

### Auditing Procedures Report

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

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Unit Name CITY OF BANGOR		County VAN BUREN	
Fiscal Year End 6/30/2007		Opinion Date December 14, 2007		Date Audit Report Submitted to State December 27, 2007			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>	SAS 112 Letter	
Other (Describe)		<input type="checkbox"/>	NO MATTERS TO COMMUNICATE	
Certified Public Accountant (Firm Name) Siegfried Crandall, PC			Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road			City Kalamazoo	State MI
			Zip 49002	
Authorizing CPA Signature 		Printed Name James C. Baker		License Number 1101010743

*City of Bangor*  
*Van Buren County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended June 30, 2007*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**City of Bangor**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Our discussion and analysis of the City of Bangor, Michigan's (the City), financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the City's financial statements.

**FINANCIAL HIGHLIGHTS**

- The City's total net assets increased by \$1,020,599 (16.8 percent) as a result of this year's activities. Net assets of the governmental and business-type activities increased by \$776,856 and \$243,743, respectively.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$74,013, which represents 9.8 percent of the actual total General Fund expenditures for the current fiscal year.

**Overview of the financial statements**

The City's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for other governmental funds and additional information regarding debt service requirements. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operations in more detail than the government-wide financial statements.
  - Governmental fund statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
  - Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**Government-wide financial statements**

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

**City of Bangor**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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The two government-wide statements report the City's net assets and how they have changed. Net assets (the difference between the City's assets and liabilities) are one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's capital assets.

The government-wide financial statements are divided into three categories:

- **Governmental activities** - Most of the City's basic services are included here, such as the police, fire, library, and general government. Property taxes and state grants finance most of these activities.
- **Business-type activities** - The City charges fees to customers to help it cover the costs of certain services it provides. The City's sewer and water systems are reported here.
- **Component units** - The City includes two other entities in its report - the Downtown Development Authority and the Economic Development Corporation. Although legally separate, these "component units" are important because the City is financially accountable for them.

### **Fund financial statements**

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The City Council establishes other funds to control and manage money for particular purposes (like library maintenance) or to show that it is properly using certain taxes and other revenues (like property taxes collected for police, fire operations, senior services and hospital authorities, and state grants collected for the street funds).

The City has three kinds of funds:

**Governmental funds** - Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.

**Proprietary funds** - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

- In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

**City of Bangor**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

- The City uses an internal service fund (the other type of proprietary fund) to report activities that provide services for the City's other programs and activities. The City's internal service fund consists of a Motor Pool Equipment Fund.

Fiduciary funds - These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The City's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE**

**Net assets.** The City's combined net assets increased by 15.7 percent between June 30, 2006 and 2007. In comparison, last year nets assets increased by 17.3 percent. Looking at the net assets and net expenses of governmental and business-type activities separately, however, two very different stories emerge. Our analysis below focuses on the net assets (table 1) and changes in net assets (table 2) for the City's governmental and business-type activities.

Table 1 - Net assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 412,815	\$ 528,039	\$ 219,195	\$ 300,790	\$ 632,010	\$ 828,829
Capital assets	<u>2,091,804</u>	<u>1,088,399</u>	<u>6,982,156</u>	<u>6,811,773</u>	<u>9,073,960</u>	<u>7,900,172</u>
<b>Total assets</b>	<b><u>2,504,619</u></b>	<b><u>1,616,438</u></b>	<b><u>7,201,351</u></b>	<b><u>7,112,563</u></b>	<b><u>9,705,970</u></b>	<b><u>8,729,001</u></b>
Long-term debt	148,358	184,379	2,161,632	2,305,842	2,309,990	2,490,221
Other liabilities	<u>207,372</u>	<u>60,026</u>	<u>31,043</u>	<u>41,788</u>	<u>238,415</u>	<u>101,814</u>
<b>Total liabilities</b>	<b><u>355,730</u></b>	<b><u>244,405</u></b>	<b><u>2,192,675</u></b>	<b><u>2,347,630</u></b>	<b><u>2,548,405</u></b>	<b><u>2,592,035</u></b>
<b>Net assets:</b>						
Invested in capital assets, net	1,951,456	904,020	4,911,387	4,571,879	6,862,843	5,475,899
Restricted	108,944	112,187	-	-	108,944	112,187
Unrestricted	<u>88,489</u>	<u>355,826</u>	<u>97,289</u>	<u>183,173</u>	<u>185,778</u>	<u>538,999</u>
<b>Total net assets</b>	<b><u>\$ 2,148,889</u></b>	<b><u>\$ 1,372,033</u></b>	<b><u>\$ 5,008,676</u></b>	<b><u>\$ 4,755,052</u></b>	<b><u>\$ 7,157,565</u></b>	<b><u>\$ 6,127,085</u></b>

Net assets of the City's governmental activities increased by \$776,856 (56.6 percent) to \$2,148,889. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, without constraints by debt covenants, enabling legislation or other legal requirements - decreased by \$267,337 (75.1 percent) to \$88,489.

**City of Bangor**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Net assets of our business-type activities increased by \$243,743 (5.1 percent) to \$5,008,676. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints by debt covenants enabling legislation or other legal requirements, decreased by \$85,884 (49.6 percent) to \$97,289.

**Table 2 - Change in net assets**

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Program revenues:						
Charges for services	\$ 126,960	\$ 109,276	\$ 611,716	\$ 564,241	\$ 738,676	\$ 673,517
Federal grants	484,000	151,903	-	680,901	484,000	832,804
State grants	409,902	244,278	-	-	409,902	244,278
Developer contributions	-	-	337,000	-	337,000	-
Local unit grants	71,764	24,606	-	-	71,764	24,606
General revenues:						
Property taxes	572,974	552,869	-	-	572,974	552,869
State grants	265,731	274,085	-	-	265,731	274,085
Franchise fees	17,189	27,937	-	-	17,189	27,937
Interest	8,965	15,476	4,519	6,298	13,484	21,774
<b>Total revenues</b>	<b>1,957,485</b>	<b>1,400,430</b>	<b>953,235</b>	<b>1,251,440</b>	<b>2,910,720</b>	<b>2,651,870</b>
Expenses:						
Sewer	-	-	438,284	288,748	438,284	288,748
Public safety	444,694	483,645	-	-	444,694	483,645
Public works	369,059	376,338	-	-	369,059	376,338
General government	289,514	227,291	-	-	289,514	227,291
Water	-	-	271,208	305,948	271,208	305,948
Recreation and culture	50,112	30,150	-	-	50,112	30,150
Health and welfare	15,248	14,435	-	-	15,248	14,435
Legislative	9,619	9,341	-	-	9,619	9,341
Interest on debt	2,383	12,490	-	-	2,383	12,490
<b>Total expenses</b>	<b>1,180,629</b>	<b>1,153,690</b>	<b>709,492</b>	<b>594,696</b>	<b>1,890,121</b>	<b>1,748,386</b>
<b>Excess before transfers</b>	<b>776,856</b>	<b>246,740</b>	<b>243,743</b>	<b>656,744</b>	<b>1,020,599</b>	<b>903,484</b>
<b>Transfers</b>	<b>-</b>	<b>(35,000)</b>	<b>-</b>	<b>35,000</b>	<b>-</b>	<b>-</b>
<b>Increase in net assets</b>	<b>\$ 776,856</b>	<b>\$ 211,740</b>	<b>\$ 243,743</b>	<b>\$ 691,744</b>	<b>\$ 1,020,599</b>	<b>\$ 903,484</b>

**Changes in net assets.** The City's total revenues for 2007 were \$2,910,720 (9.8 percent increase). The total cost of all programs and services was \$1,890,121 (8.1 percent increase), with no new programs added this year.

**City of Bangor**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Capital grants (including federal, state and local grants and developer contributions) represented 38.4 percent of total revenues in 2007 (32.5 percent in 2006). Of the remaining revenues, charges for services represented 25.4 percent in 2007 and 2006, while property taxes and grants (both program and general) accounted for 19.7 and 15.5 percent, respectively (20.8 and 19.4 percent, respectively in 2006). The provision of public safety and public works represented 43.7 percent in 2007 (49.2 percent in 2006), and water and sewer utility services represented 37.5 percent (34.0 percent in 2006) of all costs. General government services represented 15.3 percent of all costs (13.0 percent in 2006).

While the City reports unrestricted net assets under both governmental and business-type activities, the unrestricted net assets of the business-type activities cannot be used to make up any net asset deficit in governmental activities. Our analysis below separately considers the operations of governmental and business-type activities.

**Governmental activities.** Total revenues increased \$557,055 (39.8 percent), while total expenses increased only \$26,939 (2.3 percent). Revenue increased in most categories, with the largest increases occurring in one time federal (\$332,097), state (\$165,621) local (\$46,159) capital grants, and, in property taxes (\$20,105). The increase in property tax revenue was due to additional amounts levied in support of public safety services. Expenses increased in several categories, with the largest increase occurring in general government (\$62,223), while decreasing in others, with the largest decrease occurring in public safety (\$38,951). The increase in general government costs were attributable to higher personnel costs (both compensation and fringe benefits); the decrease in public safety costs were due to the shifting the costs of the "officer in school program" to another local unit.

**Table 3 - Governmental activities**

	<i>Total cost of services</i>		<i>Net cost of services</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Public safety	\$ 444,694	\$ 483,645	\$ (418,407)	\$ (413,785)
Public works	369,059	376,338	407,659	25,783
General government	289,514	227,291	(261,193)	(215,993)
Other	<u>77,362</u>	<u>66,416</u>	<u>183,908</u>	<u>(19,632)</u>
<b>Total</b>	<b><u>\$ 1,180,629</u></b>	<b><u>\$ 1,153,690</u></b>	<b><u>\$ (88,033)</u></b>	<b><u>\$ (623,627)</u></b>

Table 3 shows the costs of the City's three largest programs, as well as the net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the burden that was placed on the City's taxpayers by each of these functions.

The total cost of all governmental activities was \$1,180,629 compared to \$1,153,690 last year. The amount that our taxpayers ultimately financed for these activities through general revenues was \$88,003 because some of the cost was paid by those who directly benefited from the programs (\$126,960) or by other governments and organizations that subsidized certain programs with grants and contributions (operating - \$184,359, and capital - \$781,307). The City paid for the \$88,033 "public benefit" portion with \$572,974 in taxes (some of which could only be used for certain programs) and with other revenues, such as state shared revenue and interest income.

**City of Bangor**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Business-type activities.** Revenues of the City's business-type activities decreased by \$298,205 (23.8 percent) to \$953,235 and expenses increased \$114,796 (19.3 percent) to \$709,492. The key factor for the decrease in revenue was the decrease of \$680,901 in federal capital grants, which were partially offset by developer contributions (COGIC Village) of \$336,000. Expenses increased as a full year's provision for depreciation (approximately \$150,000) on the recent sewer system additions were recorded, while water system repair costs decreased (approximately \$30,000).

### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

**Governmental funds.** As of June 30, 2007, its governmental funds (as presented on page 7) reported a combined fund balance of \$182,957, a decrease of \$262,135 from last year's balance. The General Fund experienced the largest decrease (\$258,880) primarily due to transfers to the Major Street, Local Street and Capital Project Funds in the amount of \$292,330. These transfers were a combination of support for operations (\$130,532) and for capital asset construction (\$161,798). One other change in fund balance to be noted:

- Special revenue Major Street Fund funds decreased by \$21,466 due to higher than expected surface maintenance costs

The General Fund is the chief operating fund of the City. At the end of the fiscal year, unreserved fund balance was \$74,013, which represents 9.8 percent of the actual total General Fund expenditures (exclusive of transfers out) for the current fiscal year. The fund balance of the General Fund represents 40.5 percent of the combined ending fund balances of the governmental funds.

### **General Fund budgetary highlights**

The difference between the original budget and the final amended budget for expenditures and transfers out was an increase of \$34,101 and of \$93,255, respectively. The increase in expenditures was attributable to increased personnel costs (both compensation and fringe benefits), and was primarily offset by increases in expected revenue of \$23,210. The increase in transfers out reflected local match monies required in connection with capital grants of the current year. The City utilized the beginning year fund balance of the General Fund to finance the transfers out. Actual total revenues exceeded the final budget amounts by \$102; actual total expenditures were less than the final total budget by only \$9,249; however, transfers out to the Capital Project Fund exceed the final budget by \$19,078, due to project costs in excess of available grants.

**City of Bangor**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Capital assets and debt administration**

*Capital assets*

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounted to \$9,073,960 (net of accumulated depreciation). This investment includes a broad range of assets including land, equipment, buildings, roads, and sewer and water facilities.

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Infrastructure	\$ 1,093,820	\$ 427,591	\$ 6,893,745	\$ 6,719,442	\$ 7,987,565	\$ 7,147,033
Buildings and improvements	892,938	531,389	-	-	892,938	531,389
Equipment and vehicle:	76,704	101,077	27,184	31,404	103,888	132,481
Land	<u>28,342</u>	<u>28,342</u>	<u>60,927</u>	<u>60,927</u>	<u>89,269</u>	<u>89,269</u>
<b>Total</b>	<b>\$ 2,091,804</b>	<b>\$ 1,088,399</b>	<b>\$ 6,981,856</b>	<b>\$ 6,811,773</b>	<b>\$ 9,073,660</b>	<b>\$ 7,900,172</b>

The increase in the City's net investment in capital assets for the current fiscal year was \$828,068 or 11 percent. Major capital asset events during the current fiscal year included the following:

- Road improvements - \$687,377, including \$558,000 financed with federal grants and local monies
- Park land improvements - \$385,125, financed with state grants and local monies
- Contribution of infrastructure from COGIC Village - \$337,000

More detailed information about the City's capital assets is presented in Note 5 of the basic financial statements.

*Debt administration*

At the end of the fiscal year, the City had total long-term bonds and notes outstanding in the amount of \$2,301,980, which represents a decrease of \$188,241 (7.6 percent). All debt is backed by the full faith and credit of the City.

In September 2006, the City refinanced the 4.375% 2004 revenue bonds with bonds bearing a fixed rate of 1.625%. The new bonds mature in 2026, which is 18 years earlier than the old debt, and will require annually, about \$10,000 more in total debt service payments. Rates are currently tied to bonding requirements.

**City of Bangor**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

State statutes limit the amount of general obligation debt the City can issue to 10 percent of its total state equalized assessed value of property. The City's total general obligation debt (\$166,980) is significantly lower than the current state-imposed limit of \$3,599,600.

**Table 5 - Outstanding debt at year-end**

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General obligation debt (backed by the City)	<b>\$ 140,348</b>	\$ 184,379	<b>\$ 26,632</b>	\$ 61,842	<b>\$ 166,980</b>	\$ 246,221
Revenue bonds (backed by specific fees)	<u>-</u>	<u>-</u>	<u>2,135,000</u>	<u>2,244,000</u>	<u>2,135,000</u>	<u>2,244,000</u>
<b>Total</b>	<b><u>\$ 140,348</u></b>	<b><u>\$ 184,379</u></b>	<b><u>\$ 2,161,632</u></b>	<b><u>\$ 2,305,842</u></b>	<b><u>\$ 2,301,980</u></b>	<b><u>\$ 2,490,221</u></b>

Other long-term debt obligations totaling \$8,010 represent accrued compensated absences.

More detailed information about the City's long-term liabilities is presented in Note 8 of the basic financial statements.

**Economic condition and outlook**

The City's General Fund budget for the next year projects little increase in spending, and anticipates that total revenues will exceed total expenditures by about 5 percent. A stagnant economy and no substantial revenue increase require that the City hold the line with conservative expenditure trends.

**Contacting the City's financial management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Cheri Parrish-Hamilton, City Treasurer Phone: (269) 427-5831  
 City of Bangor  
 257 West Monroe Street  
 Bangor, MI 49013

## INDEPENDENT AUDITORS' REPORT

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

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

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

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

The management's discussion and analysis, budgetary comparison schedules, and the schedule of funding progress of the employee retirement system, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



1958-2008

Honorable Mayor and Members of the City Council  
City of Bangor, Michigan  
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bangor, Michigan's basic financial statements. The accompanying supplementary information and supplementary data is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information and data have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Siegfried Crandall P.C.*

December 14, 2007

## **BASIC FINANCIAL STATEMENTS**

**City of Bangor**  
**STATEMENT OF NET ASSETS**  
June 30, 2007

	<u>Primary government</u>		
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 128,003	\$ 33,093	\$ 161,096
Receivables, net	286,140	93,911	380,051
Internal balances	<u>(1,328)</u>	<u>1,328</u>	<u>-</u>
Total current assets	<u>412,815</u>	<u>128,332</u>	<u>541,147</u>
Noncurrent assets:			
Capital assets not being depreciated - land	28,342	60,927	89,269
Capital assets, net of accumulated depreciation	2,063,462	6,921,229	8,984,691
Deferred charges	<u>-</u>	<u>90,863</u>	<u>90,863</u>
Total noncurrent assets	<u>2,091,804</u>	<u>7,073,019</u>	<u>9,164,823</u>
Total assets	<u>2,504,619</u>	<u>7,201,351</u>	<u>9,705,970</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payables	207,372	24,436	231,808
Customer deposits	-	6,607	6,607
Current portion of long-term obligations	<u>42,400</u>	<u>121,632</u>	<u>164,032</u>
Total current liabilities	249,772	152,675	402,447
Noncurrent liabilities - long-term obligations	<u>105,958</u>	<u>2,040,000</u>	<u>2,145,958</u>
Total liabilities	<u>355,730</u>	<u>2,192,675</u>	<u>2,548,405</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,951,456	4,911,387	6,862,843
Restricted:			
Public safety	12,942	-	12,942
Public works	37,319	-	37,319
Recreation and culture	19,888	-	19,888
Debt services	38,795	-	38,795
Unrestricted	<u>88,489</u>	<u>97,289</u>	<u>185,778</u>
Total net assets	<u>\$ 2,148,889</u>	<u>\$ 5,008,676</u>	<u>\$ 7,157,565</u>

<b>Component units</b>		
<b><u>Downtown Development Authority</u></b>	<b><u>Economic Development Corporation</u></b>	<b><u>Totals</u></b>
\$ 3,717	\$ 260	\$ 3,977
-	221	221
-	-	-
<u>3,717</u>	<u>481</u>	<u>4,198</u>
-	-	-
62,483	-	62,483
-	-	-
<u>62,483</u>	<u>-</u>	<u>62,483</u>
<u>66,200</u>	<u>481</u>	<u>66,681</u>
2,000	-	2,000
-	-	-
<u>14,243</u>	<u>-</u>	<u>14,243</u>
16,243	-	16,243
<u>7,476</u>	<u>-</u>	<u>7,476</u>
<u>23,719</u>	<u>-</u>	<u>23,719</u>
40,764	-	40,764
-	-	-
-	-	-
-	-	-
<u>1,717</u>	<u>481</u>	<u>2,198</u>
<u>\$ 42,481</u>	<u>\$ 481</u>	<u>\$ 42,962</u>

See notes to the financial statements

**City of Bangor**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2007

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
<b>Primary government</b>				
Governmental activities:				
Legislative	\$ 9,619	\$ -	\$ -	\$ -
General government	289,514	28,321	-	-
Public safety	444,694	21,825	4,462	-
Public works	369,059	76,814	171,397	528,507
Health and welfare	15,248	-	-	-
Recreation and culture	50,112	-	8,500	252,800
Interest on long-term debt	2,383	-	-	-
Total governmental activities	<u>1,180,629</u>	<u>126,960</u>	<u>184,359</u>	<u>781,307</u>
Business-type activities:				
Sewer	438,284	338,049	-	168,500
Water	271,208	273,667	-	168,500
Total business-type activities	<u>709,492</u>	<u>611,716</u>	<u>-</u>	<u>337,000</u>
Total primary government	<u>\$ 1,890,121</u>	<u>\$ 738,676</u>	<u>\$ 184,359</u>	<u>\$ 1,118,307</u>
<b>Component units</b>				
Public works	\$ 79,178	\$ -	\$ -	\$ -
Interest on long-term debt	1,572	-	-	-
Total component units	<u>\$ 80,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes  
Franchise fees  
State grants  
Investment return

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

<b>Net (expenses) revenues and changes in net assets</b>				
<b>Primary government</b>			<b>Component units</b>	
<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Totals</b>	<b>Downtown Development Authority</b>	<b>Economic Development Corporation</b>
\$ (9,619)		\$ (9,619)		
(261,193)		(261,193)		
(418,407)		(418,407)		
407,659		407,659		
(15,248)		(15,248)		
211,188		211,188		
(2,383)		(2,383)		
<u>(88,003)</u>		<u>(88,003)</u>		
-	\$ 68,265	68,265		
-	170,959	170,959		
-	239,224	239,224		
<u>(88,003)</u>	<u>239,224</u>	<u>151,221</u>		
			(79,140)	\$ (38)
			<u>(1,572)</u>	<u>-</u>
			<u>(80,712)</u>	<u>(38)</u>
572,974	-	572,974	87,789	-
17,189	-	17,189	-	-
265,731	-	265,731	-	-
8,965	4,519	13,484	88	81
<u>864,859</u>	<u>4,519</u>	<u>869,378</u>	<u>87,877</u>	<u>81</u>
776,856	243,743	1,020,599	7,165	43
<u>1,372,033</u>	<u>4,764,933</u>	<u>6,136,966</u>	<u>35,316</u>	<u>438</u>
<u>\$ 2,148,889</u>	<u>\$ 5,008,676</u>	<u>\$ 7,157,565</u>	<u>\$ 42,481</u>	<u>\$ 481</u>

See notes to the financial statements

**City of Bangor**  
**BALANCE SHEET - governmental funds**  
 June 30, 2007

	<u>General</u>	<u>Major Street</u>	<u>Capital Projects</u>	<u>Other governmental funds</u>
<b>ASSETS</b>				
Cash	\$ 1,542	\$ 8,396	\$ 4,206	\$ 72,656
Receivables, net	98,173	17,835	153,490	6,860
Due from other funds	-	-	17,869	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 99,715</u>	<u>\$ 26,231</u>	<u>\$ 175,565</u>	<u>\$ 79,516</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities - payables	\$ 7,833	\$ -	\$ 172,368	\$ -
Due to other funds	17,869	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>25,702</u>	<u>-</u>	<u>172,368</u>	<u>-</u>
Fund balances:				
Unreserved, undesignated	74,013	26,231	3,197	-
Unreserved, undesignated of other funds:				
Special revenue	-	-	-	40,721
Debt service	-	-	-	38,795
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>74,013</u>	<u>26,231</u>	<u>3,197</u>	<u>79,516</u>
Total liabilities and fund balances	<u>\$ 99,715</u>	<u>\$ 26,231</u>	<u>\$ 175,565</u>	<u>\$ 79,516</u>

Total fund balances

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

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

Certain assets and liabilities of the internal service fund are included in *governmental activities*.

Accrual of compensated absences

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities*

---

**Total  
governmental  
funds**

---

\$ 86,800  
276,358  
17,869

\$ 381,027

\$ 180,201  
17,869

198,070

103,441

40,721  
38,795

182,957

\$ 381,027

\$ 182,957

2,016,606

97,684

(8,010)

(140,348)

\$ 2,148,889

See notes to the financial statements

*City of Bangor*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**

**BALANCES - governmental funds**

*Year ended June 30, 2007*

	<u>General</u>	<u>Major Street</u>	<u>Capital Projects</u>	<u>Other governmental funds</u>
<b>REVENUES</b>				
Taxes	\$ 380,242	\$ -	\$ -	\$ 206,452
Federal grants	-	-	484,000	-
State grants	270,193	110,371	252,800	42,269
Local units of government	-	14,068	44,507	13,189
Fines and forfeitures	6,734	-	-	-
Licenses and permits	15,091	-	-	-
Charges for services	90,812	-	-	-
Interest and rentals	21,892	176	20	4,066
Other	603	-	-	-
	<u>785,567</u>	<u>124,615</u>	<u>781,327</u>	<u>265,976</u>
Total revenues				
<b>EXPENDITURES</b>				
Legislative	9,619	-	-	-
General government	272,562	-	-	-
Public safety	297,527	-	-	140,772
Public works	138,241	252,907	558,000	66,023
Health and welfare	-	-	-	15,248
Recreation and culture	32,883	-	385,125	3,014
Debt services:				-
Principal	-	595	-	43,436
Interest	-	579	-	1,804
Capital outlay	1,285	-	-	-
	<u>752,117</u>	<u>254,081</u>	<u>943,125</u>	<u>270,297</u>
Total expenditures				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>33,450</u>	<u>(129,466)</u>	<u>(161,798)</u>	<u>(4,321)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from other funds	-	108,000	161,798	22,532
Transfers out to other funds	(292,330)	-	-	-
	<u>(292,330)</u>	<u>108,000</u>	<u>161,798</u>	<u>22,532</u>
Total other financing sources (uses)				
<b>NET CHANGE IN FUND BALANCES</b>	(258,880)	(21,466)	-	18,211
<b>FUND BALANCES - BEGINNING</b>	<u>332,893</u>	<u>47,697</u>	<u>3,197</u>	<u>61,305</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 74,013</u>	<u>\$ 26,231</u>	<u>\$ 3,197</u>	<u>\$ 79,516</u>

---

**Totals  
governmental  
funds**

---

\$ 586,694  
484,000  
675,633  
71,764  
6,734  
15,091  
90,812  
26,154  
603

---

1,957,485

---

9,619  
272,562  
438,299  
1,015,171  
15,248  
421,022

44,031  
2,383  
1,285

---

2,219,620

---

(262,135)

---

292,330  
(292,330)

---

-

---

(262,135)

445,092

---

\$ 182,957

---

See notes to the financial statements

*City of Bangor*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - governmental funds (Continued)**

*Year ended June 30, 2007*

---

Reconciliation of the statement of revenues, expenditures, and changes  
in fund balances to the statement of activities:

Net change in fund balances - total governmental funds (page 8) \$ (262,135)

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

Capital assets:

Additions 1,072,502  
Provision for depreciation (44,129)

Long-term obligations - repayment of long-term debt 44,031

Decrease in compensated absences liability 121

Certain net loss of the internal service fund is reported with *governmental activities*. (33,534)

Change in net assets of *governmental activities* (page 6) \$ 776,856

**City of Bangor**  
**STATEMENT OF NET ASSETS - proprietary funds**  
June 30, 2007

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
<b>ASSETS</b>				
Current assets:				
Cash	\$ 6,111	\$ 26,982	\$ 33,093	\$ 41,203
Receivables	51,282	42,629	93,911	9,782
Due from other funds	-	50,000	50,000	-
Total current assets	<u>57,393</u>	<u>119,611</u>	<u>177,004</u>	<u>50,985</u>
Noncurrent assets:				
Capital assets not being depreciated - land	25,825	35,102	60,927	-
Capital assets, net of accumulated depreciation	6,025,685	895,544	6,921,229	75,198
Deferred charges	<u>90,863</u>	<u>-</u>	<u>90,863</u>	<u>-</u>
Total noncurrent assets	<u>6,142,373</u>	<u>930,646</u>	<u>7,073,019</u>	<u>75,198</u>
Total assets	<u>6,199,766</u>	<u>1,050,257</u>	<u>7,250,023</u>	<u>126,183</u>
<b>LIABILITIES</b>				
Current liabilities:				
Payables	22,397	2,039	24,436	27,171
Due to other funds	50,000	-	50,000	-
Customer deposits	-	6,607	6,607	-
Current portion of long-term obligations	<u>95,000</u>	<u>26,632</u>	<u>121,632</u>	<u>-</u>
Total current liabilities	167,397	35,278	202,675	27,171
Noncurrent liabilities - long-term obligations	<u>2,040,000</u>	<u>-</u>	<u>2,040,000</u>	<u>-</u>
Total liabilities	<u>2,207,397</u>	<u>35,278</u>	<u>2,242,675</u>	<u>27,171</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	4,007,373	904,014	4,911,387	75,198
Unrestricted	<u>(15,004)</u>	<u>110,965</u>	<u>95,961</u>	<u>23,814</u>
Total net assets	<u>\$ 3,992,369</u>	<u>\$ 1,014,979</u>	<u>\$ 5,007,348</u>	<u>\$ 99,012</u>

See notes to the financial statements

**City of Bangor**  
**STATEMENT OF NET ASSETS - *proprietary funds*(Continued)**  
*June 30, 2007*

---

Total net assets - enterprise funds \$ 5,007,348

Some amounts reported for *business-type activities* in the statement of net assets (page 5) are different because certain assets and liabilities of the internal service fund have been included with *business-type activities*.

1,328

Net assets of *business-type activities*

\$ 5,008,676

City of Bangor

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - proprietary funds**

Year ended June 30, 2007

	<b>Business-type activities</b>			<b>Governmental activities</b>
	<b>Enterprise funds</b>			<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Totals</b>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 335,150	\$ 270,040	\$ 605,190	\$ 144,820
Other	2,899	3,627	6,526	-
Total operating revenues	<u>338,049</u>	<u>273,667</u>	<u>611,716</u>	<u>144,820</u>
<b>OPERATING EXPENSES</b>				
Personnel costs	124,119	131,336	255,455	61,094
Contracted services	65,376	40,263	105,639	59,292
Supplies	13,514	24,549	38,063	28,107
Internal charges	13,126	24,302	37,428	-
Depreciation	166,197	44,264	210,461	38,414
Total operating expenses	<u>382,332</u>	<u>264,714</u>	<u>647,046</u>	<u>186,907</u>
Operating income (loss)	<u>(44,283)</u>	<u>8,953</u>	<u>(35,330)</u>	<u>(42,087)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Developer contributions	168,500	168,500	337,000	-
Interest	1,828	2,691	4,519	-
Interest expense	(52,137)	(1,756)	(53,893)	-
Net nonoperating revenues	<u>118,191</u>	<u>169,435</u>	<u>287,626</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	73,908	178,388	252,296	(42,087)
<b>NET ASSETS - BEGINNING</b>	<u>3,918,461</u>	<u>836,591</u>	<u>4,755,052</u>	<u>141,099</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 3,992,369</u>	<u>\$ 1,014,979</u>	<u>\$ 5,007,348</u>	<u>\$ 99,012</u>
Change in net assets of enterprise funds			\$ 252,296	
Allocation of net operating loss of internal service fund			(8,553)	
Change in net assets of business-type activities (page 6)			<u>\$ 243,743</u>	

See notes to the financial statements

**City of Bangor**  
**STATEMENT OF CASH FLOWS - proprietary funds**  
Year ended June 30, 2007

	<u>Business-type activities</u>			<u>Governmental</u>
	<u>Enterprise funds</u>			<u>activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	<u>Internal</u>
				<u>service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 327,688	\$ 262,833	\$ 590,521	\$ 145,082
Payments to employees	(51,686)	(52,293)	(103,979)	(55,642)
Payments to vendors and suppliers	(155,841)	(143,266)	(299,107)	(94,159)
Internal activity - payments to other funds	(13,126)	(24,302)	(37,428)	-
Net cash provided by (used in) operating activities	<u>107,035</u>	<u>42,972</u>	<u>150,007</u>	<u>(4,719)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Increase in amounts due from other funds	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Increase in amounts due to other funds	50,000	-	50,000	-
Increase in deferred charges	(35,318)	-	(35,318)	-
Acquisition of capital assets	(26,928)	(16,916)	(43,844)	(13,446)
Proceeds from issuance of debt	2,200,000	-	2,200,000	-
Principal payments on long-term debt	(2,309,000)	(35,210)	(2,344,210)	-
Interest payments on long-term debt	(48,304)	(1,852)	(50,156)	-
Net cash used in capital and related financing activities	<u>(169,550)</u>	<u>(53,978)</u>	<u>(223,528)</u>	<u>(13,446)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends	<u>1,828</u>	<u>2,691</u>	<u>4,519</u>	<u>-</u>
<b>NET DECREASE IN CASH</b>	<b>(60,687)</b>	<b>(58,315)</b>	<b>(119,002)</b>	<b>(18,165)</b>
<b>CASH - BEGINNING</b>	<u>66,798</u>	<u>85,297</u>	<u>152,095</u>	<u>59,368</u>
<b>CASH - ENDING</b>	<u>\$ 6,111</u>	<u>\$ 26,982</u>	<u>\$ 33,093</u>	<u>\$ 41,203</u>

See notes to the financial statements

**City of Bangor**

**STATEMENT OF CASH FLOWS - *proprietary funds* (Continued)**

Year ended June 30, 2007

	<u>Business-type activities</u>			<u>Governmental</u>
	<u>Enterprise funds</u>			<u>activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	<u>Internal</u>
				<u>service</u>
<b>Reconciliation of operating income</b>				
<b>(loss) to net cash provided by</b>				
<b>(used in) operating activities:</b>				
Operating income (loss)	\$ (44,283)	\$ 8,953	\$ (35,330)	\$ (42,087)
Adjustments to reconcile operating income				
(loss) to net cash provided by (used in)				
operating activities:				
Depreciation	166,197	44,264	210,461	38,414
Increase in receivables, net	(10,361)	(10,684)	(21,045)	(13,063)
Increase (decrease) in:				
Payables	(4,518)	589	(3,929)	(1,309)
Customer deposits	-	(150)	(150)	-
Net cash provided by (used in)				
operating activities	<u>\$ 107,035</u>	<u>\$ 42,972</u>	<u>\$ 150,007</u>	<u>\$ (18,045)</u>
 <b>Supplementary information:</b>				
Noncash capital and related financing				
activities:				
Capital asset additions	\$ (195,428)	\$ (185,414)	\$ (380,842)	\$ (13,446)
Less developer contributions	<u>168,500</u>	<u>168,500</u>	<u>337,000</u>	<u>-</u>
Cash used	<u>\$ (26,928)</u>	<u>\$ (16,914)</u>	<u>\$ (43,842)</u>	<u>\$ (13,446)</u>

See notes to the financial statements

*City of Bangor*

**STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund**

*June 30, 2007*

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**ASSETS**

Cash	\$	67
Receivables, net		<u>68,389</u>

Total assets	\$	<u>68,456</u>
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**LIABILITIES**

Due to other governmental units	\$	<u>68,456</u>
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*See notes to the financial statements*

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the City of Bangor, Michigan (the City), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

*a) Reporting entity:*

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely-presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

*Discretely-presented component units:*

*Downtown Development Authority and Economic Development Corporation:*

Each component units' governing body is appointed by the City Council and their budgets must be approved by the City Council. Separate financial statements for the component units have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of each component unit.

*Hospital Finance Authority:*

The Hospital Finance Authority (the Authority) was created to provide a method to enable nonprofit, nonpublic hospitals to provide facilities and services for health care, and to accomplish these purposes, the Authority is authorized to issue bonds. A three-person Commission, appointed by the City Council, governs the Authority that may not issue debt without the approval of the City Council. The Authority has no assets, liabilities, equity, revenues, or expenses; therefore, no separate columns have been included in the financial statements associated with the Authority.

*b) Government-wide and fund financial statements:*

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

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

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

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

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are expected to be 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for the use of allocated state gas and weight taxes used for the maintenance and construction of major streets within the City.

The Capital Projects Fund accounts for the City's grant revenues and expenditures used in capital projects.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the City's sewage collection systems and treatment plant.

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

Additionally, the City reports the following fund types:

The Motor Vehicle Pool Fund, an internal service fund, accounts for vehicle and equipment management services provided to other departments of the City on a cost-reimbursement basis.

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

c) *Measurement focus, basis of accounting, and financial statement presentation* (continued):

The Agency Fund, a fiduciary fund, which accounts for financial assets held for other units of government.

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 the standards 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 standards.

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

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

d) *Assets, liabilities, and net assets or equity:*

i) *Bank deposits* - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

ii) *Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the City considers all receivables to be fully collectible.

iii) *Deferred charges* - Certain payments in connection with obtaining long-term financing have been deferred and are being amortized over the life of the related debt using the straight line method.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 (\$10,000 for infrastructure assets) and an estimated useful life

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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

*iv) Capital assets (continued)*

in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The City has elected to account for its infrastructure assets prospectively, beginning July 1, 2003.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	3 - 20 years
Vehicles	4 - 20 years
Infrastructure	50 years

*v) Compensated absences* - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the City. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

*vi) 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.

*vii) Property tax revenue recognition* - Property taxes are levied as of July 1 on property values assessed as of July 31 of the prior year. The billings are due on or before September 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the City. Property tax revenue is recognized in the year for which taxes have been levied and become available. The City levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the City's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

During the year ended June 30, 2007, the City incurred expenditures, which were in excess of the amounts appropriated. The following table sets forth the significant expenditures in excess of budget.

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public works	Airport	\$ 475	\$ 6,386	\$ 5,911
	Transfers out	Capital Project Fund	142,720	161,798	19,078

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 3 - CASH AND INVESTMENTS:

Cash as presented in the accompanying financial statements, consisted of the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Total primary government</u>	<u>Total component units</u>	<u>Total</u>
Deposits	\$ 127,297	\$ 31,873	\$ 67	\$ 159,237	\$ 3,977	\$ 163,214
Investments	566	1,220	-	1,786	-	1,786
Cash on hand	140	-	-	140	-	140
Total cash	<u>\$ 128,003</u>	<u>\$ 33,093</u>	<u>\$ 67</u>	<u>\$ 161,163</u>	<u>\$ 3,977</u>	<u>\$ 165,140</u>

Deposits:

Custodial credit risk of deposits is the risk that in the event of the failure of a depository financial institution, the City will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of June 30, 2007, \$44,461 of the City's corresponding bank balances of \$144,461 was exposed to custodial credit risk because it was uninsured. The City maintains individual and pooled cash accounts for all of its funds and its component units. Due to use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component units.

The City believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the City evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Investments:

State statutes and the City's investment policy authorize the City to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) investment pools composed of otherwise legal investments. At June 30, 2007, the primary government's investments consisted of \$1,787 in the Cooperative Liquid Asset Security System a non-risk categorized holding, which is reported at cost, which approximates fair value.

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 - RECEIVABLES:**

At June 30, 2007, the City's receivables were as follows:

	<u>Property taxes</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Loans</u>	<u>Totals</u>
Governmental activities:					
General	\$ 1,616	\$ 9,886	\$ 86,671	\$ -	\$ 98,173
Major Street	-	-	17,835	-	17,835
Capital Projects	-	750	152,740	-	153,490
Non-major funds	-	-	6,860	-	6,860
Internal Service	-	<u>9,782</u>	-	-	<u>9,782</u>
 Total governmental funds	 <u>\$ 1,616</u>	 <u>\$ 20,418</u>	 <u>\$ 264,106</u>	 <u>\$ -</u>	 <u>\$ 286,140</u>
Business-type activities:					
Sewer	\$ -	\$ 51,282	\$ -	\$ -	\$ 51,282
Water	-	<u>42,629</u>	-	-	<u>42,629</u>
 Total business-type activities	 <u>\$ -</u>	 <u>\$ 93,911</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 93,911</u>

All receivables are considered fully collectible, and, except for loans, all are due within one year.

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 28,342	\$ -	\$ -	\$ 28,342
Capital assets being depreciated:				
Land improvements	171,090	385,125	-	556,215
Buildings	593,521	-	-	593,521
Furniture, fixtures, and equipment	511,250	13,446	-	524,696
Vehicles	103,042	-	-	103,042
Roads	<u>469,717</u>	<u>687,377</u>	-	<u>1,157,094</u>
 Subtotal	 <u>1,848,620</u>	 <u>1,085,948</u>	 <u>-</u>	 <u>2,934,568</u>

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities (continued):				
Less accumulated depreciation for:				
Land improvements	\$ (29,588)	\$ (9,246)	\$ -	\$ (38,834)
Buildings	(203,634)	(14,330)	-	(217,964)
Furniture, fixtures, and equipment	(451,420)	(25,259)	-	(476,679)
Vehicles	(61,795)	(12,559)	-	(74,354)
Roads	(42,126)	(21,148)	-	(63,274)
Subtotal	<u>(788,563)</u>	<u>(82,542)</u>	<u>-</u>	<u>(871,105)</u>
Total capital assets being depreciated, net	<u>1,060,057</u>	<u>1,003,405</u>	<u>-</u>	<u>2,063,462</u>
Governmental activities capital assets, net	<u>\$ 1,088,399</u>	<u>\$ 1,003,405</u>	<u>\$ -</u>	<u>\$ 2,091,804</u>
Business-type activities:				
Sewer Fund:				
Capital assets not being depreciated - land	\$ 25,825	\$ -	\$ -	\$ 25,825
Capital assets being depreciated:				
Sewer system	6,488,668	195,428	-	6,684,096
Equipment	44,317	-	-	44,317
Subtotal	<u>6,532,985</u>	<u>195,428</u>	<u>-</u>	<u>6,728,413</u>
Less accumulated depreciation for:				
Sewer system	(521,766)	(162,585)	-	(684,351)
Equipment	(14,765)	(3,612)	-	(18,377)
Subtotal	<u>(536,531)</u>	<u>(166,197)</u>	<u>-</u>	<u>(702,728)</u>
Total capital assets being depreciated, net	<u>5,996,454</u>	<u>29,231</u>	<u>-</u>	<u>6,025,685</u>
Sewer fund capital assets, net	<u>6,022,279</u>	<u>29,231</u>	<u>-</u>	<u>6,051,510</u>

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 5 - CAPITAL ASSETS (Continued):

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Business-type activities (continued):				
Water Fund:				
Capital assets not being depreciated - land	\$ 35,102	\$ -	\$ -	\$ 35,102
Capital assets being depreciated:				
Water system	1,178,477	185,416	-	1,363,893
Equipment	<u>40,177</u>	<u>-</u>	<u>-</u>	<u>40,177</u>
Subtotal	<u>1,218,654</u>	<u>185,416</u>	<u>-</u>	<u>1,404,070</u>
Less accumulated depreciation for:				
Water system	(425,937)	(43,956)	-	(469,893)
Equipment	<u>(38,325)</u>	<u>(308)</u>	<u>-</u>	<u>(38,633)</u>
Subtotal	<u>(464,262)</u>	<u>(44,264)</u>	<u>-</u>	<u>(508,526)</u>
Total capital assets being depreciated, net	<u>754,392</u>	<u>141,152</u>	<u>-</u>	<u>895,544</u>
Water Fund capital assets, net	<u>789,494</u>	<u>141,152</u>	<u>-</u>	<u>930,646</u>
Business-type activities capital assets, net	<u>\$ 6,811,773</u>	<u>\$ 170,383</u>	<u>\$ -</u>	<u>\$ 6,982,156</u>

Depreciation expense (exclusive of internal service fund allocations) was charged to governmental activities as follows:

General government	\$ 7,626
Public safety	1,309
Public works	24,021
Recreation and culture	<u>11,173</u>
 Total	 <u>\$ 44,129</u>

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 6 - INTERFUND BALANCES AND TRANSFERS:**

At June 30, 2007, the General Fund owed the Capital Project Fund \$17,869, which represented the balance due on local match required under federal and state grant provisions.

During the year ended June 30, 2007, the General Fund transferred \$108,000 to the Major Street Fund and \$22,532 to a non-major governmental fund in support of operating activities. The General Fund also transferred \$161,798 to the Capital Projects Fund, as a portion of local match required under federal and state capital grant provisions.

**NOTE 7 - PAYABLES:**

At June 30, 2007, the City's payables, by fund, were as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Governmental activities:				
General	\$ 7,833	\$ -	\$ -	\$ 7,833
Capital projects	172,368	-	-	172,368
Internal service	<u>9,501</u>	<u>17,670</u>	<u>-</u>	<u>27,171</u>
Total governmental activities	<u>\$ 189,702</u>	<u>\$ 17,670</u>	<u>\$ -</u>	<u>\$ 207,372</u>
Business-type activities:				
Sewer	\$ 4,687	\$ -	\$ 17,710	\$ 22,397
Water	<u>1,685</u>	<u>-</u>	<u>354</u>	<u>2,039</u>
Total business-type activities	<u>\$ 6,372</u>	<u>\$ -</u>	<u>\$ 18,064</u>	<u>\$ 24,436</u>

**NOTE 8 - LONG-TERM LIABILITIES:**

At June 30, 2007, long-term liabilities are comprised of the following individual issues:

Primary government:	
Governmental activities:	
Bonds and notes:	
\$456,000 5.71% 1994 Unlimited Tax General Obligation Bonds; due in annual installments of \$20,000 to \$45,000 plus interest through May 2009.	\$ 83,281
\$64,400 2003 4.00% Note payable, Michigan State Infrastructure Bank; due in quarterly installments of \$1,174 including interest, beginning October 2003 through April 2023, plus a balloon payment of \$5,405 in July 2023.	<u>57,067</u>
Total bonds and notes	140,348
Accrued compensated absences	<u>8,010</u>
Total governmental activities long-term obligations	<u>\$ 148,358</u>

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 8 - LONG-TERM LIABILITIES (Continued):

Business-type activities:

Bonds and notes:

\$150,000 3.50% 2003 Note payable, bank; due in quarterly installments of \$8,824 plus interest, beginning January 2004 through January 2008. \$ 26,632

\$2,200,000 1.625% 2006 Sewage Disposal System Revenue and Revenue Refunding Bonds (Limited Tax General Obligation); due in annual installments of \$65,000 to \$130,000 plus interest beginning April 2006 through April 2026. 2,135,000

Total business-type activities long-term obligations \$ 2,161,632

Component units:

Downtown Development Authority:

\$154,000 5.50% 1994 Note payable, bank; payable in quarterly installments of \$3,786 including interest through November 2008. \$ 21,719

Long-term liability activity for the year ended June 30, 2007, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Primary government:					
Governmental activities:					
1994 Bonds	\$ 125,000	\$ -	\$ (41,719)	\$ 83,281	\$ 40,000
2003 Note	<u>59,379</u>	<u>-</u>	<u>(2,312)</u>	<u>57,067</u>	<u>2,400</u>
Total bonds and notes	184,379	-	(44,031)	140,348	42,400
Compensated absences	<u>8,131</u>	<u>6,200</u>	<u>(6,321)</u>	<u>8,010</u>	<u>-</u>
	<u>\$ 192,510</u>	<u>\$ 6,200</u>	<u>\$ (50,352)</u>	<u>\$ 148,358</u>	<u>\$ 42,400</u>
Business-type activities:					
2003 Note	\$ 61,842	\$ -	\$ (35,210)	\$ 26,632	\$ 26,632
2004 Bonds	2,244,000	-	(2,244,000)	-	-
2006 Bonds	<u>-</u>	<u>2,200,000</u>	<u>(65,000)</u>	<u>2,135,000</u>	<u>95,000</u>
Total bonds and notes	<u>\$ 2,305,842</u>	<u>\$ 2,200,000</u>	<u>\$ (2,344,210)</u>	<u>\$ 2,161,632</u>	<u>\$ 121,632</u>
Discretely presented component units:					
Downtown Development Authority:					
1994 Note	<u>\$ 35,291</u>	<u>\$ -</u>	<u>\$ (13,572)</u>	<u>\$ 21,719</u>	<u>\$ 14,243</u>

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 8 - LONG-TERM LIABILITIES (Continued):

At June 30, 2007, debt service requirements, excluding compensated absences, were as follows:

<i>Year ended June 30:</i>	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Component unit:</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2008	42,400	7,332	121,632	35,420	14,243	901
2009	45,786	4,869	100,000	33,150	7,476	283
2010	2,606	2,089	100,000	31,525	-	-
2011	2,711	1,983	100,000	29,900	-	-
2012	2,816	1,878	105,000	28,275	-	-
2013 - 2017	15,919	7,557	540,000	115,536	-	-
2018 - 2022	19,423	4,049	590,000	70,037	-	-
2023 - 2027	<u>8,687</u>	<u>377</u>	<u>505,000</u>	<u>20,640</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 140,348</u>	<u>\$ 30,134</u>	<u>\$ 2,161,632</u>	<u>\$ 364,483</u>	<u>\$ 21,719</u>	<u>\$ 1,184</u>

All debt is secured by the full faith and credit of the City.

NOTE 9 - DEFINED BENEFIT PENSION PLAN:

Plan description:

The City's defined benefit pension plan provides retirement benefits to qualified employees and their beneficiaries. The City's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent, multiple-employer, public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the City. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

Funding policy:

MERS members are required to contribute an amount varying between 0 and 10 percent, based on the benefit structure established by each employer. The City is required to contribute at an actuarially determined rate, which currently is 0 percent. Covered employees are not required to contribute to the plan. Administrative costs of the plan are financed through investment earnings

Annual pension cost:

For the year ended June 30, 2007, the City's annual pension cost of \$0 for its defined benefit pension plan was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2006, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: a) 8 percent investment rate of return, net of administrative expenses, b) projected salary increases of 4.50 percent per year, and c) no cost of living adjustments. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The plan has an unfunded actuarial accrued benefit, which is being amortized over 10 years as a level percentage of payroll.

**City of Bangor**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued):

Three-year trend information:

For the years ended June 30, 2007, 2006, and 2005, the City was not required to make a contribution into the plan.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS:

The City provides post-employment health benefits, as per the requirements of a City labor agreement. All non-disability retirees of the plan are eligible for this benefit. Currently, seven retirees meet these eligibility requirements. The City purchases commercial health insurance to provide this benefit, which is provided for the life of the retiree and spouse for current retirees. The insurance policy provides coverage of medical expenses and costs for all pre-Medicare age retirees similar to the benefit available to active employees. A reduced coverage policy, or Medicare supplement, is provided for each retiree eligible for Medicare. Expenditures approximated \$84,300 in 2007.

NOTE 11 - CLAIMS ARISING FROM RISKS OF LOSS:

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. The City manages its liability and property risk by participating in the Michigan Municipal Liability and Property Pool (MMLPP), a public-entity risk pool providing property and liability coverage to its participating members. The City pays an annual premium to MMLPP for its insurance coverage. The MMLPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage 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 manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public-entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past five fiscal years.

NOTE 12 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2007, is as follows:

Revenues	\$ 15,091
Expenses	<u>(37,023)</u>
Deficiency of revenues over expenses	<u>\$ (21,932)</u>

**NOTE 13 - JOINT VENTURES:**

**ABB Fire District:**

The City has joined with the Townships of Arlington and Bangor in establishing the ABB Joint Fire District (the District) to provide fire protection in the District's area of operation, which includes the City of Bangor. The operations of the District are financed by annual support from the participating units of government. The District's Board is composed of two members appointed from each of the participating municipalities. During the year ended June 30, 2007, the City contributed \$70,169 toward the District's operations. There is no equity interest by any participating unit in the District. Complete financial statements can be obtained from the District at 417 West Arlington Street, Bangor, Michigan.

**South Haven Regional Airport Authority:**

The City has joined with the City of South Haven and the Townships of South Haven, Geneva, Casco, and Covert in establishing the South Haven Regional Airport Authority (the Authority) to provide airfield services in the Authority's area of operation, which includes the City of Bangor. The Authority's board is composed of two members appointed from both the City of Bangor and the City of South Haven and one member appointed from each of the remaining municipalities. The operations of the Authority are financed by annual support from the participating units of government, as well as hangar rentals and fuel sales. During the year ended June 30, 2007, the City contributed \$6,386 toward the Authority's operations. There is no equity interest by any participating unit in the Authority. Complete financial statements can be obtained from the Authority at 73020 CR 380, South Haven, Michigan.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Bangor**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 361,800	\$ 380,225	\$ 380,242	\$ 17
State grants	271,850	272,695	270,193	(2,502)
Fines and forfeitures	9,100	6,720	6,734	14
Licenses and permits	15,000	15,000	15,091	91
Charges for services	75,000	88,345	90,812	2,467
Interest and rentals	27,000	21,880	21,892	12
Other	<u>2,505</u>	<u>600</u>	<u>603</u>	<u>3</u>
Total revenues	<u>762,255</u>	<u>785,465</u>	<u>785,567</u>	<u>102</u>
<b>EXPENDITURES</b>				
Legislative	<u>9,500</u>	<u>9,622</u>	<u>9,619</u>	<u>3</u>
General government:				
City Manager	64,980	82,300	81,555	745
Clerk	29,320	32,335	32,270	65
Treasurer	84,680	87,900	87,945	(45)
City Hall	19,720	20,915	20,932	(17)
Cemetery	26,150	25,810	25,130	680
Other	<u>18,210</u>	<u>24,270</u>	<u>24,730</u>	<u>(460)</u>
Total general government	<u>243,060</u>	<u>273,530</u>	<u>272,562</u>	<u>968</u>
Public safety:				
Police	291,345	273,959	260,504	13,455
Building inspection	<u>40,780</u>	<u>36,385</u>	<u>37,023</u>	<u>(638)</u>
Total public safety	<u>332,125</u>	<u>310,344</u>	<u>297,527</u>	<u>12,817</u>
Public works:				
Recycling	65,000	65,000	61,550	3,450
Public service	10,000	42,805	44,374	(1,569)
Street lighting	27,000	26,000	25,931	69
Airport	<u>5,900</u>	<u>475</u>	<u>6,386</u>	<u>(5,911)</u>
Total public works	<u>107,900</u>	<u>134,280</u>	<u>138,241</u>	<u>(3,961)</u>

**City of Bangor**

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Recreation and culture:				
Parks	\$ 31,115	\$ 30,275	\$ 30,875	\$ (600)
Library	<u>1,010</u>	<u>2,030</u>	<u>2,008</u>	<u>22</u>
Total recreation and culture	<u>32,125</u>	<u>32,305</u>	<u>32,883</u>	<u>(578)</u>
Capital outlay	<u>2,555</u>	<u>1,285</u>	<u>1,285</u>	<u>-</u>
Total expenditures	<u>727,265</u>	<u>761,366</u>	<u>752,117</u>	<u>9,249</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>34,990</u>	<u>24,099</u>	<u>33,450</u>	<u>9,351</u>
<b>OTHER FINANCING USES</b>				
Transfers out:				
Major Street Fund	(130,000)	(108,000)	(108,000)	-
Capital Project Fund	-	(142,720)	(161,798)	(19,078)
Local Street Fund	<u>(50,000)</u>	<u>(22,535)</u>	<u>(22,532)</u>	<u>3</u>
Total other financing uses	<u>(180,000)</u>	<u>(273,255)</u>	<u>(292,330)</u>	<u>(19,075)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(145,010)	(249,156)	(258,880)	(9,724)
<b>FUND BALANCES - BEGINNING</b>	<u>332,893</u>	<u>332,893</u>	<u>332,893</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 187,883</u>	<u>\$ 83,737</u>	<u>\$ 74,013</u>	<u>\$ (9,724)</u>

**City of Bangor**

**BUDGETARY COMPARISON SCHEDULE - Major Street Fund**

Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Federal grants	\$ -	\$ -	\$ -	\$ -
State grants	110,000	110,450	110,371	(79)
Local unit contributions	300,000	14,065	14,068	3
Interest	<u>300</u>	<u>175</u>	<u>176</u>	<u>1</u>
Total revenues	<u>410,300</u>	<u>124,690</u>	<u>124,615</u>	<u>(75)</u>
<b>EXPENDITURES</b>				
Public works:				
Street preservation	11,500	24,750	24,735	15
Bridge maintenance	3,310	7,570	7,566	4
Traffic services	1,615	1,335	1,302	33
Winter maintenance	16,700	19,200	19,177	23
Surface maintenance	466,800	182,145	180,410	1,735
Trunkline maintenance	3,630	8,950	8,872	78
Administration	<u>15,595</u>	<u>11,575</u>	<u>10,845</u>	<u>730</u>
Total public works	519,150	255,525	252,907	2,618
Debt service:				
Principal	640	700	595	105
Interest	<u>-</u>	<u>-</u>	<u>579</u>	<u>(579)</u>
Total expenditures	<u>519,790</u>	<u>256,225</u>	<u>254,081</u>	<u>2,144</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(109,490)	(131,535)	(129,466)	2,069
<b>OTHER FINANCING SOURCES</b>				
Transfers in - General Fund	<u>130,000</u>	<u>108,000</u>	<u>108,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	20,510	(23,535)	(21,466)	2,069
<b>FUND BALANCES - BEGINNING</b>	<u>47,697</u>	<u>47,697</u>	<u>47,697</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 68,207</u>	<u>\$ 24,162</u>	<u>\$ 26,231</u>	<u>\$ 2,069</u>

**City of Bangor**  
**ANALYSIS OF FUNDING PROGRESS - Employee Retirement System**  
**(Municipal Employees' Retirement System of Michigan)**

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The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated.

<i>Actuarial valuation date December 31:</i>	<i>Actuarial value of assets (a)</i>	<i>Actuarial liability (ALL) entry age (b)</i>	<i>Funded ratio (a)/(b)</i>	<i>(Over- funded) ALL (b-a)</i>	<i>Covered payroll (c)</i>	<i>(Over- funded) ALL as a percentage of covered payroll ((b-a)/c)</i>
1997	1,372,243	902,401	152%	(469,842)	351,672	-134%
1998	1,477,738	974,561	152%	(503,177)	427,886	-118%
1999	1,643,395	1,028,311	160%	(615,084)	387,547	-159%
2000	1,741,519	1,064,244	164%	(677,275)	422,031	-160%
2001	1,790,847	1,081,042	166%	(709,805)	471,591	-151%
2002	1,774,124	1,081,193	164%	(692,931)	456,995	-152%
2003	1,828,396	1,188,955	154%	(639,441)	455,301	-140%
2004	1,877,240	1,236,525	152%	(640,715)	502,834	-127%
2005	1,925,656	1,256,112	153%	(669,544)	488,221	-137%
2006	2,010,305	1,329,807	151%	(680,498)	503,411	-135%

## **SUPPLEMENTARY INFORMATION**

City of Bangor

COMBINING BALANCE SHEET - other governmental funds

June 30, 2007

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	<u>Special revenue funds</u>					
	<u>Local Street</u>	<u>Police</u>	<u>South Haven Hospital Authority</u>	<u>Senior Services</u>	<u>Bangor Fire District</u>	<u>Library Maintenance</u>
<b>ASSETS</b>						
Cash	\$ 1,031	\$ -	\$ -	\$ 14	\$ 12,942	\$ 19,874
Receivables, net	<u>6,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 7,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ 12,942</u>	<u>\$ 19,874</u>
<b>FUND BALANCES</b>						
Fund balances - unreserved, undesignated	<u>\$ 7,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ 12,942</u>	<u>\$ 19,874</u>

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	<i>Debt service</i>	
	<u>1994 Capital Improvement Bond</u>	<i>Total other governmental funds</i>
<u>Totals</u>		
\$ 33,861	\$ 38,795	\$ 72,656
6,860	-	6,860
\$ 40,721	\$ 38,795	\$ 79,516
\$ 40,721	\$ 38,795	\$ 79,516

*City of Bangor*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - other governmental funds**

*Year ended June 30, 2007*

	<u>Special revenue funds</u>			
	<u>Local Street</u>	<u>Police</u>	<u>South Haven Hospital Authority</u>	<u>Senior Services</u>
<b>REVENUES</b>				
Property taxes	\$ -	\$ 70,603	\$ 8,916	\$ 6,332
State grants	42,269	-	-	-
Local units of government	4,689	-	-	-
Interest	38	-	-	2
	<u>46,996</u>	<u>70,603</u>	<u>8,916</u>	<u>6,334</u>
Total revenues				
	<u>46,996</u>	<u>70,603</u>	<u>8,916</u>	<u>6,334</u>
<b>EXPENDITURES</b>				
Public safety	-	70,603	-	-
Public works	66,023	-	-	-
Health and welfare	-	-	8,916	6,332
Recreation and culture	-	-	-	-
Debt services:				
Principal	1,717	-	-	-
Interest	1,804	-	-	-
	<u>69,544</u>	<u>70,603</u>	<u>8,916</u>	<u>6,332</u>
Total expenditures				
	<u>69,544</u>	<u>70,603</u>	<u>8,916</u>	<u>6,332</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(22,548)	-	-	2
<b>OTHER FINANCING SOURCES</b>				
Operating transfer in	22,532	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	(16)	-	-	2
<b>FUND BALANCES - BEGINNING</b>	7,907	-	-	12
<b>FUND BALANCES - ENDING</b>	<u>\$ 7,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14</u>

<u>Bangor Fire District</u>	<u>Library Maintenance</u>	<u>Totals</u>	<u>Debt service 1994 Capital Improvement Bond</u>	<u>Total other governmental funds</u>
\$ 70,619	\$ -	\$ 156,470	\$ 49,982	\$ 206,452
-	-	42,269	-	42,269
-	8,500	13,189	-	13,189
<u>223</u>	<u>232</u>	<u>495</u>	<u>3,571</u>	<u>4,066</u>
<u>70,842</u>	<u>8,732</u>	<u>212,423</u>	<u>53,553</u>	<u>265,976</u>
70,169	-	140,772	-	140,772
-	-	66,023	-	66,023
-	-	15,248	-	15,248
-	3,014	3,014	-	3,014
-	-	1,717	41,719	43,436
-	-	<u>1,804</u>	<u>-</u>	<u>1,804</u>
<u>70,169</u>	<u>3,014</u>	<u>228,578</u>	<u>41,719</u>	<u>270,297</u>
673	5,718	(16,155)	11,834	(4,321)
<u>-</u>	<u>-</u>	<u>22,532</u>	<u>-</u>	<u>22,532</u>
673	5,718	6,377	11,834	18,211
<u>12,269</u>	<u>14,156</u>	<u>34,344</u>	<u>26,961</u>	<u>61,305</u>
<u>\$ 12,942</u>	<u>\$ 19,874</u>	<u>\$ 40,721</u>	<u>\$ 38,795</u>	<u>\$ 79,516</u>

## **SUPPLEMENTARY DATA**

**City of Bangor**

**SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS**

June 30, 2007

**PRIMARY GOVERNMENT**

Governmental activities:

\$456,000 5.71% 1994 Limited Tax General Obligation Bonds

<u>Year ending June 30:</u>	<u>Interest requirements</u>	<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
2008	\$ 5,038	5/1/2008	\$ 40,000	\$ 45,038
2009	2,678	5/1/2009	43,281	45,959
	<u>\$ 7,716</u>		<u>\$ 83,281</u>	<u>\$ 90,997</u>

\$64,400 4.00% 2003 Note payable, Michigan State Infrastructure Bank

<u>Year ending June 30:</u>	<u>Interest requirements</u>	<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
2008	\$ 2,294	Quarterly	\$ 2,400	\$ 4,694
2009	2,191	Quarterly	2,505	4,696
2010	2,089	Quarterly	2,606	4,695
2011	1,983	Quarterly	2,711	4,694
2012	1,878	Quarterly	2,816	4,694
2013	1,759	Quarterly	2,936	4,695
2014	1,640	Quarterly	3,055	4,695
2015	1,516	Quarterly	3,180	4,696
2016	1,390	Quarterly	3,305	4,695
2017	1,252	Quarterly	3,443	4,695
2018	1,113	Quarterly	3,582	4,695
2019	967	Quarterly	3,728	4,695
2020	818	Quarterly	3,877	4,695
2021	658	Quarterly	4,036	4,694
2022	493	Quarterly	4,200	4,693
2023	324	Quarterly	4,370	4,694
2024	53	Quarterly	4,317	4,370
	<u>\$ 22,418</u>		<u>\$ 57,067</u>	<u>\$ 79,485</u>

**City of Bangor**  
**SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST**  
**REQUIREMENTS (Continued)**

June 30, 2007

**PRIMARY GOVERNMENT (Continued)**

Business-type activities:

\$150,000 3.50% 2003 Note payable, Bank

<u>Year ending June 30:</u>	<u>Interest requirements</u>	<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
2008	\$ 463	Quarterly	\$ 26,632	\$ 27,095

\$2,200,000 1.625% 2006 Sewage Disposal System Revenue Bonds

<u>Year ending June 30:</u>	<u>Interest requirements</u>	<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
2008	35,420	April	95,000	130,420
2009	33,150	April	100,000	133,150
2010	31,525	April	100,000	131,525
2011	29,900	April	100,000	129,900
2012	28,275	April	105,000	133,275
2013	26,569	April	105,000	131,569
2014	24,862	April	105,000	129,862
2015	23,156	April	110,000	133,156
2016	21,368	April	110,000	131,368
2017	19,581	April	110,000	129,581
2018	17,794	April	115,000	132,794
2019	15,925	April	115,000	130,925
2020	14,056	April	120,000	134,056
2021	12,106	April	120,000	132,106
2022	10,156	April	120,000	130,156
2023	8,206	April	125,000	133,206
2024	6,175	April	125,000	131,175
2025	4,144	April	125,000	129,144
2026	2,115	April	130,000	132,115
	<u>\$ 364,483</u>		<u>\$ 2,135,000</u>	<u>\$ 2,499,483</u>

*City of Bangor*

**SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS (Continued)**

*June 30, 2007*

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**DISCRETELY-PRESENTED COMPONENT UNIT:**

Downtown Development Authority

\$154,000 5.50% 1994 Note payable, Bank

<u>Year ending June 30:</u>	<u>Interest requirements</u>	<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
2008	\$ 901	Quarterly	\$ 14,243	\$ 15,144
2009	<u>283</u>	Quarterly	<u>7,476</u>	<u>7,759</u>
	<u>\$ 1,184</u>		<u>\$ 21,719</u>	<u>\$ 22,903</u>

**City Council  
City of Bangor**

In planning and performing our audit of the financial statements of the City of Bangor, Michigan, as of and for the year ended June 30, 2007, in accordance with U.S. generally accepted auditing standards, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they had been implemented, but it did not include procedures to test the operating effectiveness of controls, and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we have identified certain deficiencies in internal control that we consider to be material weaknesses.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control. We believe that the following deficiencies constitute material weaknesses.



1958-2008

- Policies and procedures to create and maintain accounting for federal and state capital grants were not effective. As a result, certain grant revenues were recorded as liabilities or as direct postings to expenditure accounts. Also, local match costs were not recorded within the Capital Project Fund so as to document the level of local match provided and to assist in monitoring total project costs. We recommend that management establish policies and procedures (including monitoring activities) to assure that the accounting for grants is complete and accurate.
- Policies and procedures to account for contributed infrastructure assets of its enterprise funds were not in place. As a result, recorded current year capital additions for both the Water Fund and the Sewer Fund were significantly understated. We recommend that management establish policies and procedures (including monitoring activities) to assure that information regarding contributed assets be captured, classified, summarized, and recorded.
- Policies and procedures to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record changes in capital assets and related debt, and to develop appropriate footnote disclosures were not in place. As in prior years, the City has relied upon our firm as auditor to identify and develop material adjustments necessary to convert cash basis financial statements into full accrual financial statements and to prepare the financial statements and appropriate disclosures. This service is allowable under current auditing standards and ethical guidelines, and may be the most efficient and effective method for preparation of the City's financial statements. However, when an organization (on its own) lacks the ability to produce financial statements that conform to generally accepted accounting principles, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses. We recommend that management and those charged with governance evaluate and document their informed decision on the costs and benefits of contracting financial statement preparation services with its auditor.

This report is intended solely for the information and use of management, the City Council, and the Department of Treasury of the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

*Sigfried Crandall P.C.*

December 14, 2007