | 16,569 | 30,148 |
| Fund balances, beginning of year | <u>42,873</u> | <u>6,472</u> | <u>49,345</u> |
| Fund balances, end of year | <u>\$ 56,452</u> | <u>\$ 23,041</u> | <u>\$ 79,493</u> |

CITY OF VASSAR

FIDUCIARY FUNDS – TRUST FUNDS

COMBINING STATEMENT OF NET ASSETS

June 30, 2007

| | <i><u>Fred LaPratt Memorial Fund</u></i> | <i><u>Local Government Education Fund</u></i> | <i><u>Total Trust Funds</u></i> |
|---------------------------|--|---|---|
| Assets: | | | |
| Cash and cash equivalents | \$ 2,745 | \$ - | \$ 2,745 |
| Total assets | <u>\$ 2,745</u> | <u>\$ -</u> | <u>\$ 2,745</u> |
| Net Assets: | | | |
| Held in trust | 2,745 | - | 2,745 |
| Total net assets | <u>\$ 2,745</u> | <u>\$ -</u> | <u>\$ 2,745</u> |

CITY OF VASSAR

FIDUCIARY FUNDS – TRUST FUNDS

COMBINING STATEMENT OF CHANGES IN NETS ASSETS

Year Ended June 30, 2007

| | <i>Fred LaPratt Memorial Fund</i> | <i>Local Government Education Fund</i> | <i>Total Trust Funds</i> |
|---|--|---|---|
| Additions: | | | |
| Investment income | \$ 124 | \$ - | \$ 124 |
| Total additions | <u>124</u> | <u>-</u> | <u>124</u> |
| Deductions: | | | |
| Contribution to General Fund | <u>-</u> | <u>59</u> | <u>59</u> |
| Total deductions | <u>-</u> | <u>59</u> | <u>59</u> |
| Net increase (decrease) | 124 | (59) | 65 |
| Net assets held in trust, beginning of year | <u>2,621</u> | <u>59</u> | <u>2,680</u> |
| Net assets held in trust, end of year | <u>\$ 2,745</u> | <u>\$ -</u> | <u>\$ 2,745</u> |

CITY OF VASSAR

FIDUCIARY FUNDS – AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

June 30, 2007

| | <u>July 1, 2006</u> | <u>Additions</u> | <u>Deductions</u> | <u>June 30, 2007</u> |
|----------------------------------|-------------------------|------------------|-------------------|--------------------------|
| <u>Agency Fund</u> | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 21,986 | \$ 1,854,373 | \$ 1,856,392 | \$ 19,967 |
| Liabilities: | | | | |
| Accounts payable | \$ 21,986 | \$ 1,854,373 | \$ 1,856,392 | \$ 19,967 |
| <u>Tax Fund</u> | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 474 | \$ 1,024,681 | \$ 1,024,681 | \$ 474 |
| Liabilities: | | | | |
| Accounts payable | \$ 474 | \$ 10,148 | \$ 10,148 | \$ 474 |
| Due to other governmental units | - | 1,014,533 | 1,014,533 | - |
| Total liabilities | \$ 474 | \$ 1,024,681 | \$ 1,024,681 | \$ 474 |
| <u>Total Agency Funds</u> | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 22,460 | \$ 2,879,054 | \$ 2,881,073 | \$ 20,441 |
| Liabilities: | | | | |
| Accounts payable | \$ 22,460 | \$ 1,864,521 | \$ 1,866,540 | \$ 20,441 |
| Due to other governmental units | - | 1,014,533 | 1,014,533 | - |
| | \$ 22,460 | \$ 2,879,054 | \$ 2,881,073 | \$ 20,441 |

CITY OF VASSAR

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

June 30, 2007

INSTALLMENT PURCHASE AGREEMENT - 2002 FORD EXPEDITION

| | |
|---|----------------|
| Issue dated April 16, 2003 in the amount of | \$ 27,274 |
| Less: Principal paid in prior years | (19,874) |
| Principal paid in current year | <u>(7,400)</u> |
| Balance payable at June 30, 2007 | <u>\$ -</u> |

Note: The General Fund is obligated for this loan.

RURAL DEVELOPMENT LOAN - FIRE TRUCK

| | |
|---|------------------|
| Issue dated September 20, 2004 in the amount of | \$ 111,700 |
| Less: Principal paid in prior years | (6,000) |
| Principal paid in current year | <u>(7,000)</u> |
| Balance payable at June 30, 2007 | <u>\$ 98,700</u> |

Balance payable as follows:

| <u>Fiscal</u> <u>Year Ended</u> | <u>Interest</u> <u>Rate</u> | <u>Principal due</u> <u>September 1</u> | <u>Interest due</u> <u>September 1</u> | <u>Interest due</u> <u>March 1</u> | <u>Total</u> <u>Annual</u> <u>Requirement</u> |
|------------------------------------|--------------------------------|--|---|---------------------------------------|---|
| 2008 | 4.75% | \$ 7,000 | \$ 2,344 | \$ 2,178 | \$ 11,522 |
| 2009 | 4.75% | 7,000 | 2,178 | 2,012 | 11,190 |
| 2010 | 4.75% | 7,000 | 2,012 | 1,845 | 10,857 |
| 2011 | 4.75% | 7,000 | 1,845 | 1,679 | 10,524 |
| 2012 | 4.75% | 7,000 | 1,679 | 1,513 | 10,192 |
| 2013 | 4.75% | 7,000 | 1,513 | 1,347 | 9,860 |
| 2014 | 4.75% | 8,000 | 1,347 | 1,157 | 10,504 |
| 2015 | 4.75% | 8,000 | 1,157 | 967 | 10,124 |
| 2016 | 4.75% | 8,000 | 967 | 777 | 9,744 |
| 2017 | 4.75% | 8,000 | 777 | 587 | 9,364 |
| 2018 | 4.75% | 8,000 | 587 | 397 | 8,984 |
| 2019 | 4.75% | 8,000 | 397 | 207 | 8,604 |
| 2020 | 4.75% | <u>8,700</u> | <u>-</u> | <u>-</u> | <u>8,700</u> |
| | | <u>\$ 98,700</u> | <u>\$ 16,803</u> | <u>\$ 14,666</u> | <u>\$ 130,169</u> |

CITY OF VASSAR

GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2007

INSTALLMENT PURCHASE AGREEMENT - STREET SWEEPER

| | | |
|---|----|-----------------|
| Issue dated October 28, 2004 in the amount of | \$ | 162,800 |
| Less: Principal paid in prior years | | (24,952) |
| Principal paid in current year | | <u>(25,787)</u> |
| Balance payable at June 30, 2007 | \$ | <u>112,061</u> |

Balance payable as follows:

| <u>Fiscal</u> <u>Year Ended</u> | <u>Interest</u> <u>Rate</u> | <u>Principal due</u> <u>October 28</u> | <u>Interest due</u> <u>October 28</u> | <u>Total</u> <u>Annual</u> <u>Requirement</u> |
|------------------------------------|--------------------------------|---|--|---|
| 2008 | 3.30% | \$ 26,644 | \$ 3,755 | \$ 30,399 |
| 2009 | 3.30% | 27,537 | 2,862 | 30,399 |
| 2010 | 3.30% | 28,459 | 1,940 | 30,399 |
| 2011 | 3.30% | <u>29,421</u> | <u>978</u> | <u>30,399</u> |
| | | <u>\$ 112,061</u> | <u>\$ 9,535</u> | <u>\$ 121,596</u> |

Note: The General Fund is obligated for this loan.

INSTALLMENT PURCHASE AGREEMENT - 2005 CROWN VICTORIA POLICE CARS (2)

| | | |
|---|----|-----------------|
| Issue dated August 5, 2005 in the amount of | \$ | 47,126 |
| Less: Principal paid in prior years | | (16,632) |
| Principal paid in current year | | <u>(14,803)</u> |
| Balance payable at June 30, 2007 | \$ | <u>15,691</u> |

Balance payable as follows:

| <u>Fiscal</u> <u>Year Ended</u> | <u>Interest</u> <u>Rate</u> | <u>Principal due</u> <u>August 5</u> | <u>Interest due</u> <u>August 5</u> | <u>Total</u> <u>Annual</u> <u>Requirement</u> |
|------------------------------------|--------------------------------|---|--|---|
| 2008 | 6.00% | \$ 15,691 | \$ 941 | \$ 16,632 |

Note: The General Fund is obligated for this loan.

CITY OF VASSAR

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

June 30, 2007

2006 COUNTY CONTRACT FINANCING

| | |
|---|-------------------|
| Issue dated August 1, 2006 in the amount of | \$ 686,826 |
| Less: Principal paid in prior years | - |
| Principal paid in current year | <u>(34,341)</u> |
| Balance payable at June 30, 2007 | <u>\$ 652,485</u> |

Balance payable as follows:

| <u>Fiscal</u> <u>Year Ended</u> | <u>Interest</u> <u>Rate</u> | <u>Principal due</u> <u>December 1</u> | <u>Interest due</u> <u>December 1</u> | <u>Total</u> <u>Annual</u> <u>Requirement</u> |
|------------------------------------|--------------------------------|---|--|---|
| 2008 | 5.317% | \$ 34,341 | \$ 34,695 | \$ 69,036 |
| 2009 | 5.317% | 34,341 | 32,959 | 67,300 |
| 2010 | 5.317% | 34,341 | 31,043 | 65,384 |
| 2011 | 5.317% | 34,341 | 29,217 | 63,558 |
| 2012 | 5.317% | 34,341 | 27,391 | 61,732 |
| 2013 | 5.317% | 34,341 | 25,635 | 59,976 |
| 2014 | 5.317% | 34,341 | 23,739 | 58,080 |
| 2015 | 5.317% | 34,341 | 21,913 | 56,254 |
| 2016 | 5.317% | 34,341 | 20,086 | 54,427 |
| 2017 | 5.317% | 34,341 | 18,310 | 52,651 |
| 2018 | 5.317% | 34,341 | 16,434 | 50,775 |
| 2019 | 5.317% | 34,341 | 14,608 | 48,949 |
| 2020 | 5.317% | 34,341 | 12,782 | 47,123 |
| 2021 | 5.317% | 34,341 | 10,986 | 45,327 |
| 2022 | 5.317% | 34,341 | 9,130 | 43,471 |
| 2023 | 5.317% | 34,341 | 7,304 | 41,645 |
| 2024 | 5.317% | 34,341 | 5,478 | 39,819 |
| 2025 | 5.317% | 34,341 | 3,662 | 38,003 |
| 2026 | 5.317% | <u>34,347</u> | <u>1,820</u> | <u>36,167</u> |
| | | <u>\$ 652,485</u> | <u>\$ 347,192</u> | <u>\$ 999,677</u> |

Note: The General Fund is obligated for this debt.

CITY OF VASSAR

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

June 30, 2007

1998 SERIES - WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE REFUNDING BONDS

| | |
|--|---------------------|
| Issue dated August 13, 1998 in the amount of | \$ 2,775,000 |
| Less: Principal paid in prior years | (1,160,000) |
| Principal paid in current year | <u>(175,000)</u> |
| Balance payable at June 30, 2007 | <u>\$ 1,440,000</u> |

Balance payable as follows:

| <u>Fiscal</u> <u>Year Ended</u> | <u>Interest</u> <u>Rate</u> | <u>Principal due</u> | <u>Interest due</u> | <u>Total</u> <u>Annual</u> <u>Requirement</u> |
|------------------------------------|--------------------------------|----------------------|---------------------|---|
| 2008 | 4.700% | \$ 170,000 | \$ 72,783 | \$ 242,783 |
| 2009 | 4.800% | 170,000 | 64,792 | 234,792 |
| 2010 | 4.900% | 180,000 | 56,633 | 236,633 |
| 2011 | 5.125% | 50,000 | 47,812 | 97,812 |
| 2012 | 5.125% | 50,000 | 45,250 | 95,250 |
| 2013 | 5.125% | 50,000 | 42,688 | 92,688 |
| 2014 | 5.125% | 50,000 | 40,125 | 90,125 |
| 2015 | 5.125% | 50,000 | 37,562 | 87,562 |
| 2016 | 5.125% | 50,000 | 35,000 | 85,000 |
| 2017 | 5.125% | 45,000 | 32,438 | 77,438 |
| 2018 | 5.125% | 45,000 | 30,131 | 75,131 |
| 2019 | 5.250% | 45,000 | 27,825 | 72,825 |
| 2020 | 5.250% | 45,000 | 25,462 | 70,462 |
| 2021 | 5.250% | 45,000 | 23,100 | 68,100 |
| 2022 | 5.250% | 70,000 | 20,738 | 90,738 |
| 2023 | 5.250% | 65,000 | 17,062 | 82,062 |
| 2024 | 5.250% | 65,000 | 13,650 | 78,650 |
| 2025 | 5.250% | 65,000 | 10,238 | 75,238 |
| 2026 | 5.250% | 65,000 | 6,825 | 71,825 |
| 2027 | 5.250% | <u>65,000</u> | <u>3,412</u> | <u>68,412</u> |
| | | <u>\$ 1,440,000</u> | <u>\$ 653,526</u> | <u>\$ 2,093,526</u> |

Note: The Sewer Fund is obligated for 56.3964% and the Water Fund is obligated for 43.6036% of this debt.

| | |
|------------|---------------------|
| Sewer Fund | \$ 812,108 |
| Water Fund | <u>627,892</u> |
| | <u>\$ 1,440,000</u> |