



CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

2007

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
DECEMBER 31, 2007

CITY OF WARREN

WATER & SEWER SYSTEM

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2007

RICHARD A. FOX
Certified Public Accountant
City Controller

Member of the Government Finance Officers Association of the United States and Canada

CITY OF WARREN

James R. Fouts
Mayor

One City Square
Warren, Michigan 48093

ADMINISTRATION

City of Warren was incorporated January 1, 1957, under Act 279, P.A. 1909 as amended (Home Rule Act). The 1990 population per Federal Census, 144,864

City is administered by a Mayor, a Council of nine members, Treasurer and Clerk, all of whom are elected to four-year terms.

PRESENT ELECTIVE OFFICERS

(Terms expire November 11, 2011)

MAYOR

JAMES R. FOUTS

COUNCIL

Mary M.Kamp, President

Donna Kaczor Caumartin, Vice President

Keith Sadowski, Secretary

Scott C. Stevens, Asst Secretary

Robert Boccomino

Patrick Green

Mark Liss

Kathy J. Vogt

Steven Warner

TREASURER

Carolyn Kurkowski Mocerri

CITY CLERK

Paul Wojno

DIRECTOR OF PUBLIC SERVICE

Richard Sabaugh

CITY CONTROLLER

Richard A. Fox, CPA

AUDITOR

Ramie E. Phillips, Jr., P.C.

Certified Public Accountant

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM
2007 ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

LETTER OF TRANSMITTAL	i - vii
MANAGEMENT'S DISCUSSION AND ANALYSIS	viii - xii
AUDITOR'S REPORT	xiii
FINANCIAL STATEMENTS	
Comparative Balance Sheet	1 - 2
Comparative Statement of Net Assets	3 - 4
Statement Of Net Assets	5
Comparative Statement Of Revenues, Expenses And Changes In Net Assets	6
Comparative Statement Of Income	7
Comparative Statement of Cash Flows	8 - 9
Notes To Financial Statements	10 - 54
SUPPLEMENTARY INFORMATION	
Combined Statement Of Revenues, Expenses And Changes In Net Assets	S1 - S2
Statement Of Revenues - Budget & Actual	S3
Statement Of Expenditures - Budget & Actual	S4
Detailed Statement Of Expenditures - Budget & Actual	S5 - S7
Statement Of Restricted Reserves	S8 - S9
Statement Of Construction Program Reserves	S10 - S11
Investments In Operating & Restricted Funds	S12
Schedule Of Fixed Assets & Depreciation	S13 - S14
Capital Assets - Narrative & Chart	S15 - S16
Operating Statistics	S17
Water Sales Trend Chart - Fiscal Years 1998 Through 2007	S18
Source Of Revenues Chart	S19
Major Components Distribution Chart	S20
Comparison Of Total Revenues And Total Expenditures & Transfers - Fiscal Years 1998 Through 2007 - Narrative & Chart	S21
Comparison Of Total Operating Revenue And Operating Expense - Fiscal Years 1998 Through 2007 - Narrative & Chart	S22



Office of the Controller
 One City Square
 Warren, Michigan 48093
 {586} 574-4600

October 15, 2008

To the Honorable Mayor
 and Members of Warren City Council

Richard A. Fox
 City Controller

Ladies and Gentlemen:

The Annual Financial Report of the Water & Sewer System of the City of Warren, Michigan for the fiscal year ended December 31, 2007, is submitted herewith. We believe the data is accurate in all material aspects; that it is presented in a manner designed to fairly indicate the financial position of the Water & Sewer System as of December 31, 2007, and the results of operations for the 2007 Fiscal Year; and that it includes the disclosures necessary for the reader to gain maximum understanding of the System's financial activity.

OPERATIONS

In the fiscal year 2007, there were approximately 883.5 million cubic feet of water sold. The Water & Sewer System had net operating revenue {before depreciation} of \$4,425,949. A comparison of the original budget and actual is as follows:

	<u>Budget</u>	<u>Actual</u>
Operating revenues	\$ 34,017,480	\$ 31,957,062
Operating expenses	(29,169,991)	(27,531,113)
Operating revenue	4,847,489	4,425,949
Non-operating revenue	100,000	172,855
Non-operating expense	_____ -	_____ (155,688)
Increase in net assets from operations	<u>\$ 4,947,489</u>	<u>\$ 4,443,116</u>

To the Honorable Mayor
and Members of the Warren City Council

Other factors affecting the Net Assets are summarized as follows:

Increase in net assets from operations	\$ 4,443,116
Interest earnings – reserve funds	432,596
Depreciation expense	(4,579,288)
Debt service interest	<u>(1,933,574)</u>
Net decrease in net assets	(1,637,150)
Net assets – January 1, 2007	<u>75,661,636</u>
Net assets – December 31, 2007	<u>\$ 74,024,486</u>

Revenues for 2007 were structured to provide funds for operating costs and to provide for the annual debt service cost of fixed asset acquisitions. Ordinance 80-448, adopted in conjunction with each outstanding revenue bond issue requires the System to generate sufficient net income to pay the annual principal and interest due on the bond issue.

Operations for the fiscal year ending December 31, 2007, including restricted reserve activity and the non-cash expense of depreciation in the amount of \$4,579,288 resulted in operating loss of \$153,339 on revenues of \$31,957,062. Debt service interest of \$1,933,574 relates interest on long term financing instruments. The interest income of \$432,596 generated through the restricted reserves was credited to the reserve from which the investment was made in accordance with City of Warren Ordinance # 80-448.

Sales volume increased 5.2% from Fiscal 2006 but was 7% below budget estimates. Variations in sales from one fiscal period to another are typically attributed to summer weather conditions. However, with sales falling below historical budget levels in each of the past 6 years the estimates used in the budget process must be adjusted to be in line with actual sales. The sales estimate used in preparation of the 2008 Fiscal Year budget was revised downward 5% {from 950 million to 90 million cubic feet} and will be further adjusted in subsequent years as necessary.

October 15, 2008
To the Honorable Mayor
and Members of the Warren City Council

Water loss, the difference between the volume of water purchased and that sold to system users was 12.4% in 2007. As the utility system ages it is expected that there will be increases in lost volume through both undetected leaks and water lost in repair activity. Added to this is an aging meter registration system, the accuracy of which diminishes over time. In the imminent future we are faced with making difficult decisions to assure that a comprehensive preventative maintenance program is in place and a long-range program of replacing water mains and sewer lines, as well as water meters, is adopted and properly financed.

RESERVES

The Water & Sewer System has provided and restricted adequate funds to complete all construction projects in progress at December 31, 2007.

Cash balances in restricted reserves at December 31, 2007, net of current liabilities, including accounts payable and construction in progress, total \$12,748,123, of which \$5.5 million is restricted to meet revenue bond debt requirements in the Debt Service Reserve. Another \$1.7 million is allocated for construction projects in progress. The balance is earmarked for pending project awards and emergencies.

Long term financing remains the only viable alternative to meet future infrastructure replacement needs. Rates and charges recommended by the Administration and adopted by the City Council must be sufficient to generate net operating revenue to meet annual debt payments of existing revenue bonds and any subsequent financing deemed necessary.

October 15, 2008
To the Honorable Mayor
and Members of the Warren City Council

DEBT SERVICE AND DEBT ADMINISTRATION

Warren's favorable Standard & Poor's bond rating {"A"} indicates that the City's bonds are of good, sound investment quality, suitable for bank investment and that the City has a strong capacity to pay principal and interest. The maintenance of a favorable rating depends on our ability to provide strong, cost-effective management for both the Water Division and the Waste Water Treatment Plant. We must be able to function within current budget appropriations and respond to changing circumstances without adversely affecting overall efficiency.

ADMINISTRATION

The Water & Sewer System's accounting records are fully computerized as part of the total management information system. The computerization of the accounting records and water billing system has provided for more comprehensive and timely reporting. Data terminals installed in the Water Division business offices facilitate rapid response to customer inquiries by providing immediate access to customer account records. The "Remote Meter Reading Program" has effectively reduced the need for estimated water bills. The Water Division has replaced the majority of residential meters with a newer, more accurate type to minimize water loss.

The City is divided into four districts for purposes of reading and billing accounts. One district is composed of industrial and larger commercial accounts and the remaining three districts are primarily residential in character. Effective in 2001 all accounts were billed monthly with readings for all but the large commercial/industrial district performed through an agreement with Consumers Energy.

October 15, 2008
To the Honorable Mayor
and Members of the Warren City Council

WASTE WATER TREATMENT FACILITY

The Waste Water Treatment Plant provides first, second and third stage treatment of sanitary wastes collected in a separated sanitary sewer system covering the entire 34.5 square miles of the City. The facility utilizes primary sedimentation and intensified aeration in the secondary system followed by a gravity filtration third stage of treatment. Phosphorus removal is accomplished by chemical addition to the secondary section of the plant. The sludge removed from each of the three stages of treatment is incinerated in an odor-free, multiple hearth incinerator. Sophisticated computerized equipment is used to operate and monitor facility processes. The operation of a high-level treatment facility such as the Waste Water Treatment Plant requires substantial budgetary allocations for electricity, gas and chemical treatment materials.

Our facility was one of the first advanced wastewater treatment plants to be placed in service and it continues to meet the stringent discharge limitations imposed by State and Federal authorities. Warren residents can be rightfully proud of the Waste Water Treatment Plant's outstanding record of operation. They should also be aware that the unit cost of tertiary treatment is considerably lower than that of suburban customers of the City of Detroit Sewage Treatment System.

WATER DIVISION HEADQUARTERS

In 1990, City Council approved the establishment of a Building Authority whose first and principal duties were the financing and construction of facilities to house City of Warren Water Division operations. The principal objective in the construction of the Water Division Headquarters was to centralize all Water Division operations under the control of the Water Division Superintendent in a modern facility for improved administrative efficiency and protection of the substantial investment in equipment.

October 15, 2008
To the Honorable Mayor
and Members of the Warren City Council

The Water Division Headquarters is located at 12821 Stephens between Hoover and Schoenherr Roads. It is adjacent to the Department of Public Works offices and maintenance facility providing for greater convenience in the repair and maintenance of rolling stock. The administrative offices of the Water Division Headquarters also house the entire City of Warren Division of Engineering.

The Water Division took possession of the Headquarters building in the spring of 1991. The construction cost was financed mainly through the issuance of Bonds through the City of Warren Building Authority and in accordance with the provisions of Act No. 31, Public Acts of Michigan, 1948 (First Extra Session), as amended. The Water & Sewer System has entered into a lease-purchase agreement with the Building Authority whereby the debt requirements are met through annual lease payments. The entire cost of the new facility was capitalized as a Water & Sewer System fixed asset in the 1991 fiscal year with the portion of the future annual lease payments applicable to Building Authority debt principal shown as a long term liability. The terms of the lease require that the Water & Sewer System make annual payments ranging from approximately \$465,000 to \$500,000 with final payment rendered Fiscal Year 2004.

LITIGATION

According to the City Attorney, the Water & Sewer System currently has no outstanding litigation that would adversely impact the Financial Statements. The City of Warren commenced legal proceedings against the City of Detroit challenging the methodology and costs allocated to the City of Warren through its water rates. Amounts in contention, if any, are as yet undeterminable.

October 15, 2008
To the Honorable Mayor
and Members of the Warren City Council

AUDIT

The City Charter requires an annual audit of the books of account, financial records and transactions of the Water & Sewer System of the City by a Certified Public Accountant. This requirement has been complied with and the auditor's opinion has been included in this report.

ACKNOWLEDGMENT

The preparation of this report has been accomplished through the dedicated services of the staff of the Water & Sewer System and the Controller's Office. I would like to at this time to express my appreciation to the Honorable Mayor and City Council for their support of my staff and I and their willingness to consider alternative methods of managing both financial and human resources to safeguard the health and welfare of the citizens of Warren and operate the City's Water & Sewer System in a responsible and progressive manner.

Respectfully submitted,

Richard A. Fox, C.P.A.
City Controller

CITY OF WARREN WATER & SEWER SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview accompanies the City of Warren Water & Sewer System financial report for the fiscal year ended December 31, 2007. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and identify significant changes in financial position. Readers are encouraged to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

Operating loss, after depreciation of \$4,579,288, was \$153,339 in fiscal 2007 on a sales volume of 883,463 MCF {thousand cubic feet}. Compared to the 2006 operating loss of \$795,054 on sales of 839,755 MCF this was a favorable change of \$641,715.

Net loss, after interest earnings of \$605,451 and \$2,089,262 in debt service interest and bond discount amortization was \$1,637,150. Compared to the 2006 net loss of \$2,190,433, this was a favorable change of \$553,283.

Net assets, the difference between total assets and total liabilities decreased from \$75.7 million at December 31, 2006 to \$74.0 million at December 31, 2007.

The principal difference in comparative financial results between the current year and the prior one was an increase in sales volume. Water sales were 5.2% higher than the previous year. This resulted in just over \$1.1 million additional revenue, net of wholesale water purchase cost, available to cover operating expenses and debt service costs.

In reviewing the details of the financial report, two significant items stand out. One is the difference between actual sales volumes and the volumes used in projecting the budgeted revenue and the second is a marked increase in water loss, the difference between the volume of water purchased at wholesale and the volume sold at retail.

CITY OF WARREN WATER & SEWER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
{continued}

In 2007 the budget was predicated on sales of 950 million cubic feet while actual sales were 883 million cubic feet, a shortfall of 7.0%. The estimated dollars lost as the result of the shortfall totals almost \$1.4 million in net revenue (retail sales minus wholesale cost).

Actual sales volumes have fallen short of budget projections for nearly a decade. What was first regarded as a seasonal anomaly is now certainly new, lower level of system usage. There are several potential factors affecting system usage.

Residential meters in service throughout the city are near the ends of their useful lives as projected by their manufacturers. As meters age their registration accuracy declines and results in significant under-registration of consumer usage. This theory has been supported by industry and independent testing of meter populations in service throughout the country and independent testing commissioned here in the City of Warren. A major replacement program has been initiated with work expected to commence in late 2008 or early 2009.

With more "empty nesters" in the community and smaller family sizes for young families there are fewer residential users. In an area dependent on the automobile industry, the declining profitability of domestic auto makers places great pressure on them and their peripheral industries to reduce costs wherever possible and discretionary water usage is a prime candidate for economizing.

Weather conditions have a significant impact on sales. All classes of users register less usage when the summer months are marked by long periods of overcast, wet days. The depressed economic climate of Michigan results in tighter financial restraint for residential and commercial and industrial users. Rising unit prices compound these effects.

CITY OF WARREN WATER & SEWER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
{continued}

The second factor of note in 2007 is the increase in water loss – the difference between retail sales and wholesale purchases. In 2007, the amount of water sold to retail customers totaled approximately 883 million cubic feet while wholesale purchases from Detroit were 1.015 billion cubic feet, a loss of 12.9%. This was a significant increase from the average of recent years of approximately 10% annually.

A reasonable amount of water loss is a normal occurrence. There are several internal activities where water flows through the system without being registered on a retail meter such as fire fighting, testing and repair of fire hydrants and cleaning of sewer lines. There are also some retail functions where specific measurement of water usage is not practical – charitable car washes and summer garden and flower flea markets often use direct connections to fire hydrants to draw their water needs. With the exception of the sewer cleaning, which is an internal activity of the Water & Sewer System; these activities do not result in actual revenue loss. The City General Fund pays an annual fee to the Water & Sewer System for fire hydrant maintenance and repair to offset both labor cost and unmetered water usage. Charitable groups and other retail activities using direct access to hydrants pay a daily rental fee also to offset estimated usage.

Without extensive and expensive research it is impossible to quantify the exact causes of the increased water loss but there are several known factors to which we can reasonably attribute the increase. Water main breaks increased approximately 45%; from 238 breaks in fiscal 2006 to 344 in fiscal 2007. A detailed analysis of the comparative severity of the breaks from one year to the next plus the timing and system water pressure would be necessary to quantify the impact.

The quality of the water main infrastructure continues to deteriorate as it ages and, with no comprehensive analysis and replacement program in place, it is reasonable to assume that not only will the discovered breaks increase in severity so will the undiscovered losses through underground cracks and breaks that have not yet surfaced.

CITY OF WARREN WATER & SEWER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
{continued}

Another major factor in the water loss increase is the registration loss referred to above as the result of aging meters. Meter industry developed and independent studies of meter accuracy reveal that losses progressively worsen as the meters age. The first indicators are registration failures in low demand usage situations. Tests have shown that this is already occurring among our meters currently in service. While the initial impact on registration loss can be minor it is the precursor of a rapidly worsening situation. Within a relatively few years the inaccuracies will be much wider spread.

The remedies for these issues are neither simple nor inexpensive. First and foremost we must bring our projected sales volumes down to a level that is actually achievable and be in a position to make adjustments to these projections as actual data is collected. We have trimmed budget projections by almost 16% since 2005 (to fiscal 2008) but there is more to be done. Much of the loss has been absorbed through personnel reductions and deferring capital equipment and infrastructure replacements. This method is not sustainable into the future.

The meter replacement program needs to go forward in such a way as to have the Water & Sewer System capture the registration gains made. From top to bottom, operations have to be reviewed to reform antiquated methods of conducting business and allocate personnel and other resources where they are most needed. And a comprehensive long-range infrastructure and capital needs plan must be adopted.

CITY OF WARREN WATER & SEWER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
{continued}

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Water & Sewer System's financial statements, which is comprised of the basic financial statements and the notes to the financial statements. The Water & Sewer System is comprised of an operating and maintenance fund and seven special purpose reserves. The special purpose reserves are established primarily for the purpose of segregating capital and debt service activities of the System. The activities of the operating fund and reserves are consolidated in the basic financial statements with capital activities reflected as changes in fixed assets and debt service activities disclosed in the Non-Operating section of the Comparative Statement of Income and the Comparative Statement of Revenues, Expenses and Changes in Retained Earnings.

This report also contains supplemental information detailing actual revenues compared to budget estimates and actual operating expenses compared to budget allocations.

Basic financial statements – The basic financial statements are designed to provide the readers with a broad overview of the System's finances, in a manner similar to a private-sector business.

The balance sheet presents information on all the System's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the System is improving or deteriorating. Net assets increase when actual revenues exceed actual expenses and increases to assets without a corresponding increase in liabilities also increase net assets.

The statements of revenues, expenses and changes in fund net assets present information showing how the System's net assets changed during the fiscal year. All changes in net assets are recorded as the underlying event occurs, regardless of time of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensatory time).

CITY OF WARREN WATER & SEWER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
{continued}

Notes to financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the System's net revenues, budget to actual comparisons of revenues and expenses and statistical trend data on System's users, water purchases and sales comparison's and water loss and composition of capital assets.

Financial Analysis

Net assets may serve, over time, as a useful indicator of an entity's financial position. In the case of the Water & Sewer System, assets exceeded liabilities by \$74,024,486 at the close of the 2007 fiscal year. This represents a decrease of \$1,637,150 {2.2%} from the previous year. The unrestricted net assets were \$4,673,034. The System maintains debt service reserve in the amount of \$5,501,864 to meet revenue bond covenants.

The largest portion of the System's net assets {74.7%} reflects its investment in capital assets {e.g., water mains, sewer lines, buildings, water meters, repair equipment, etc.} less any related debt used to acquire those assets that are still outstanding. The System uses these assets to provide services and consequently these assets are not available to liquidate liabilities or other spending.

CITY OF WARREN WATER & SEWER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
{continued}

Water & Sewer System's Net Assets {in millions}

	2007	2006
Current & other assets	28.1	30.2
Capital assets	<u>106.8</u>	<u>109.5</u>
Total assets	<u>134.9</u>	<u>139.7</u>
Long-term liabilities	52.0	54.5
Other liabilities	<u>8.9</u>	<u>9.5</u>
Total liabilities	<u>60.9</u>	<u>64.0</u>
Net assets:		
Invested in capital assets, net of related debt	55.3	55.8
Restricted	14.0	16.9
Unrestricted	<u>4.7</u>	<u>3.0</u>
Total net assets	<u>74.0</u>	<u>75.7</u>

An additional portion of the System's net assets represents resources that are subject to external restrictions on how they may be used. These restrictions include bond proceeds to be used for construction projects and reserve funds required by bond covenants.

	2007	2006
Revenues:		
Charges for services	31.9	29.7
Other revenues	<u>0.6</u>	<u>0.6</u>
Total revenues	<u>32.5</u>	<u>30.3</u>
Expenses:		
Water & sewer system	<u>34.2</u>	<u>32.5</u>
Increase (decrease) in net assets	(1.7)	(2.2)
Net assets – beginning of year	<u>75.7</u>	<u>77.9</u>
Net assets – end of year	<u>74.0</u>	<u>75.7</u>

CITY OF WARREN WATER & SEWER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
{continued}

Significant Events: As noted above, expenses increased by \$1.7 million compared the prior year. The increase can be primarily attributed to increased debt service interest. as State Revolving Fund financed projects neared completion. and increase depreciation expense.

Operating revenues increased by \$2.2 million compared to the prior year. This was primarily due to a 5.2% increase in sales volume.

Capital Assets and Debt Administration

Capital Assets: The System's investment in capital assets amounts to \$106,761,901, net of accumulated depreciation, as of December 31, 2007, a decrease of \$2,747,646 (2.5%) Capital assets include water mains, sewer lines, water meters, buildings, vehicles and operating equipment. Major capital acquisitions in the current year included:

Water main replacements	\$1.4 million
Waste water treatment plant improvements	\$143,000
Sewer line replacements	\$62,000
Tools and working equipment	\$169,000

Long-term Debt: The System has outstanding revenue bonds payable of \$50.3 million {net of unamortized bond discounts and deferred loss on refunding}. All the System's operating revenue is pledged to repay these bonds.

Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Controller, City of Warren, One City Square, Suite 400, Warren, MI 48093.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

COMPARATIVE BALANCE SHEET
DECEMBER 31, 2007 and 2006

ASSETS

	2007	2006
Current Assets - unrestricted:		
Cash	\$ 225,085	\$ 575,544
Investments	1,730,177	101,958
Prepaid expenses	57,717	47,838
Accounts receivable	9,661,265	8,808,411
Accrued interest on investments	172	198
Due from general fund	7,500	7,500
Land contract interest receivable	14,141	16,501
Materials & supplies inventory - at cost	186,276	263,407
Total current assets - unrestricted	11,882,333	9,821,357
Restricted Assets:		
Investments	12,748,123	10,809,789
Due from capital improvement bond proceeds	1,320,171	1,974,906
Due from state	0	4,486,605
Designated for future projects	1,702,584	2,535,004
Total restricted assets	15,770,878	19,806,304
Other Assets:		
Land contract receivable - DPW Building	471,365	550,042
Property, Plant & Equipment - at cost:		
Land	605,219	605,219
Building & improvements	62,600,368	62,457,585
Utility system	112,664,297	111,194,113
Machinery & equipment	12,262,421	12,093,422
Total property plant & equipment	188,132,305	186,350,339
Less: accumulated depreciation	(81,370,404)	(76,840,792)
Net property plant & equipment	106,761,901	109,509,547
Total Assets	\$ 134,886,477	\$ 139,687,250

The accompanying notes section is an integral part of the financial statements

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

COMPARATIVE BALANCE SHEET
DECEMBER 31, 2007 and 2006

LIABILITIES & NET ASSETS

	2007	2006
Current Liabilities - unrestricted:		
Accounts payable	\$ 1,980,692	\$ 1,799,511
Due to general fund	1,611,732	1,467,269
Current portion of revenue bonds payable	2,529,621	2,437,303
Accrued wages payable	263,285	192,633
Payroll taxes, deductions & benefits	195,636	151,453
Customer deposits	138,391	143,424
Total current liabilities - unrestricted	6,719,357	6,191,593
Current Liabilities - restricted:		
Accounts payable	105,350	406,068
Accrued interest payable	334,885	329,013
Construction contracts to be performed in future periods	1,702,584	2,535,004
Current portion of installment purchase agreement	40,474	38,344
Total current liabilities - restricted	2,183,293	3,308,429
Long-Term Liabilities - unrestricted:		
Bonds payable	52,394,624	54,924,246
Unamortized discount	(232,510)	(264,471)
Deferred refunding charge	(1,880,810)	(2,004,537)
Accumulated sick leave	1,468,846	1,608,850
Accumulated compensatory time	166,798	178,744
Total long-term liabilities - unrestricted	51,916,948	54,442,832
Long-Term Liabilities - restricted:		
Equipment notes payable	42,605	83,079
Unamortized discount	(212)	(319)
Total long term liabilities - restricted	42,393	82,760
Total liabilities	60,861,991	64,025,614
Net Assets:		
Invested in capital assets, net of related debt	55,306,260	55,772,291
Restricted for debt service	5,501,864	5,484,295
Restricted for construction	8,043,328	10,930,820
Restricted for insurance claims	500,000	500,000
Unrestricted	4,673,034	2,974,230
Total net assets	74,024,486	75,661,636
Total Liabilities & Net Assets	\$ 134,886,477	\$ 139,687,250

The accompanying notes section is an integral part of the financial statements

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

COMPARATIVE STATEMENT OF NET ASSETS
DECEMBER 31, 2007 and 2006

ASSETS

	2007	2006
Current Assets - unrestricted:		
Cash & cash equivalents	\$ 1,955,262	\$ 677,502
Prepaid expenses	57,717	47,838
Accounts receivable	9,661,265	8,808,411
Accrued interest on investments	172	198
Due from general fund	7,500	7,500
Land contract interest receivable	14,141	16,501
Materials & supplies inventory - at cost	186,276	263,407
Total current assets - unrestricted	11,882,333	9,821,357
Current Assets - restricted:		
Cash & cash equivalents	12,748,123	10,809,789
Due from city - capital improvement bond proceeds	1,320,171	1,974,906
Due from state	-	4,486,605
Total current assets - restricted	14,068,294	17,271,300
Total current assets	25,950,627	27,092,657
Noncurrent Assets:		
Land contract receivable - DPW Building	471,365	550,042
Capital assets - net of accumulated depreciation:		
Land	605,219	605,219
Building & improvements	43,264,192	44,682,850
Utility system	61,756,234	62,521,246
Machinery & equipment	1,136,256	1,700,232
Total capital assets - net of accumulated depreciation	106,761,901	109,509,547
Designated for future projects	1,702,584	2,535,004
Total noncurrent assets	108,935,850	112,594,593
Total Assets	\$ 134,886,477	\$ 139,687,250

The accompanying notes section is an integral part of the financial statements

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

COMPARATIVE STATEMENT OF NET ASSETS
DECEMBER 31, 2007 and 2006

LIABILITIES & NET ASSETS

	2007	2006
Current Liabilities - unrestricted:		
Accounts payable	\$ 1,980,692	\$ 1,799,511
Due to general fund	1,611,732	1,467,269
Current portion of revenue bonds payable	2,529,621	2,437,303
Accrued wages payable	263,285	192,633
Payroll taxes, deductions & benefits	195,636	151,453
Customer deposits	138,391	143,424
Total current liabilities - unrestricted	6,719,357	6,191,593
Current Liabilities - restricted:		
Accounts payable	105,350	406,068
Accrued interest payable	334,885	329,013
Construction contracts to be performed in future periods	1,702,584	2,535,004
Current portion of installment purchase agreement	40,474	38,344
Total current liabilities - restricted	2,183,293	3,308,429
Total current liabilities	8,902,650	9,500,022
Noncurrent Liabilities - unrestricted:		
Bonds payable	52,394,624	54,924,246
Unamortized discount	(232,510)	(264,471)
Deferred refunding charge	(1,880,810)	(2,004,537)
Accumulated sick leave	1,468,846	1,608,850
Accumulated compensatory time	166,798	178,744
Total noncurrent liabilities - unrestricted	51,916,948	54,442,832
Noncurrent Liabilities - restricted:		
Equipment notes payable	42,605	83,079
Unamortized discount	(212)	(319)
Total noncurrent liabilities - restricted	42,393	82,760
Total noncurrent liabilities	51,959,341	54,525,592
Total liabilities	60,861,991	64,025,614
Net Assets:		
Invested in capital assets, net of related debt	55,306,260	55,772,291
Restricted for debt service	5,501,864	5,484,295
Restricted for construction	8,043,328	10,930,820
Restricted for insurance claims	500,000	500,000
Unrestricted	4,673,034	2,974,230
Total net assets	74,024,486	75,661,636
Total Liabilities & Net Assets	\$ 134,886,477	\$ 139,687,250

The accompanying notes section is an integral part of the financial statements

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	NET ASSETS			
	INVESTED IN CAPITAL ASSETS	RESTRICTED	UNRESTRICTED	TOTAL
Net Assets - January 1, 2007	\$ 55,772,291.10	\$ 16,915,115.64	\$ 2,974,229.33	\$ 75,661,636.07
Net income (loss):				
Operating revenues	-	-	31,957,062.00	31,957,062.00
Interest on investments	-	432,596.00	172,855.00	605,451.00
Operating expenses	-	-	(27,531,113.00)	(27,531,113.00)
Depreciation	(4,579,288.00)	-	-	(4,579,288.00)
Debt service interest	-	(1,933,574.00)	-	(1,933,574.00)
Amortization	(155,688.00)	-	-	(155,688.00)
Net income (loss)	(4,734,976.00)	(1,500,978.00)	4,598,804.00	(1,637,150.00)
Other changes in net assets:				
Fixed assets capitalized	1,831,642.00	(1,831,642.00)	-	-
Bond principal paid	2,437,303.00	(2,437,303.00)	-	-
Budget transfers	-	2,900,000.00	(2,900,000.00)	-
Total other changes in net assets	4,268,945.00	(1,368,945.00)	(2,900,000.00)	-
Total changes to net assets	(466,031.00)	(2,869,923.00)	1,698,804.00	(1,637,150.00)
Net Assets - December 31, 2007	\$ 55,306,260.10	\$ 14,045,192.64	\$ 4,673,033.33	\$ 74,024,486.07
	\$ 55,306,260.40	\$ 14,045,191.21	\$ 4,673,033.18	\$ 74,024,484.79

The accompanying notes section is an integral part of the financial statements

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Operating Revenues:		
Charges for services	\$ 31,957,062	\$ 29,674,597
Total operating revenues	31,957,062	29,674,597
Operating Expenses:		
Water purchases	8,087,453	7,007,742
Wages & salaries	6,067,820	6,050,016
Employee benefits	6,118,397	5,672,614
Supplies & materials	842,646	825,527
Other services & charges	6,414,797	6,552,919
Depreciation - straight line method	4,579,288	4,360,833
Total operating expenses	32,110,401	30,469,651
Operating income (loss)	(153,339)	(795,054)
Non-Operating Revenues (Expenses):		
Interest on investments	605,451	634,459
Interest on revenue bonds	(1,933,574)	(1,869,651)
Amortization of bond discount	(155,688)	(154,572)
Other expense	-	(5,615)
Total non-operating revenue (expense)	(1,483,811)	(1,395,379)
Net income (loss)	(1,637,150)	(2,190,433)
Net assets - beginning of year	75,661,636	77,852,069
Net assets - end of year	\$ 74,024,486	\$ 75,661,636

The accompanying notes section is an integral part of the financial statements

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

COMPARATIVE STATEMENT OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Operating Revenues:	\$ 31,957,062	\$ 29,674,597
Less: Operating expenses before depreciation	27,531,113	26,108,818
Operating revenue (loss) before depreciation	4,425,949	3,565,779
Less: Depreciation - straight line method	4,579,288	4,360,833
Operating income (loss)	(153,339)	(795,054)
Non-Operating Income (Expense):		
Interest on investments	605,451	634,459
Interest on revenue bonds	(1,933,574)	(1,869,651)
Amortization of bond discounts & deferred refunding fees	(155,688)	(154,572)
Other expense	-	(5,615)
Total Non-Operating Revenue (Expense)	(1,483,811)	(1,395,379)
Net income (loss)	\$ (1,637,150)	\$ (2,190,433)

The accompanying notes section is an integral part of the financial statements

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

COMPARATIVE STATEMENT OF CASH FLOWS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006

Increase (Decrease) In Cash And Cash Equivalents

	2007	2006
Cash flows from operating activities:		
Cash received from customers	\$ 29,213,519	\$ 27,434,895
Cash payments to suppliers for goods and services	(14,942,121)	(15,184,524)
Cash payments to employees for services	(12,233,210)	(11,766,640)
Other operating revenues	1,888,016	1,838,935
	3,926,204	2,322,666
Net cash provided by operating activities		
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	3,087,655	(12,042,591)
Interest paid on revenue bonds	(1,933,574)	(1,869,651)
Increase (decrease) in long term liability	(2,469,668)	4,646,251
	(1,315,587)	(9,265,991)
Net cash used for capital and related financing activities		
Cash flows from investing activities:		
Interest on investments	605,477	636,163
	605,477	636,163
Net cash used in investing activities		
Net increase (decrease) in cash and cash equivalents	3,216,094	(6,307,162)
Cash and cash equivalents at beginning of year	11,487,291	17,794,453
Cash and cash equivalents at end of year	\$ 14,703,385	\$ 11,487,291

The accompanying notes section is an integral part of the financial statements

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

COMPARATIVE STATEMENT OF CASH FLOWS FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006

Operating Income To Net Cash Provided By Operations Reconciliation

	2007	2006
Operating income (loss)	\$ (153,339)	\$ (795,054)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,579,288	4,360,833
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(852,854)	(432,942)
Decrease (increase) in land contract interest receivable	2,360	2,225
Decrease (increase) in inventory	77,131	(11,581)
Decrease (increase) in prepaid expenses	(9,878)	(17,175)
Increase (decrease) in accounts payable	181,181	(185,493)
Increase (decrease) in general fund interfund balances	144,463	(600,542)
Increase (decrease) in wages and benefits payable	(37,115)	(26,835)
Increase (decrease) in customer deposits	(5,033)	29,230
Total adjustments	4,079,543	3,117,720
Net cash provided (used) by operating activities	\$ 3,926,204	\$ 2,322,666

The accompanying notes section is an integral part of the financial statements

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 – OVERVIEW OF THE RESULTS OF FISCAL 2007 OPERATIONS

The Water and Sewer System generated operating revenue, before depreciation, of \$4,425,949 on sales of 883,463,200 cubic feet. Net loss, after depreciation, interest income, debt service interest and other non-operating income and expense items was \$1,637,150. Compared to the Fiscal 2006 net loss of \$2,190,433 this was a change of \$553,283. The principal reason for the increase in net income was the 5.2% increase in sales volume. Operating revenue, before depreciation, increased in Fiscal 2007 by \$860,170.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Warren Water and Sewer System provides water delivery and treatment services for residential, commercial and industrial customers in the City of Warren and some parcels in adjacent communities. The Water Division and Waste Water Treatment Plant operate under the control of the Mayor and City Council and are divisions under the Department of Public Service. In accordance with the provisions of the National Council of Governmental Accounting Statement 3, certain other funds are not considered to be part of the Water and Sewer System for financial reporting purposes. The criteria established by NCGA for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibilities, scope of public service and special financing relationships. On this basis the financial statements of certain other funds listed below are not included in the financial statements of the Water and Sewer System.

The financial statements for the Waste Water Treatment Plant Expansion Fund are included in the City's comprehensive annual financial report for the year ended June 30, 2007. As various segments of the Waste Water Treatment Plant are completed the asset and related contribution is then recorded in the Water and Sewer System records. The capital project fund used to accumulate Treatment Plant expansion has a fund balance of \$96,828 at June 30, 2007. The capital project fund has received \$39,912,477 and expended \$39,815,649 to the end of the City's fiscal year.

The pension fund statements are also included in the comprehensive annual financial report for the City. The pension fund is treated as a separate fund to which the Water and Sewer System makes a contribution each payroll period based on gross payroll.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 3 - BASIS OF PRESENTATION - PROPRIETARY FUNDS

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the City is that costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis are financed or recovered primarily through user charges. The acquisition, maintenance and improvement of physical plant facilities required to provide these goods and services are financed from cash resources, the issuance of bonds (revenue or general obligation), Federal grants or other City funds. The financial activities of the Water and Sewer System are recorded in separate funds categorized and described as follows:

Receiving Fund - Revenues are initially deposited in the receiving fund in accordance with State statutes and local revenue ordinances adopted by the City of Warren. Monies are transferred, as needed, to the Operation and Maintenance Fund and Debt Service Reserve and Construction Reserve funds.

Operation and Maintenance Fund - The Operation and Maintenance Fund is used to account for revenues generated by user charges for the provision of goods and services to customers of the Water and Sewer System. The Operation and Maintenance Fund records the cost of providing goods and services to Water and Sewer System customers. Water purchases from the City of Detroit, payroll and related fringe benefits, routine maintenance of the Water and Sewer System infrastructure and treatment of residential, municipal and industrial waste through the Waste Water Treatment Plant are all components of that cost.

In accordance with Statement No. 9 of the Governmental Accounting Standards Board (GASB), "Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting", a **Comparative Statement of Cash Flows** is included as an integral part of the financial statements. This statement classifies cash receipts and payments according to whether they stem from operating, capital and related financing and investing activities.

Debt Service and Construction Reserves

Ordinance Number 80-448, adopted by the City of Warren City Council on January 11, 1994, calls for the establishment of the various funds for the operation, debt service, infrastructure replacement and infrastructure improvement of the Water & Sewer System. Specifically, the following funds are included in this report:

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 3 - BASIS OF PRESENTATION - PROPRIETARY FUNDS {continued}

Operation & Maintenance Fund

Bond & Interest Redemption Fund {designated in the supplemental schedules as “**Debt Service Reserve**”} was established to set aside funds for the payment of bonded indebtedness on the 1999, 2000 and 2005 Revenue Bond issues.

Replacement Fund {designated in the supplemental schedules as the “**Infrastructure Replacement Reserve**”}

Building Authority Lease Payment Fund {designated in the supplemental schedules as “**Building Construction Reserve**”}

Waste Water Treatment Plant Improvement Fund {designated in the supplemental schedules as “**Waste Water Improvement Reserve**”}

Also established by City Ordinance and in accordance with State statute are various reserves to set aside funds for major infrastructure and other capital improvements and replacements. Included in this category are the following reserves:

- **Meter Replacement Reserve**
- **Capital Equipment Replacement Reserve**

Activity for the fiscal year is recorded in the appropriate fund or reserve as it occurs. These various separate *recording* entities are then combined and consolidated to produce one *reporting* entity called the Water and Sewer System Fund.

NOTE 4 - BASIS OF ACCOUNTING

The accrual basis of accounting is used to record data in the Water and Sewer System Fund. Revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable.

NOTE 5 - BUDGETS AND BUDGETARY ACCOUNTING

The budget for the Water and Sewer System of the City is fairly inflexible. An encumbrance system is in place and the City Council approves appropriations from retained earnings and all transfers between funds.

There is no informational summary in the Water and Sewer System Fund for the estimated total cost and proposed method of financing for each capital construction project. Nor is there an informational summary on the annual operating costs and proposed method of financing the operating costs for a period of three years beyond the fiscal year covered by the budget, as is required by Act 621 of 1978. Construction projects are budgeted on an annual basis only.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 5 - BUDGETS AND BUDGETARY ACCOUNTING {continued}

Encumbrances are utilized during the year to alert officials to possible areas of budget deficiency or over-spending. Encumbrances are not included in the final expense totals for the annual financial report. Two activities exceeded budget appropriations and thirty-three line items were over-expended. Line item over expenditures ranged from \$10 to \$189,645. The largest over-expenditures related to overtime costs. Overall Operation and Maintenance Fund expenditures were \$1,638,878 lower than budgeted appropriations.

Ordinance Number 80-448 stipulates the Water & Sewer System is to be operated in an efficient manner. The Water & Sewer System is expressly prohibited from providing free services or services or use of the System at less than cost to "... any person, firm, or corporation, public or private or to any public agency or instrumentality..."

Ordinance 80-448 recognized that the rates for services were estimated to be "sufficient to provide for the payment of expenses of administration and operation and such expenses for maintenance of the System as are necessary to preserve the System in good repair and working order, to provide for the payment of the principal of and interest on the Bonds {City of Warren Water and Sewer System Revenue Bonds, Series 1999, 2000 and 2005} as the same become due and payable, and the maintenance of the Reserve therefore and to provide for all other obligations, expenditures and funds for the System required by law and this Ordinance."

Rates are to be adjusted as required to assure that net revenues are produced in an amount equal to 110% of the principal and interest on the revenue bonds coming due in each fiscal year. The ordinance covenants that rates for services are to be maintained, at all times, at a level sufficient to provide for operating, maintenance and debt service costs.

The City of Warren Water and Sewer System operates on a calendar year fiscal period and an independent public accounting firm provides an audit of the records of the System each year.

NOTE 6 - ASSETS, LIABILITIES AND NET ASSETS

Assets

Deposits and Investments - Cash received by the City is deposited in various bank accounts. The City Treasurer invests all temporary cash surpluses. Earnings from these investments are credited to the Operation and Maintenance Fund or the appropriate restricted use reserve.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 6 - ASSETS, LIABILITIES AND NET ASSETS {continued}

Cash balances, without recognizing checks issued but not cashed at December 31, 2007, and including Certificates of Deposit in the amount of \$80,000 totaled \$388,132. The carrying amount of these deposits as recorded in the financial statements is \$225,085. These deposits would be considered predominantly uninsured and uncollateralized since the Water and Sewer System utilizes the same depositories as other City funds. Due to the amount of cash deposits and the limits of FDIC insurance, the City has determined that it is impractical to insure all deposits. The Investment Policy Commission evaluates each financial institution used as a depository for City funds and assesses the level of risk of each institution.

Investments consist primarily of certificates of deposit, repurchase agreements, commercial paper, United States Treasury Bills and deposits in municipal investment pools. The City Council, by ordinance, created the Investment Policy Commission to regulate City investments in a manner more restrictive than prescribed by State statute. Investments are stated at cost, which approximates market.

Investments of the City Water and Sewer System as of December 31, 2007 are categorized below to give an indication of the level of risk assumed. Category 1 includes investments that are insured or registered, or securities held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the depository's trust department in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the depository's safekeeping department in the City's name.

There are no investments included in Risk Categories 1, 2 or 3.

The Governmental Pool Investment Funds in the amount of \$14,398,301 are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Accounts receivable include amounts due from Water and Sewer System customers for goods supplied and services rendered as of December 31, 2007.

Accrued interest on investments represents investment interest earned but not received as of December 31, 2007.

Due from general fund includes amounts due for services provided to the City's general operating fund as of the end of the Water and Sewer System fiscal year.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 6 - ASSETS, LIABILITIES AND NET ASSETS {continued}

Land contract interest receivable is the interest receivable, through December 31, 2007, on the land contract sale of property sold to the City for use by the Department of Public Works discussed below.

Inventories are recorded at cost and are expensed as used utilizing the first in, first out (FIFO) method of inventory valuation.

Restricted Assets included in the financial report are as follows:

Investments	\$ 12,748,123
Due from city – capital improvement bonds	1,320,171
Designated for future projects	<u>1,702,584</u>
Total Restricted Assets	<u>\$ 15,770,878</u>

Restricted Assets are used for:

Accounts payable	\$ 105,350
Accrued interest payable	334,885
Construction contracts to be performed in future periods	1,702,584
Equipment financing - current portion	40,474
Equipment financing - long term	42,393
Reserve for debt service	5,501,864
Reserve for construction & capital equipment	<u>8,043,328</u>
Total Restricted Asset Uses	<u>\$ 15,770,878</u>

Property, Plant and Equipment were originally recorded in the Water and Sewer System financial records in 1968, using estimated costs of acquisition or construction provided by the Division of Engineering. Since 1968, property and equipment have been recorded at cost. Depreciation is computed using the straight-line method. Estimated useful lives of capitalized assets range from 10 years to 50 years, depending on the type of property or equipment being depreciated.

Land contract receivable - DPW Building is the principal balance receivable from the City for the land contract sale of the former Water Division Building for use by the Department of Public Works. The original cost was based on the undepreciated book value of the building plus the cost of improvements to the building through contracts awarded by the City of Warren Building Authority. The effective date of the transfer to the City was July 1, 1992. Principal and interest payments commenced on January 1, 1994 on a 20-year 6% interest land contract.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 6 - ASSETS, LIABILITIES AND NET ASSETS {continued}

Current Liabilities

Accounts payable represents those goods and services supplied to the Water and Sewer System prior to December 31, 2007 but unpaid as of the end of the fiscal year.

Due to general fund represents transactions between the Water and Sewer System to provide services that had not been reimbursed as of December 31, 2007.

Current portion of revenue bonds payable is the principal portion of the revenue bonds issues in fiscal years 1999, 2000 and 2005, capital improvement bonds issued in fiscal years 2003 and 2006 and State of Michigan SRF financing instruments issued in fiscal years 2003 and 2004 due within 12 months of the end of the fiscal year.

Accrued wages and benefits payable represents the amounts earned by Water & Sewer System employees prior to the end of the fiscal year but not paid until January 2008.

Customer deposits represent amounts received from Water & Sewer System customers for the purchase of meters to be placed in service. Once the meter is installed (at customer expense) and inspected by Water & Sewer System personnel, the amount deposited is recognized as meter sales revenue.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 6 - ASSETS, LIABILITIES AND NET ASSETS {continued}

Long Term Liabilities

Revenue bonds payable is detailed as follows:

1999 Refunding Issue

Bonds payable through May 1, 2016	\$ 8,895,000
Less – current portion (due May 1, 2008)	(890,000)
Less – unamortized bond discount	(50,824)
Less – unamortized deferred refunding charge	<u>(423,000)</u>
Net 1999 refunding bonds payable	<u>7,531,176</u>

1999 Revenue Bonds {non-refunded}

Bonds payable through November 1, 2011	200,000
Less – current portion (due November 1, 2008)	(50,000)
Less – unamortized bond discount	<u>(27,902)</u>
Net 1999 revenue bonds payable	<u>122,098</u>

2000 Revenue Bonds {non-refunded}

Bonds payable through November 1, 2011	2,325,000
Less – current portion (due November 1, 2008)	(525,000)
Less – unamortized bond discount	<u>(54,067)</u>
Net 2000 revenue bonds payable	<u>1,745,933</u>

2005 Refunding Issue

Bonds payable through November 1, 2026	21,070,000
Less – current portion (due November 1, 2008)	(120,000)
Less – unamortized bond discount	(75,144)
Less – unamortized deferred refunding charge	<u>(1,457,810)</u>
Net 2005 refunding bonds payable	<u>19,417,046</u>

2003 Capital Improvement Bonds

Bonds payable through June 1, 2023	1,095,540
Less – current portion (due June 1, 2008)	(50,540)
Less – unamortized bond discount	<u>(3,380)</u>
Net 2003 Capital Improvement Bonds	<u>1,041,620</u>

2006 Capital Improvement Bonds

Bonds payable through September 1, 2026	2,106,615
Less – current portion (due September 1, 2008)	(14,082)
Less – unamortized bond discount	<u>(21,193)</u>
Net 2006 Capital Improvement Bonds	<u>2,071,340</u>

2003 State of Michigan SRF Financing 5134-01

Bonds payable through October 1, 2024	4,180,000
Less – current portion (due October 1, 2008)	<u>(200,000)</u>
Net SRF revenue bonds payable – 5134-01	<u>3,980,000</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 6 - ASSETS, LIABILITIES AND NET ASSETS (continued)

Long Term Liabilities (continued)

Revenue bonds payable (continued):

2004 State of Michigan SRF Financing 5134-02

Bonds payable through April 1, 2026	6,205,000
Less – current portion (due October 1, 2008)	<u>(270,000)</u>
Net SRF revenue bonds payable – 5134-02	<u>5,935,000</u>

2004 State of Michigan SRF Financing 5134-03

Bonds payable through October 1, 2024	997,091
Less – current portion (due October 1, 2008)	<u>(55,000)</u>
Net SRF revenue bonds payable – 5134-03	<u>942,091</u>

2004 State of Michigan SRF Financing 5134-04

Bonds payable through April 1, 2026	7,850,000
Less – current portion (due October 1, 2007)	<u>(355,000)</u>
Net SRF revenue bonds payable - 5134-04	<u>7,495,000</u>

Total net revenue bonds payable \$ 50,281,304

The \$12,000,000 City of Warren Water and Sewer System Revenue Refunding Bonds, Series 1999, were dated February 1, 1999, and sold January 26, 1999, to Merrill Lynch & Co. {See Note 16 for further discussion}

The non-refunded \$300,000 City of Warren Water and Sewer System Revenue Bonds, Series 1999, were dated March 1, 1999, and sold February 23, 1999, to Prudential Securities, Inc. with ABN Amro Securities, Inc.; Dain Rauscher, Inc.; and Griffin, Kubik, Stephens & Thompson, Inc. {See Note 17 for further discussion}

The non-refunded \$3,750,000 City of Warren Water and Sewer System Revenue Bonds, Series 2000, were dated September 1, 2000, and sold October 3, 2000, to Dain Rauscher Incorporated. {See Note 18 for further discussion}

The \$21,675,000 City of Warren Water and Sewer System Revenue Refunding Bonds, Series 2005, were dated September 1, 2005, and sold September 13, 2005, to Piper Jaffray & Company. {See Note 19 for further discussion}

The \$3,585,000 City of Warren Capital Improvement Bonds, Series 2003, were dated July 1, 2003, and sold to Fahnestock & Co., Inc. {See Note 21 for further discussion}

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 6 - ASSETS, LIABILITIES AND NET ASSETS (continued)

Long Term Liabilities (continued)

Revenue bonds payable (continued):

The \$4,750,000 Act 34 Sewage Disposal Capital Improvement Bonds, 5134-01, were authorized by City Council on September 25, 2003. {See Note 22 for further discussion}

The \$6,465,000 Act 34 Sewage Disposal Capital Improvement Bonds, 5134-02, were authorized by City Council on September 23, 2004. {See Note 23 for further discussion}

The \$1,220,000 Act 34 Sewage Disposal Capital Improvement Bonds, 5134-03, were authorized by City Council on March 25, 2004. {See Note 24 for further discussion}

The \$8,200,000 Act 34 Sewage Disposal Capital Improvement Bonds, 5134-04, were authorized by City Council on March 31, 2005. {See Note 25 for further discussion}

The \$7,530,000 City of Warren Capital Improvement Bonds, Series 2006, were dated December 1, 2006, and sold to Morgan Keegan & Co., Inc. {See Note 26 for further discussion}

Compensated Absences - Collective bargaining agreements provide for the compensated absences discussed in greater detail below. GASB Statement-16 {Accounting for Compensated Absences}, requires that liabilities are calculated at the pay or salary rates in effect as of the balance sheet date **and** include payments “*directly and incrementally associated with payments made for compensated absences...*”. Accordingly, the reserved amounts include the costs of employer social security and medicare taxes, the Voluntary Employee Benefit Association (VEBA) trust and the City’s contribution to the Employees Retirement System.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 6 - ASSETS, LIABILITIES AND NET ASSETS (continued)

Long Term Liabilities (continued)

Accumulated Sick Leave - All full-time employees of the City earn one sick leave day for each month of service rendered, not to exceed twelve days in any calendar year. Sick leave days may be accumulated each year up to a maximum sick leave bank that varies depending on hire date. Employees hired prior to March 7, 1984 may accumulate a maximum of 225 sick leave days. Employees hired between March 7, 1984 and February 9, 1988, inclusive, may accumulate a maximum of 140 sick leave days. Employees hired after February 9, 1988 may accumulate a maximum of 65 sick leave days.

Upon retirement, most employees are paid eighty percent of their accumulated sick bank. If an employee dies while in the service of the City, the beneficiary is paid one hundred percent of the accumulated sick bank. An employee is paid twenty five percent of the accumulated sick bank upon severance from the City in good standing after five years of service. Payments are based on the employee's current rate of pay.

In addition, the City has adopted an incentive program based upon good attendance that permits employees to use sick days as bonus vacation days or receive cash payment, thereby reducing their sick leave banks.

The maximum liability of the Water and Sewer System at December 31, 2007 is \$1,468,846 and is fully funded.

Accumulated Compensatory Time - Based on their respective collective bargaining agreements, employees may elect to be paid for their overtime or receive compensatory time. As of December 31, 2007 the value of unpaid compensatory time was \$166,798 and is fully funded.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 6 - ASSETS, LIABILITIES AND NET ASSETS {continued}

Net Assets

Insurance is provided for both prior and current fiscal years under a retrospective insurance plan package covering workers' compensation, general liability and vehicle related claims. Under a retrospective plan, the City, as the insured party, shares the risk of loss with the insurance company. Final insurance costs are dependent upon actual loss experience for the policy period.

When determining the City's loss experience for a given time period, the insurance company must estimate the expected financial settlement of known claims. Actual loss experience for a policy period may be substantially different if the settlement of claims exceeds the estimates and/or additional claims are filed for incidents, which occurred prior to the preparation of the estimates but were not reported. These variations can potentially result in additional liability for a previous or current policy period.

The City has elected to accept responsibility for the payment of additional claims, even those involving Water & Sewer System personnel and equipment. The City also retains any return of premium payment resulting from a favorable experience rating without reimbursing the Water and Sewer System for its portion of returned premium payments.

Restricted for insurance claims - Effective October 1, 1986, the City of Warren implemented a self-insured program for health benefits for City employees and retirees. Program liability covers the first \$100,000 of actual health costs per person, per year, except for deductible amounts. An insurance policy has been purchased to cover costs in excess of the \$100,000 limitation up to \$1,000,000 per person, per year, not to exceed an aggregate total of \$2,000,000.

Included in the fund balance reserved in the Operation and Maintenance Fund is \$500,000 designated for future self-insurance claims.

Restricted for debt service and construction net assets are established by Ordinance 58 and Ordinance 64 of the City of Warren. Retained earnings are to be reserved for revenue bond debt service and additional amounts as defined in the ordinance for bonded debt and system improvements and replacements. Revenue bonds have been redeemed in their entirety in 1983 and the reserve for revenue bond future debt service has been eliminated.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 7 - CONTRACTUAL AGREEMENT

An agreement between the City of Warren and the City of Detroit Board of Water Commissioners provides for the sale and delivery of water to the City of Warren. This agreement is for a minimum term of thirty-five (35) years, commencing on January 23, 1980, and requires ninety (90) days notice in the event of any rate change. The rate at January 1, 2006 was \$7.07 per 1,000 cubic feet. The rate was increased to \$7.95 per 1,000 cubic feet effective July 1, 2006 and remains in effect until September 1, 2008.

NOTE 8 - SUMMARY OF PROPERTY, PLANT AND EQUIPMENT

A summary of the Water and Sewer System property, plant and equipment at December 31, 2006 is as follows:

	<u>Book Value</u>	<u>Depreciable Life</u>
Land	\$ 605,219	N/A
Building and Improvements	62,600,368	40
Water and Sewer Mains	106,487,080	50
Meters and Remote Registers	6,177,217	25
Pumping Equipment	1,709,634	25
Equipment	<u>10,552,787</u>	10
Total Cost	188,132,305	
Less Accumulated Depreciation	<u>81,370,404</u>	
Net Carrying Amount	<u>\$ 106,761,901</u>	

NOTE 9 – POST-EMPLOYMENT HEALTH BENEFITS

The City's post-employment health and dental benefits are administered under a combination of premium based, self-insurance, and/or Medicare coverage plans. The City provides 100 percent of the cost of health insurance and either 50 percent or 100 percent of dental coverage dependent upon the coverage selected. In general, if a retiree or members of his immediate family are entitled to retirement benefits under the City Employees Retirement System or the Police and Fire Retirement System then they are entitled to the post-retirement health and dental insurance benefits.

General Retirement Health, Life and Disability Benefits Plan and Trust:

Plan Description. Established by City Ordinance and collective bargaining agreements, the City of Warren General Employees' Retirement System is the administrator of a single-employer public employee' Voluntary Employee Benefit Association (VEBA) Trust.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 9 – POST-EMPLOYMENT HEALTH BENEFITS {continued}

The Trust is created for the exclusive purpose of providing funding for health, life and disability benefits for those retirees and beneficiaries eligible to receive such retirement benefits under the City of Warren General Employees Retirement System. At December 31, 2006, the most recent valuation date, the plan consisted of 528 retirees and beneficiaries currently receiving benefits, 37 inactive vested participants, and 438 active employees.

Summary of Significant Accounting Policies. The financial statements of the Trust are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which employee services are performed. Retiree health, life and disability benefits are recognized in the period incurred.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates.

The assets of the Trust include no loans to any participants or officers of the Trust, City officials or any other related party.

Funding Policy. The contribution rate to pre-fund the Plan is computed to be 27.13% of the active participant payroll, in accordance with the most recent actuarial valuation of December 31, 2004 using the individual entry age actuarial cost method. Actuarial assumptions used in calculating the contribution rate include 1.) investment return of 7.5% per year, 2.) medical care inflation rate of 5.0% and 3.) salary increases of 5.0%.

Actuarial accrued liabilities of the Plan as of December 31, 2006, were computed to be \$161,270,365.

The reported market value of fund assets of the Plan was \$19,624,070 as of June 30, 2007.

NOTE 10 – PENSION PLANS

The City has a defined benefit single employer pension plan and a defined contribution pension plan covering substantially all full-time non-public safety employees.

Employees' Retirement System Defined Benefit Plan:

Plan Description. Established under General City Ordinance on January 1, 1958, the City of Warren Employees' Retirement System is the administrator of a single-employer public employees' retirement system that covers all full time employees, except police and fire personnel.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 10 – PENSION PLANS {continued}

The System provides retirement, disability and death benefits to plan members and their beneficiaries. The obligation to contribute to and maintain the System for these employees was established by City ordinance and negotiation with the various collective bargaining units. At December 31, 2007, membership consisted of 539 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 221 current active employees of which all are fully vested in the system.

The plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the City of Warren Employees' Retirement System, One City Square, Warren, Michigan 48093.

Summary of Significant Accounting Policies. The financial statements of the Employees' Retirement System are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Pension benefits and refund of contributions are recognized in the period such payments are made.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price.

The assets of the Employees' Retirement System include no loans to any participants or officers of the System, City officials or any other related party.

Funding Policy. The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an Aggregate actuarial funding method. Employer contributions represented 42.59% of covered payroll for the period of January 1, 2007 through June 30, 2007 in accordance with the actuarial valuation dated December 31, 2004 and 45.29% of covered payroll for the period of July 1, 2007 through December 31, 2007 in accordance with the actuarial valuation dated December 31, 2005. Employees are not required to contribute to the System. Amounts shown as employee contributions represent purchase of prior service credit. Administrative costs are financed through investment earnings.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 10 – PENSION PLANS {continued}

Reserves. A description of each legally required reserve and its fully funded balance at December 31, 2007 is as follows:

Reserve for Employees' Contribution: \$ 467,648

Composed of accumulated contributions by active employees plus interest thereon.

Reserve for Employer's Contribution: \$ 2,636,414

Composed of accumulated City contributions, net of amounts transferred for the payment of pensions to the Reserve for Retirees' Benefit Payments plus interest thereon.

Reserve for Retirees' Benefit Payments: \$ 128,248,446

Actuarially determined to provide sufficient resources for annuity payments. Upon retirement of an employee, expected future benefit payments are computed and transfers are then made into this reserve from the Reserve for Employees' Contribution and Employer's Contribution. This account is credited annually with interest from the Reserve for Undistributed Income at a rate set by the Employees' Retirement Board of Trustees.

Reserve for Undistributed Income: \$ 4,007,837

Composed of net investment income less expenditures for other services and charges, and interest transferred to the Reserves for Employees' Contribution, Employer's Contribution and Retirees' Benefit Payments.

Deposits and Investments

The Board of Trustees of the Employees' Retirement System is authorized by Act No. 314 of the Public Acts of Michigan of 1965, as amended, to make investments in stocks, bonds, or other evidences of indebtedness, that in its judgment it may deem proper to purchase as an investment. The Employees' Retirement System Board of Trustees has contracted with independent investment firms to manage the system's investment portfolio.

Securities Lending Agreement - As permitted under state statutes, the System is authorized to participate in securities lending transactions. The System entered into a securities lending authorization agreement with Comerica Bank to lend its securities to broker-dealers and banks pursuant to the agreement.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 10 – PENSION PLANS {continued}

During the fiscal year, Comerica Bank at the direction of the System lent securities and received United States currency as collateral. Borrowers were required to deliver collateral for each loan equal to at least one hundred percent (100%) of the market value of the loaned securities.

The System did not impose any restrictions during the fiscal year on the amount of the loans that Comerica Bank made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. There were no losses to the System or Comerica Bank during the fiscal year resulting from default of the borrowers.

During the fiscal year, the System and the borrower maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in a pool. The average duration of such investment pool as of December 31, 2007 was 128 days. Because the loans could terminate on demand, their duration did not generally match the duration of the investments made with the cash collateral. The collateral held and the fair value of the underlying securities, including accrued interest thereon, on loan for the System as of December 31, 2007 were \$23,130,337 and \$22,522,638 respectively.

Deposit and Investment Risk - The provisions of GASB Statement No. 40 require the following disclosures regarding the Retirement System's deposits and investments and their exposure to various risks (custodial credit, credit, interest rate, foreign currency and concentration).

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the System will not be able to recover deposits or collateral securities that are in the possession of an outside party. Cash balances, without recognizing checks issued but not cashed, at December 31, 2007, excluding impress funds, were \$20,107. All deposits were covered by the Federal Deposit Insurance Corporation (FDIC). The System evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 10 – PENSION PLANS {continued}

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the System will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the System, and are held by either the counterparty or the counterparty's trust department or agent but not in the System's name. At December 31, 2007, none of the System's investments were exposed to custodial credit risk.

The System's investments in debt securities are exposed to credit and interest rate risks. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. To minimize exposure to these risks, the System has implemented the following policies for its fixed income investments: 1.) a maximum investment of 30 percent in bonds rated BBB, the balance in investment grade bonds rated A or better; 2.) may only invest in commercial paper maturing within 270 days of any domestic issuer provided such commercial paper be rated A1 or equivalent; and 3.) a weighted average portfolio maturity not to exceed 10 years.

A detailed discussion of the Employees' Retirement System including historical activity, investment performance and credit and interest rate risk disclosures is included in the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 10 – PENSION PLANS {continued}

Defined Contribution Plan and Trust

Plan Description. The Defined Contribution Plan and Trust was approved by the Warren City Council at their meeting of April 8, 1997. The plan is administered by the International City Management Association Retirement Corporation (ICMA). Participation in the plan is extended to all full time employees, other than police and fire personnel. Employees were allowed to transfer the actuarially determined value of prior service credit from the City Employees' Retirement System to the Defined Contribution Plan upon adoption of the plan and settlement of respective collective bargaining agreements. Employees hired after ratification of the respective collective bargaining agreements are automatically enrolled in the Defined Contribution Plan. There were 210 active participants in the plan as of June 30, 2007.

Funding Policy. For employees transferring from the Defined Benefit Pension Plan to the Defined Contribution Plan, the City contributes 15.0% of payroll and the employee contributes 3.0%. For employees hired after ratification of their respective union contracts, the City contributes 10.0% of payroll and the employee contributes 4.0%.

NOTE 11 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full time employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

In accordance with the provision of IRC Section 457, subsection (g), plan assets are held for the exclusive benefit of employees in a trust or qualifying insurance contract in an amount equal to the fair market value of the deferred account maintained with respect to each participant.

The City's primary responsibility is to process employee payroll withholdings and remits the withheld funds to the plan administrators. The City does not perform any investing function. Accordingly, due to the absence of fiduciary responsibility with respect to these funds, deferred compensation plan assets are not reported in the accompanying financial statements.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 12 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	Interfund <u>Receivables</u>	Interfund <u>Payables</u>
General (including 2006 capital improvement bond proceeds receivable)	<u>\$ 1,327,670</u>	<u>\$ 1,611,732</u>

NOTE 13 - CONTINGENT LIABILITIES

In the opinion of the City of Warren City Attorney, there were no lawsuits pending as of December 31, 2007, which could materially affect the financial condition of the Water and Sewer System.

The City of Warren is currently involved in legal proceedings against the City of Detroit challenging the methodology and costs allocated to the City of Warren through its water rates. Amounts in contention, if any, are as yet undeterminable.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 14 - 1994 CITY OF WARREN WATER AND SEWER REVENUE BONDS

On February 22, 1994, the City of Warren City Council approved the sale of the \$8.5 million Water & Sewer System Bonds, Series 1994, to the firm of Merrill Lynch, Pierce, Fenner & Smith. The bonds are dated February 1, 1994, and have various maturity dates up to May 1, 2013. Interest on bond coupons ranges from 4.80% to 5.60% annually, with the average interest rate of the total issue at 5.5025%.

On January 26, 1999, the City sold \$12,000,000 of Water and Sewer System Revenue Refunding Bonds, Series 1999. Included in this issue was the defeasance of \$7,470,000 of then outstanding balance of \$8,045,000 of the Series 1994 Bonds. All issuance costs were paid directly from bond proceeds.

Principal and interest requirements for the remaining debt from issue were paid in full as of December 31, 2004.

NOTE 15 - 1996 CITY OF WARREN WATER AND SEWER REVENUE BONDS

On February 23, 1996, the City of Warren City Council approved the sale of the \$4.0 million Water & Sewer System Bonds, Series 1996, to the firm of Dean Witter Reynolds, Inc. The bonds are dated April 1, 1996, and have various maturity dates up to November 1, 2016. Interest on bond coupons ranges from 5.60% to 7.60% annually.

On January 26, 1999, the City sold \$12,000,000 of Water and Sewer System Revenue Refunding Bonds, Series 1999. Included in this issue was the defeasance of \$3,635,000 of then outstanding balance of \$3,920,000 of the Series 1996 Bonds. All issuance costs were paid directly from bond proceeds.

Principal and interest requirements for the remaining debt from this issue were paid in full as of December 31, 2004.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 16 - 1999 CITY OF WARREN WATER AND SEWER REVENUE REFUNDING BONDS

On January 26, 1999, the City of Warren City Council approved the sale of the \$12.0 million Water & Sewer System Revenue Refunding Bonds, Series 1999, to Merrill Lynch & Co. The bonds are dated February 1, 1999, and have various maturity dates up to May 1, 2016. Interest on bond coupons ranges from 4.30% to 4.75% annually.

The proceeds are earmarked for the defeasance of \$7,470,000 in outstanding obligations from the Water and Sewer System Revenue Bonds, Series 1994 {See Note 14} and \$3,635,000 in outstanding obligations from the Water and Sewer System Revenue Bonds, Series 1996 {See Note 15}.

Principal and interest requirements for the remaining debt from the Series 1999 Revenue Refunding Bonds from December 31, 2007 through final maturity of May 1, 2016, are as follows:

<u>Year</u>	<u>Coupon Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	4.30%	\$ 890,000.00	\$ 379,007.50	\$ 1,269,007.50
2009	4.30%	930,000.00	339,877.50	1,269,877.50
2010	4.30%	975,000.00	298,920.00	1,273,920.00
2011	4.35%	1,035,000.00	255,446.25	1,290,446.25
2012	4.50%	1,080,000.00	208,635.00	1,288,635.00
2013	4.50%	1,135,000.00	158,797.50	1,293,797.50
2014	4.60%	1,060,000.00	108,880.00	1,168,880.00
2015	4.70%	1,050,000.00	59,825.00	1,109,825.00
2016	4.75%	<u>740,000.00</u>	<u>17,575.00</u>	<u>757,575.00</u>
Total		<u>\$ 8,895,000.00</u>	<u>\$ 1,826,963.75</u>	<u>\$ 10,721,963.75</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 16 - 1999 CITY OF WARREN WATER AND SEWER REVENUE REFUNDING BONDS {continued}

The following bond principal amounts were defeased per the 1999 Revenue Refunding Bond issue:

1994 Water & Sewer System Revenue Bonds

Due Date	Interest Rate	Amount
05-01-2004	4.90%	\$ 130,000
05-01-2005	5.00%	650,000
05-01-2006	5.10%	685,000
05-01-2007	5.20%	725,000
05-01-2008	5.30%	765,000
05-01-2009	5.40%	805,000
05-01-2010	5.50%	850,000
05-01-2011	5.60%	900,000
05-01-2012	5.60%	950,000
05-01-2013	5.60%	<u>1,010,000</u>
Total 1994 Series Bonds Defeased		<u>7,470,000</u>

1996 Water & Sewer System Revenue Bonds

Due Date	Interest Rate	Amount
11-01-2005	5.60%	\$ 55,000
11-01-2006	5.60%	60,000
11-01-2007	5.60%	65,000
11-01-2008	5.60%	65,000
11-01-2009	5.60%	70,000
11-01-2010	5.60%	75,000
11-01-2011	5.65%	80,000
11-01-2012	5.70%	80,000
11-01-2013	5.75%	85,000
11-01-2014	5.75%	1,000,000
11-01-2015	5.80%	1,000,000
11-01-2016	5.85%	<u>1,000,000</u>
Total 1996 Series Bonds Defeased		<u>3,635,000</u>

Grand Total \$ 11,105,000

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 16 - 1999 CITY OF WARREN WATER AND SEWER REVENUE REFUNDING BONDS {continued}

On February 1, 1999, the City entered into an Escrow Agreement appointing Michigan National Bank as escrow agent for the purpose of redeeming, prior to maturity, the callable 1994 Revenue Bonds scheduled to mature in the years 2004 through 2013 and the callable 1996 Revenue Bonds scheduled to mature in the years 2005 through 2016.

On February 9, 1999, the City irrevocably transferred to Michigan National Bank proceeds from the 1999 Revenue Refunding Bonds in the amount of \$11,802,457.21 and monies on hand in the Series 1994 Reserve fund in the amount of \$9,810.89 for a total of \$11,812,268.10. All but \$0.10 {to be held in the Escrow Fund as beginning balance} was invested in United States Government Obligation known as "SLGS" {State and Local Government Series} as follows:

Purchase Date	Amount	Rate	Maturity
02-09-1999	\$ 188,564	4.290%	05-01-1999
02-09-1999	45,974	4.410%	11-01-1999
02-09-1999	47,446	4.430%	05-01-2000
02-09-1999	48,497	4.500%	11-01-2000
02-09-1999	49,588	4.540%	05-01-2001
02-09-1999	50,714	4.540%	11-01-2001
02-09-1999	51,865	4.530%	05-01-2002
02-09-1999	53,040	4.520%	11-01-2002
02-09-1999	7,524,239	4.451%	05-01-2003
02-09-1999	20,476	4.510%	11-01-2003
02-09-1999	20,937	4.500%	05-01-2004
02-09-1999	<u>3,710,928</u>	4.500%	11-01-2004
 Total	 <u>\$ 11,812,268</u>		

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 16 - 1999 CITY OF WARREN WATER AND SEWER REVENUE REFUNDING BONDS {continued}

These investments and interest thereon are to be used to meet the following combined schedule of escrow payments:

Date	Interest & Premium	Principal	Total
05-01-1999	\$ 306,118.75	\$ -	\$ 306,118.75
11-01-1999	306,118.75	-	306,118.75
05-01-2000	306,118.75	-	306,118.75
11-01-2000	306,118.75	-	306,118.75
05-01-2001	306,118.75	-	306,118.75
11-01-2001	306,118.75	-	306,118.75
05-01-2002	306,118.75	-	306,118.75
11-01-2002	306,118.75	-	306,118.75
05-01-2003	306,118.75	7,470,000.00	7,776,118.75
11-01-2003	104,903.75	-	104,903.75
05-01-2004	104,903.75	-	104,903.75
11-01-2004	<u>159,428.75*</u>	<u>3,635,000.00</u>	<u>3,794,428.75</u>
Total	<u>\$ 3,124,305.00</u>	<u>\$ 11,105,000.00</u>	<u>\$ 14,229,305.00</u>

*includes Redemption Premium of \$54,525.00

The Escrow Fund Cash Flow is detailed as follows:

Date	Beginning Cash	Investment Principal	Investment Interest	Total	Debt		Ending Cash
					Service Defeasance	Net Cash Flow	
02-09-1999	\$ 0.10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.10
05-01-1999	0.10	188,564.00	117,554.95	306,118.95	306,118.75	0.20	0.30
11-01-1999	0.30	45,974.00	260,145.03	306,119.03	306,118.75	0.28	0.58
05-01-2000	0.58	47,446.00	258,673.04	306,119.04	306,118.75	0.29	0.87
11-01-2000	0.87	48,497.00	257,622.11	306,119.11	306,118.75	0.36	1.23
05-01-2001	1.23	49,588.00	256,530.93	306,118.93	306,118.75	0.18	1.41
11-01-2001	1.41	50,714.00	255,405.28	306,119.28	306,118.75	0.53	1.94
05-01-2002	1.94	51,865.00	254,254.07	306,119.07	306,118.75	0.32	2.26
11-01-2002	2.26	53,040.00	253,079.33	306,119.33	306,118.75	0.58	2.84
05-01-2003	2.84	7,524,239.00	251,880.63	7,776,119.63	7,776,118.75	0.88	3.72
11-01-2003	3.72	20,476.00	84,428.69	104,904.69	104,903.75	0.94	4.66
05-01-2004	4.66	20,937.00	83,966.96	104,903.96	104,903.75	0.21	4.87
11-01-2004	4.87	3,710,928.00	83,495.88	3,794,423.88	3,794,428.75	(4.87)	(0.00)
		<u>\$ 11,812,268.00</u>	<u>\$ 2,417,036.90</u>	<u>\$ 14,229,304.90</u>	<u>\$ 14,229,305.00</u>		

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 16 - 1999 CITY OF WARREN WATER AND SEWER REVENUE REFUNDING BONDS {continued}

The Net Present Value Savings Analysis, prepared by Municipal Financial Consultants, Inc., indicates a Net Present Value Savings of \$382,987.46 to the Water & Sewer System as a result of the issuance of the 1999 Water and Sewer Revenue Refunding Bonds. The schedule is reproduced below:

Date	Combined Outstanding Debt Service	Combined Non-Refunded Debt Service	New Debt Service	Net Savings (Loss)	Annual Net Savings (Loss)	4.46802% Present Value Debt Service
05-01-1999	\$ 434,698.75	\$ 128,580.00	\$ 327,914.38	\$ (21,795.63)		\$ (21,577.36)
11-01-1999	367,178.75	61,060.00	261,636.25	44,482.50	\$ 22,686.87	43,074.73
05-01-2000	435,658.75	129,540.00	321,636.25	(15,517.50)		(14,698.05)
11-01-2000	368,018.75	61,900.00	260,346.25	45,772.50	30,255.00	42,407.94
05-01-2001	436,308.75	130,190.00	325,346.25	(19,227.50)		(17,424.89)
11-01-2001	363,548.75	57,430.00	258,948.75	47,170.00	27,942.50	41,813.61
05-01-2002	436,838.75	130,720.00	323,948.75	(17,830.00)		(15,459.94)
11-01-2002	363,958.75	57,840.00	257,551.25	48,567.50	30,737.50	41,191.42
05-01-2003	437,058.75	130,940.00	327,551.25	(21,432.50)		(17,780.27)
11-01-2003	359,058.75	52,940.00	256,046.25	50,072.50	28,640.00	40,632.12
05-01-2004	437,658.75	1,540.00	456,046.25	(19,927.50)		(15,817.13)
11-01-2004	359,473.75	56,540.00	251,746.25	51,187.50	31,260.00	39,741.42
05-01-2005	952,933.75	-	1,031,746.25	(78,812.50)		(59,852.06)
11-01-2005	341,683.75	-	234,976.25	106,707.50	27,895.00	79,265.38
05-01-2006	970,143.75	-	1,049,976.25	(79,832.50)		(58,006.00)
11-01-2006	327,676.25	-	217,453.75	110,222.50	30,390.00	78,337.21
05-01-2007	990,996.25	-	1,072,453.75	(81,457.50)		(56,628.30)
11-01-2007	312,146.25	-	199,071.25	113,075.00	31,617.50	76,890.67
05-01-2008	1,010,326.25	-	1,089,071.25	(78,745.00)		(52,376.28)
11-01-2008	290,053.75	-	179,936.25	110,117.50	31,372.50	71,642.81
05-01-2009	1,028,233.75	-	1,109,936.25	(81,702.50)		(51,994.35)
11-01-2009	271,498.75	-	159,941.25	111,557.50	29,855.00	69,442.32
05-01-2010	1,049,538.75	-	1,134,941.25	(85,402.50)		(51,999.68)
11-01-2010	251,163.75	-	138,978.75	112,185.00	26,782.50	66,814.30
05-01-2011	1,074,063.75	-	1,173,978.75	(99,915.00)		(58,206.29)
11-01-2011	228,863.75	-	116,467.50	112,396.25	12,481.25	64,046.54
05-01-2012	1,096,603.75	-	1,196,467.50	(99,863.75)		(55,661.68)
11-01-2012	200,003.75	-	92,167.50	107,836.25	7,972.50	58,791.95
05-01-2013	1,127,723.75	-	1,227,167.50	(99,443.75)		(53,031.65)
11-01-2013	174,443.75	-	66,630.00	107,813.75	8,370.00	56,238.85
05-01-2014	87,000.00	-	1,126,630.00	(1,039,630.00)		(530,451.51)
11-01-2014	1,087,000.00	-	42,250.00	1,044,750.00	5,120.00	521,415.42
05-01-2015	58,250.00	-	1,092,250.00	(1,034,000.00)		(504,773.60)
11-01-2015	1,058,250.00	-	17,575.00	1,040,675.00	6,675.00	496,930.69
05-01-2016	29,250.00	-	757,575.00	(728,325.00)		(340,181.36)
11-01-2016	1,029,250.00	-	-	1,029,250.00	300,925.00	470,230.48
	<u>\$ 19,846,557.50</u>	<u>\$ 999,220.00</u>	<u>\$ 18,156,359.38</u>	<u>\$ 690,978.12</u>	<u>\$ 690,978.12</u>	<u>\$ 382,987.46</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 17 - 1999 CITY OF WARREN WATER AND SEWER REVENUE BONDS

On February 23, 1999, the City of Warren City Council approved the sale of the \$11.4 million Water & Sewer System Bonds, Series 1999, to Prudential Securities, Inc. with ABN Amro Securities, Inc.; Dain Rauscher, Inc.; and Griffin, Kubik, Stephens & Thompson, Inc. The bonds are dated March 1, 1999, and have various maturity dates up to November 1, 2026. Interest on bond coupons ranges from 4.00% to 5.25% annually. The proceeds are earmarked for various water and sewer infrastructure projects and capital improvements at the Waste Water Treatment Plant.

On September 13, 2005, the City sold \$21,675,000 of Water and Sewer System Revenue Refunding Bonds, Series 2005 {see Note 19}. Included in this issue was the defeasance of \$11,100,000 of then outstanding balance of \$11,400,000 of the Series 1999 Bonds. All issuance costs were paid directly from bond proceeds.

The redemption schedule outstanding as of December 31, 2007 for the defeased portion of the Series 1999 Bonds through the principle redemption on November 1, 2011, is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	\$ 563,850	\$ 563,850
2009	-	563,850	563,850
2010	-	563,850	563,850
2011	<u>11,100,000</u>	<u>563,850</u>	<u>11,663,850</u>
Total	<u>\$ 11,100,000</u>	<u>\$ 2,255,400</u>	<u>\$ 13,355,400</u>

Principal and interest requirements for the remaining \$300,000 debt from the Series 1999 Bonds from December 31, 2007 through final maturity of November 1, 2011, are as follows:

<u>Year</u>	<u>Coupon Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	4.20%	\$ 50,000	\$ 8,700	\$ 58,700
2009	4.30%	50,000	6,600	56,600
2010	4.40%	50,000	4,450	54,450
2011	4.50%	<u>50,000</u>	<u>2,250</u>	<u>52,250</u>
Total		<u>\$ 200,000</u>	<u>\$ 22,000</u>	<u>\$ 222,000</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 18 - 2000 CITY OF WARREN WATER AND SEWER REVENUE BONDS

On October 3, 2000, the City of Warren City Council approved the sale of the \$13.75 million Water & Sewer System Bonds, Series 2000, to Dain Rauscher, Inc. The bonds are dated September 1, 2000, and have various maturity dates up to November 1, 2021. Interest on bond coupons ranges from 5.00% to 5.25% annually. The proceeds are earmarked for various water and sewer infrastructure projects and capital improvements at the Waste Water Treatment Plant.

On September 13, 2005, the City sold \$21,675,000 of Water and Sewer System Revenue Refunding Bonds, Series 2005 {see Note 19}. Included in this issue was the defeasance of \$8,800,000 of then outstanding balance of \$12,550,000 of the Series 2000 Bonds. All issuance costs were paid directly from bond proceeds.

The redemption schedule outstanding as of December 31, 2007 for the defeased portion of the Series 2000 Bonds through the principal redemption on November 1, 2011, is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	\$ 459,344	\$ 459,344
2009	-	459,344	459,344
2010	-	459,344	459,344
2011	<u>8,800,000</u>	<u>459,344</u>	<u>9,259,344</u>
Total	<u>\$ 8,800,000</u>	<u>\$ 1,837,376</u>	<u>\$ 10,637,376</u>

Principal and interest requirements for the remaining debt from the Series 2000 Bonds from December 31, 2007 through final maturity of November 1, 2011, are as follows:

<u>Year</u>	<u>Coupon Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	5.000%	\$ 525,000	\$ 118,500	\$ 643,500
2009	5.125%	575,000	92,250	667,250
2010	5.125%	600,000	62,781	662,781
2011	5.125%	<u>625,000</u>	<u>32,031</u>	<u>657,031</u>
Total		<u>\$ 2,325,000</u>	<u>\$ 305,562</u>	<u>\$ 2,630,562</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 19 - 2005 CITY OF WARREN WATER AND SEWER REVENUE REFUNDING BONDS

On September 13, 2005, the City of Warren City Council approved the sale of the \$21.675 million Water & Sewer System Revenue Refunding Bonds, Series 2005, to Piper Jaffray & Company. The bonds are dated September 1, 2005, and have various maturity dates up to November 1, 2026. Interest on bond coupons ranges from 3.50% to 4.75% annually.

The proceeds are earmarked for the defeasance of \$11,100,000 in outstanding obligations from the Water and Sewer System Revenue Bonds, Series 1999 {See Note 17} and \$8,800,000 in outstanding obligations from the Water and Sewer System Revenue Bonds, Series 2000 {See Note 18}.

Principal and interest requirements for the remaining debt from the Series 2005 Revenue Refunding Bonds from December 31, 2007 through final maturity of November 1, 2026, are as follows:

<u>Date</u>	<u>Coupon Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	3.625%	\$ 120,000	\$ 884,713	\$ 1,004,713
2009	3.625%	125,000	880,362	1,005,362
2010	3.625%	130,000	875,831	1,005,831
2011	3.750%	135,000	871,119	1,006,119
2012	3.750%	865,000	866,056	1,731,056
2013	3.750%	885,000	833,619	1,718,619
2014	4.000%	930,000	800,431	1,730,431
2015	4.000%	975,000	763,231	1,738,231
2016	4.000%	1,870,000	724,231	2,594,231
2017	4.125%	2,005,000	649,431	2,654,431
2018	4.125%	2,040,000	566,725	2,606,725
2019	4.250%	2,075,000	482,575	2,557,575
2020	4.250%	2,110,000	394,388	2,504,388
2021	4.250%	2,170,000	304,712	2,474,712
2022	4.500%	1,030,000	212,488	1,242,488
2023	4.500%	1,025,000	166,138	1,191,138
2024	4.500%	1,015,000	120,012	1,135,012
2025	4.750%	1,010,000	74,338	1,084,338
2026	4.750%	<u>555,000</u>	<u>26,362</u>	<u>581,362</u>
		<u>\$ 21,070,000</u>	<u>\$ 10,496,762</u>	<u>\$ 31,566,762</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 19 - 2005 CITY OF WARREN WATER AND SEWER REVENUE REFUNDING BONDS {continued}

The following bond principal amounts were defeased per the 2005 Revenue Refunding Bond issue:

1999 Water & Sewer System Revenue Bonds

Due Date	Interest Rate	Amount
11-01-2012	4.600%	\$ 50,000
11-01-2013	4.700%	50,000
11-01-2014	4.800%	50,000
11-01-2015	4.900%	50,000
11-01-2016	4.900%	900,000
11-01-2017	4.900%	1,000,000
11-01-2018	5.000%	1,000,000
11-01-2019	5.000%	1,000,000
11-01-2020	5.000%	1,000,000
11-01-2021	5.125%	1,000,000
11-01-2022	5.125%	1,000,000
11-01-2023	5.125%	1,000,000
11-01-2024	5.250%	1,000,000
11-01-2025	5.250%	1,000,000
11-01-2026	5.250%	<u>1,000,000</u>
Total 1999 Series Bonds Defeased		<u>\$ 11,100,000</u>

2000 Water & Sewer System Revenue Bonds

Due Date	Interest Rate	Amount
11-01-2012	5.125%	\$ 675,000
11-01-2013	5.125%	700,000
11-01-2014	5.125%	750,000
11-01-2015	5.250%	800,000
11-01-2016	5.250%	850,000
11-01-2017	5.250%	900,000
11-01-2018	5.250%	950,000
11-01-2019	5.250%	1,000,000
11-01-2020	5.250%	1,050,000
11-01-2021	5.250%	<u>1,125,000</u>
Total 2000 Series Bonds Defeased		<u>\$ 8,800,000</u>
Grand Total		<u>\$ 19,900,000</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 19 - 2005 CITY OF WARREN WATER AND SEWER REVENUE REFUNDING BONDS {continued}

On September 1, 2005, the City entered into an Escrow Agreement appointing LaSalle Bank, N.A. as escrow agent for the purpose of redeeming, prior to maturity, a portion of the callable 1999 Revenue Bonds scheduled to mature in the years 2006 through 2026 and a portion of the callable 2000 Revenue Bonds scheduled to mature in the years 2005 through 2021.

On September 13, 2005, the City irrevocably transferred to LaSalle Bank, N.A. proceeds from the 2005 Revenue Refunding Bonds {net of issuance expenses} in the amount of \$20,996,864.11 and monies on hand in the amount of \$403,703.75 for a total of \$21,400,567.86. All but \$0.86 {to be held in the Escrow Fund as beginning balance} was invested in United States Government Obligation known as "SLGS" {State and Local Government Series} as follows:

Purchase Date	Amount	Rate	Maturity
09-13-2005	\$ 395,969	3.330%	11-01-2005
09-13-2005	82,068	3.830%	05-01-2006
09-13-2005	84,049	3.880%	11-01-2006
09-13-2005	85,679	3.940%	05-01-2007
09-13-2005	87,367	4.000%	11-01-2007
09-13-2005	89,115	4.020%	05-01-2008
09-13-2005	90,906	4.040%	11-01-2008
09-13-2005	92,742	4.040%	05-01-2009
09-13-2005	94,616	4.050%	11-01-2009
09-13-2005	96,531	4.060%	05-01-2010
09-13-2005	98,491	4.070%	11-01-2010
09-13-2005	100,495	4.080%	05-01-2011
09-13-2005	<u>20,002,539</u>	4.090%	11-01-2011
Total	<u>\$ 21,400,567</u>		

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 19 - 2005 CITY OF WARREN WATER AND SEWER REVENUE REFUNDING BONDS {continued}

These investments and interest thereon are to be used to meet the following combined schedule of escrow payments:

Date	Interest	Principal	Total
11-01-2005	\$ 511,596.88		\$ 511,596.88
05-01-2006	511,596.88		511,596.88
11-01-2006	511,596.88		511,596.88
05-01-2007	511,596.88		511,596.88
11-01-2007	511,596.88		511,596.88
05-01-2008	511,596.88		511,596.88
11-01-2008	511,596.88		511,596.88
05-01-2009	511,596.88		511,596.88
01-01-2009	511,596.88		511,596.88
05-01-2010	511,596.88		511,596.88
11-01-2010	511,596.88		511,596.88
05-01-2011	511,596.88		511,596.88
01-01-2011	<u>511,596.88</u>	<u>\$ 19,900,000.00</u>	<u>20,411,596.88</u>
Total	<u>\$ 6,650,759.44</u>	<u>\$ 19,900,000.00</u>	<u>\$ 26,550,759.44</u>

The Escrow Fund Cash Flow is detailed as follows:

Date	Beginning Cash	Investment Principal	Investment Interest	Total	Debt Service Defeasance	Net Cash Flow	Ending Cash
09-13-2005	\$ 0.86	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.86
11-01-2005	0.86	395,969.00	115,628.17	511,597.17	511,596.88	\$ 0.29	\$ 1.15
05-01-2006	1.15	82,068.00	429,529.18	511,597.18	511,596.88	\$ 0.30	\$ 1.45
11-01-2006	1.45	84,049.00	427,548.53	511,597.53	511,596.88	\$ 0.65	\$ 2.10
05-01-2007	2.10	85,679.00	425,917.98	511,596.98	511,596.88	\$ 0.10	\$ 2.20
11-01-2007	2.20	87,367.00	424,230.11	511,597.11	511,596.88	\$ 0.23	\$ 2.43
05-01-2008	2.43	89,115.00	422,482.77	511,597.77	511,596.88	\$ 0.89	\$ 3.32
11-01-2008	3.32	90,906.00	420,691.56	511,597.56	511,596.88	\$ 0.68	\$ 4.00
05-01-2009	4.00	92,742.00	418,855.25	511,597.25	511,596.88	\$ 0.37	\$ 4.37
11-01-2009	4.37	94,616.00	416,981.87	511,597.87	511,596.88	\$ 0.99	\$ 5.36
05-01-2010	5.36	96,531.00	415,065.89	511,596.89	511,596.88	\$ 0.01	\$ 5.37
11-01-2010	5.37	98,491.00	413,106.31	511,597.31	511,596.88	\$ 0.43	\$ 5.80
05-01-2011	5.80	100,495.00	411,102.02	511,597.02	511,596.88	\$ 0.14	\$ 5.94
11-01-2011	5.94	<u>20,002,539.00</u>	<u>409,051.92</u>	<u>20,411,590.92</u>	<u>20,411,596.88</u>	<u>\$ (5.96)</u>	<u>\$ (0.02)</u>
		<u>\$ 21,400,567.00</u>	<u>\$ 5,150,191.56</u>	<u>\$ 26,550,758.56</u>	<u>\$ 26,550,759.44</u>		

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 19 - 2005 CITY OF WARREN WATER AND SEWER REVENUE REFUNDING BONDS {continued}

The Net Present Value Savings Analysis, prepared by Municipal Financial Consultants, Inc., indicates a Net Present Value Savings of \$518,901.17 to the Water & Sewer System as a result of the issuance of the 2005 Water and Sewer Revenue Refunding Bonds. The schedule is reproduced below:

Date	Combined Outstanding Debt Service	Combined Non-Refunded Debt Service	New Debt Service	Net Savings/(Loss)	Annual Net Savings/(Loss)	4.20452% Present Value Savings/(Loss)
11-01-2005	\$ 1,062,846.88	\$ 551,250.00	\$ 548,424.17	\$ (36,827.29)		\$ (36,433.55)
05-01-2006	601,596.88	90,000.00	442,518.75	69,078.13	\$ 32,250.84	66,932.48
11-01-2006	1,126,596.88	615,000.00	557,518.75	(45,921.87)		(43,579.34)
05-01-2007	588,721.88	77,125.00	440,707.50	70,889.38	24,967.51	65,888.08
11-01-2007	1,138,721.88	627,125.00	560,707.50	(49,110.62)		(44,706.00)
05-01-2008	575,196.88	63,600.00	438,757.50	72,839.38	23,728.76	64,941.34
11-01-2008	1,150,196.88	638,600.00	563,757.50	(52,160.62)		(45,547.28)
05-01-2009	561,021.88	49,425.00	436,726.25	74,870.63	22,710.01	64,031.81
11-01-2009	1,186,021.88	674,425.00	566,726.25	(55,129.37)		(46,177.67)
05-01-2010	545,212.50	33,615.63	434,451.25	77,145.62	22,016.25	63,288.52
11-01-2010	1,195,212.50	683,615.63	569,451.25	(57,854.38)		(46,485.18)
05-01-2011	528,737.50	17,140.63	432,088.75	79,508.12	21,653.74	62,568.31
11-01-2011	1,203,737.50	692,140.63	572,088.75	(60,491.88)		(46,623.47)
05-01-2012	511,596.88		429,428.75	82,168.13	21,676.25	62,026.26
11-01-2012	1,236,596.88		1,289,428.75	(52,831.87)		(39,060.06)
05-01-2013	493,150.00		413,088.75	80,061.25	27,229.38	57,972.75
11-01-2013	1,243,150.00		1,293,088.75	(49,938.75)		(35,416.35)
05-01-2014	474,037.50		395,928.75	78,108.75	28,170.00	54,253.85
11-01-2014	1,274,037.50		1,320,928.75	(46,891.25)		(31,899.75)
05-01-2015	453,618.75		377,891.25	75,727.50	28,836.25	50,456.11
11-01-2015	1,303,618.75		1,347,891.25	(44,272.50)		(28,890.75)
05-01-2016	431,393.75		358,491.25	72,902.50	28,630.00	46,594.20
11-01-2016	2,181,393.75		2,218,491.25	(37,097.50)		(23,221.95)
05-01-2017	387,031.25		321,291.25	65,740.00	28,642.50	40,304.03
11-01-2017	2,287,031.25		2,316,291.25	(29,260.00)		(17,569.43)
05-01-2018	338,906.25		279,895.00	59,011.25	29,751.25	34,704.27
11-01-2018	2,288,906.25		2,309,895.00	(20,988.75)		(12,089.25)
05-01-2019	288,968.75		237,772.50	51,196.25	30,207.50	28,881.22
11-01-2019	2,288,968.75		2,302,772.50	(13,803.75)		(7,626.74)
05-01-2020	237,718.75		194,407.50	43,311.25	29,507.50	23,437.29
11-01-2020	2,287,718.75		2,294,407.50	(6,688.75)		(3,545.00)
05-01-2021	185,156.25		149,782.50	35,373.75	28,685.00	18,361.88
11-01-2021	2,310,156.25		2,309,782.50	373.75		190.01
05-01-2022	130,000.00		103,342.50	26,657.50	27,031.25	13,273.48
11-01-2022	1,130,000.00		1,128,342.50	1,657.50		808.32
05-01-2023	104,375.00		81,305.00	23,070.00	24,727.50	11,019.00
11-01-2023	1,104,375.00		1,096,305.00	8,070.00		3,775.14
05-01-2024	78,750.00		58,975.00	19,775.00	27,845.00	9,060.25
11-01-2024	1,078,750.00		1,073,975.00	4,775.00		2,142.70
05-01-2025	52,500.00		36,645.00	15,855.00	20,630.00	6,968.18
11-01-2025	1,052,500.00		1,036,645.00	15,855.00		6,824.71
05-01-2026	26,250.00		14,145.00	12,105.00	27,960.00	5,103.26
11-01-2026	1,026,250.00		629,145.00	397,105.00	397,105.00	163,965.52
	<u>\$ 39,750,728.18</u>	<u>\$ 4,813,062.52</u>	<u>\$ 33,983,704.17</u>	<u>\$ 953,961.49</u>	<u>\$ 953,961.49</u>	<u>\$ 518,901.20</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 20 - 2002 CAPITAL EQUIPMENT INSTALLMENT PURCHASES

In 2002, the City of Warren issued Multi-Purpose bonds through the City of Warren Building Authority to finance various capital asset acquisitions. The Water & Sewer System share of the issue was \$266,280. Assets are capitalized as purchases are made.

Principal and interest payments are budgeted each year in the Water & Sewer System Capital Equipment Replacement Reserve. The remaining debt requirements of the Water & Sewer System, from December 31, 2007 to December 31, 2009, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 40,475	\$ 2,993	\$ 43,468
2009	<u>42,604</u>	<u>1,577</u>	<u>44,181</u>
Total	<u>\$ 83,079</u>	<u>\$ 4,570</u>	<u>\$ 87,649</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 21 - CITY OF WARREN CAPITAL IMPROVEMENT BONDS, SERIES 2003

On April 8, 2003, the City of Warren City Council approved the sale of the \$3.585 million City of Warren Capital Improvement Bonds, Series 2003, to Fahnstock & Co., Inc. The bonds are dated July 1, 2003, and have various maturity dates up to June 1, 2023. Interest on bond coupons ranges from 2.25% to 5.25% annually. Of this bond issue, \$1,280,542.69 was earmarked for capital improvements at the Waste Water Treatment Plant.

Principal and interest requirements for the remaining debt from the Series 2003 Bonds from December 31, 2007 through final maturity of June 1, 2023, are as follows:

<u>Year</u>	<u>Coupon Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	2.250%	\$ 50,540	\$ 36,635	\$ 87,175
2009	2.250%	55,000	35,448	90,448
2010	2.550%	55,000	34,128	89,128
2011	5.125%	55,000	32,670	87,670
2012	5.125%	60,000	31,059	91,059
2013	5.125%	60,000	29,304	89,304
2014	5.125%	65,000	27,388	92,388
2015	5.250%	65,000	25,300	90,300
2016	5.250%	70,000	23,003	93,003
2017	5.250%	70,000	20,518	90,518
2018	5.250%	75,000	17,870	92,870
2019	5.250%	75,000	15,058	90,058
2020	5.250%	80,000	12,073	92,073
2021	4.000%	85,000	8,813	93,813
2022	4.000%	85,000	5,413	90,413
2023	4.125%	<u>90,000</u>	<u>1,856</u>	<u>91,856</u>
Total		<u>\$ 1,095,540</u>	<u>\$ 356,536</u>	<u>\$ 1,452,076</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 22 - 2004 STATE OF MICHIGAN SRF FINANCING 5134-01

On September 25, 2003, the City of Warren City Council approved the issuance of \$4,750,000 in Act 34 Sewage Disposal Capital Improvement Bonds for CWRP Project # 5134-01, financed through the State of Michigan. Bond interest is set at 2.50% and the estimated final maturity date is October 1, 2024. The proceeds are earmarked for capital improvements at the Waste Water Treatment Plant.

These bonds differ from traditional financing instruments in that the City does not receive the proceeds of a bond sale on closing but rather requests reimbursements from the State of Michigan for progress payments made on construction activity. All funds under this project have been disbursed by the State. The remaining debt service schedule is as shown on the following page.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

Act 34 Sewage Disposal Capital Improvement Bonds 5134-01

Date	Debt Service Payments			Fiscal Year
	Principal	Interest	Total	
4/1/08	-	52,250.00	52,250.00	
10/1/08	200,000.00	52,250.00	252,250.00	304,500.00
4/1/09	-	49,750.00	49,750.00	
10/1/09	205,000.00	49,750.00	254,750.00	304,500.00
4/1/10	-	47,187.50	47,187.50	
10/1/10	210,000.00	47,187.50	257,187.50	304,375.00
4/1/11	-	44,652.50	44,652.50	
10/1/11	215,000.00	44,652.50	259,652.50	304,305.00
4/1/12	-	41,875.00	41,875.00	
10/1/12	220,000.00	41,875.00	261,875.00	303,750.00
4/1/13	-	39,125.00	39,125.00	
10/1/13	225,000.00	39,125.00	264,125.00	303,250.00
4/1/14	-	36,312.50	36,312.50	
10/1/14	230,000.00	36,312.50	266,312.50	302,625.00
4/1/15	-	33,437.50	33,437.50	
10/1/15	240,000.00	33,437.50	273,437.50	306,875.00
4/1/16	-	30,437.50	30,437.50	
10/1/16	245,000.00	30,437.50	275,437.50	305,875.00
4/1/17	-	27,375.00	27,375.00	
10/1/17	250,000.00	27,375.00	277,375.00	304,750.00
4/1/18	-	24,250.00	24,250.00	
10/1/18	255,000.00	24,250.00	279,250.00	303,500.00
4/1/19	-	21,062.50	21,062.50	
10/1/19	265,000.00	21,062.50	286,062.50	307,125.00
4/1/20	-	17,750.00	17,750.00	
10/1/20	270,000.00	17,750.00	287,750.00	305,500.00
4/1/21	-	14,375.00	14,375.00	
10/1/21	275,000.00	14,375.00	289,375.00	303,750.00
4/1/22	-	10,937.50	10,937.50	
10/1/22	285,000.00	10,937.50	295,937.50	306,875.00
4/1/23	-	7,375.00	7,375.00	
10/1/23	290,000.00	7,375.00	297,375.00	304,750.00
4/1/24	-	3,750.00	3,750.00	
10/1/24	300,000.00	3,750.00	303,750.00	307,500.00
Total	\$ 4,180,000.00	\$ 1,003,805.00	\$ 5,183,805.00	\$ 5,183,805.00

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 23 - 2004 STATE OF MICHIGAN SRF FINANCING 5134-02

On September 23, 2004, the City of Warren City Council approved the issuance of \$6,465,000 in Act 34 Sewage Disposal Capital Improvement Bonds for CWRP Project # 5134-02, financed through the State of Michigan. Bond interest is set at 2.125% and the estimated final maturity date is April 1, 2026. The proceeds are earmarked for capital improvements at the Waste Water Treatment Plant.

These bonds differ from traditional financing instruments in that the City does not receive the proceeds of a bond sale on closing but rather requests reimbursements from the State of Michigan for progress payments made on construction activity. All funds under this project have been disbursed by the State. The remaining debt service schedule is as shown on the following page.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

Act 34 Sewage Disposal Capital Improvement Bonds 5134-02

Date	Debt Service Payments			Fiscal Year
	Principal	Interest	Total	
4/1/08	270,000.00	65,928.13	335,928.13	
10/1/08	-	63,059.38	63,059.38	398,987.51
4/1/09	275,000.00	63,059.38	338,059.38	
10/1/09	-	60,137.50	60,137.50	398,196.88
4/1/10	280,000.00	60,137.50	340,137.50	
10/1/10	-	57,162.50	57,162.50	397,300.00
4/1/11	285,000.00	57,162.50	342,162.50	
10/1/11	-	54,134.38	54,134.38	396,296.88
4/1/12	290,000.00	54,134.38	344,134.38	
10/1/12	-	51,053.13	51,053.13	395,187.51
4/1/13	300,000.00	51,053.13	351,053.13	
10/1/13	-	47,865.63	47,865.63	398,918.76
4/1/14	305,000.00	47,865.63	352,865.63	
10/1/14	-	44,625.00	44,625.00	397,490.63
4/1/15	310,000.00	44,625.00	354,625.00	
10/1/15	-	41,331.25	41,331.25	395,956.25
4/1/16	315,000.00	41,331.25	356,331.25	
10/1/16	-	37,984.38	37,984.38	394,315.63
4/1/17	325,000.00	37,984.38	362,984.38	
10/1/17	-	34,531.25	34,531.25	397,515.63
4/1/18	330,000.00	34,531.25	364,531.25	
10/1/18	-	31,025.00	31,025.00	395,556.25
4/1/19	340,000.00	31,025.00	371,025.00	
10/1/19	-	27,412.50	27,412.50	398,437.50
4/1/20	345,000.00	27,412.50	372,412.50	
10/1/20	-	23,746.88	23,746.88	396,159.38
4/1/21	355,000.00	23,746.88	378,746.88	
10/1/21	-	19,975.00	19,975.00	398,721.88
4/1/22	360,000.00	19,975.00	379,975.00	
10/1/22	-	16,150.00	16,150.00	396,125.00
4/1/23	370,000.00	16,150.00	386,150.00	
10/1/23	-	12,218.75	12,218.75	398,368.75
4/1/24	375,000.00	12,218.75	387,218.75	
10/1/24	-	8,234.38	8,234.38	395,453.13
4/1/25	385,000.00	8,234.38	393,234.38	
10/1/25	-	4,143.75	4,143.75	397,378.13
4/1/26	390,000.00	4,143.75	394,143.75	
Total	\$ 6,205,000.00	\$ 1,335,509.45	\$ 7,540,509.45	\$ 7,540,509.45

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 24 - 2004 STATE OF MICHIGAN SRF FINANCING 5134-03

On March 25, 2004, the City of Warren City Council approved the issuance of \$1,220,000 in Act 34 Sewage Disposal Capital Improvement Bonds for CWRP Project # 5134-03, financed through the State of Michigan. Bond interest is set at 2.125% and the estimated final maturity date is October 1, 2024. The proceeds are earmarked for capital improvements at the Waste Water Treatment Plant.

These bonds differ from traditional financing instruments in that the City does not receive the proceeds of a bond sale on closing but rather requests reimbursements from the State of Michigan for progress payments made on construction activity. All funds under this project have been disbursed by the State. The difference between the approved funding and actual expenditures (\$72,909.00) will not be used.

The schedule on the following page represents the remaining debt service cost for this financing instrument.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

Act 34 Sewage Disposal Capital Improvement Bonds 5134-03

Date	Debt Service Payments			Fiscal Year
	Principal	Interest	Total	
4/1/08	-	10,594.09	10,594.09	
10/1/08	55,000.00	10,594.09	65,594.09	76,188.18
4/1/09	-	10,009.72	10,009.72	
10/1/09	55,000.00	10,009.72	65,009.72	75,019.44
4/1/10	-	9,425.34	9,425.34	
10/1/10	55,000.00	9,425.34	64,425.34	73,850.68
4/1/11	-	8,840.97	8,840.97	
10/1/11	55,000.00	8,840.97	63,840.97	72,681.94
4/1/12	-	8,256.59	8,256.59	
10/1/12	55,000.00	8,256.59	63,256.59	71,513.18
4/1/13	-	7,672.22	7,672.22	
10/1/13	60,000.00	7,672.22	67,672.22	75,344.44
4/1/14	-	7,034.72	7,034.72	
10/1/14	60,000.00	7,034.72	67,034.72	74,069.44
4/1/15	-	6,397.22	6,397.22	
10/1/15	60,000.00	6,397.22	66,397.22	72,794.44
4/1/16	-	5,759.72	5,759.72	
10/1/16	65,000.00	5,759.72	70,759.72	76,519.44
4/1/17	-	5,069.09	5,069.09	
10/1/17	65,000.00	5,069.09	70,069.09	75,138.18
4/1/18	-	4,378.47	4,378.47	
10/1/18	65,000.00	4,378.47	69,378.47	73,756.94
4/1/19	-	3,687.84	3,687.84	
10/1/19	65,000.00	3,687.84	68,687.84	72,375.68
4/1/20	-	2,997.22	2,997.22	
10/1/20	70,000.00	2,997.22	72,997.22	75,994.44
4/1/21	-	2,253.47	2,253.47	
10/1/21	70,000.00	2,253.47	72,253.47	74,506.94
4/1/22	-	1,509.72	1,509.72	
10/1/22	70,000.00	1,509.72	71,509.72	73,019.44
4/1/23	-	765.97	765.97	
10/1/23	70,000.00	765.97	70,765.97	71,531.94
4/1/24	-	22.22	22.22	
10/1/24	2,091.00	22.22	2,113.22	2,135.44
Total	\$ 997,091.00	\$ 189,349.18	\$ 1,186,440.18	\$ 1,186,440.18

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 25 - 2004 STATE OF MICHIGAN SRF FINANCING 5134-04

On March 31, 2005, the City of Warren City Council approved the issuance of \$8,200,000 in Act 34 Sewage Disposal Capital Improvement Bonds for CWRP Project # 5134-04, financed through the State of Michigan. Bond interest is set at 1.625% and the estimated final maturity date is April 1, 2026. The proceeds are earmarked for capital improvements at the Waste Water Treatment Plant.

These bonds differ from traditional financing instruments in that the City does not receive the proceeds of a bond sale on closing but rather requests reimbursements from the State of Michigan for progress payments made on construction activity. All funds under this project have been disbursed by the State. The remaining debt service schedule is as shown on the following page.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

Act 34 Sewage Disposal Capital Improvement Bonds 5134-04

Date	Debt Service Payments			Fiscal Year
	Principal	Interest	Total	
4/1/08	355,000.00	63,781.25	418,781.25	
10/1/08	-	60,896.88	60,896.88	479,678.13
4/1/09	360,000.00	60,896.88	420,896.88	
10/1/09	-	57,971.88	57,971.88	478,868.76
4/1/10	370,000.00	57,971.88	427,971.88	
10/1/10	-	54,965.63	54,965.63	482,937.51
4/1/11	375,000.00	54,965.63	429,965.63	
10/1/11	-	51,918.75	51,918.75	481,884.38
4/1/12	380,000.00	51,918.75	431,918.75	
10/1/12	-	48,831.25	48,831.25	480,750.00
4/1/13	385,000.00	48,831.25	433,831.25	
10/1/13	-	45,703.13	45,703.13	479,534.38
4/1/14	390,000.00	45,703.13	435,703.13	
10/1/14	-	42,534.38	42,534.38	478,237.51
4/1/15	400,000.00	42,534.38	442,534.38	
10/1/15	-	39,284.38	39,284.38	481,818.76
4/1/16	405,000.00	39,284.38	444,284.38	
10/1/16	-	35,993.75	35,993.75	480,278.13
4/1/17	410,000.00	35,993.75	445,993.75	
10/1/17	-	32,662.50	32,662.50	478,656.25
4/1/18	420,000.00	32,662.50	452,662.50	
10/1/18	-	29,250.00	29,250.00	481,912.50
4/1/19	425,000.00	29,250.00	454,250.00	
10/1/19	-	25,796.88	25,796.88	480,046.88
4/1/20	430,000.00	25,796.88	455,796.88	
10/1/20	-	22,303.13	22,303.13	478,100.01
4/1/21	440,000.00	22,303.13	462,303.13	
10/1/21	-	18,728.13	18,728.13	481,031.26
4/1/22	445,000.00	18,728.13	463,728.13	
10/1/22	-	15,112.50	15,112.50	478,840.63
4/1/23	455,000.00	15,112.50	470,112.50	
10/1/23	-	11,415.63	11,415.63	481,528.13
4/1/24	460,000.00	11,415.63	471,415.63	
10/1/24	-	7,678.13	7,678.13	479,093.76
4/1/25	470,000.00	7,678.13	477,678.13	
10/1/25	-	3,859.38	3,859.38	481,537.51
4/1/26	475,000.00	3,859.38	478,859.38	
Total	\$ 7,850,000.00	\$ 1,273,593.87	\$ 9,123,593.87	\$ 9,123,593.87

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 26 - CITY OF WARREN CAPITAL IMPROVEMENT BONDS, SERIES 2006

On November 14, 2006, the City of Warren City Council approved the sale of the \$7.53 million City of Warren Capital Improvement Bonds, Series 2006, to Morgan Keegan & Co., Inc. The bonds are dated December 1, 2006, and have various maturity dates up to September 1, 2026. Interest on bond coupons ranges from 3.75% to 4.00% annually. Of this bond issue, \$2,120,696.49 was earmarked for various water main replacement projects.

The Water & Sewer interests in the bond issue is summarized as follows:

Bond settlement:	
Principal	\$2,120,696.49
Accrued interest	1,359.76
Bond discount	(22,307.90)
Issuance costs	<u>(27,082.25)</u>
Water & Sewer share of bond proceeds	<u>\$2,072,666.10</u>

Physical proceeds from the 2006 Capital Improvement Bonds are retained by the City's General Fund. In Fiscal 2007, funds in the amount of \$654,735.92 were paid on behalf of the Water & Sewer System to contractors involved in the various capital projects, leaving a balance of \$1,320,170.32 earmarked for future capital improvement payments.

The schedule on the following page shows the remaining Water & Sewer System debt service cost of the City of Warren Capital Improvement Bonds, Series 2006.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

Series 2006 Capital Improvement Bonds

Date	Interest Rate	Principal	Interest	Total
3/1/08		-	40,528.75	40,528.75
9/1/08	3.750%	14,081.65	40,528.75	54,610.40
3/1/09		-	40,264.72	40,264.72
9/1/09	3.750%	14,081.65	40,264.72	54,346.37
3/1/10		-	40,000.69	40,000.69
9/1/10	3.750%	14,081.65	40,000.69	54,082.34
3/1/11		-	39,736.66	39,736.66
9/1/11	3.750%	42,244.95	39,736.66	81,981.61
3/1/12		-	38,944.56	38,944.56
9/1/12	3.750%	42,244.95	38,944.56	81,189.51
3/1/13		-	38,152.47	38,152.47
9/1/13	3.750%	87,306.23	38,152.47	125,458.70
3/1/14		-	36,515.48	36,515.48
9/1/14	3.750%	133,775.68	36,515.48	170,291.16
3/1/15		-	34,007.18	34,007.18
9/1/15	3.750%	140,816.50	34,007.18	174,823.68
3/1/16		-	31,366.88	31,366.88
9/1/16	3.750%	147,857.33	31,366.88	179,224.21
3/1/17		-	28,594.55	28,594.55
9/1/17	3.750%	154,898.15	28,594.55	183,492.70
3/1/18		-	25,690.21	25,690.21
9/1/18	3.750%	161,938.98	25,690.21	187,629.19
3/1/19		-	22,653.85	22,653.85
9/1/19	3.800%	176,020.63	22,653.85	198,674.48
3/1/20		-	19,309.46	19,309.46
9/1/20	3.850%	183,061.45	19,309.46	202,370.91
3/1/21		-	15,785.53	15,785.53
9/1/21	3.900%	197,143.10	15,785.53	212,928.63
3/1/22		-	11,941.24	11,941.24
9/1/22	4.000%	118,285.86	11,941.24	130,227.10
3/1/23		-	9,575.52	9,575.52
9/1/23	4.000%	118,285.86	9,575.52	127,861.38
3/1/24		-	7,209.80	7,209.80
9/1/24	4.000%	119,694.03	7,209.80	126,903.83
3/1/25		-	4,815.92	4,815.92
9/1/25	4.000%	119,694.03	4,815.92	124,509.95
3/1/26		-	2,422.04	2,422.04
9/1/26	4.000%	121,102.16	2,422.07	123,524.23
Total		\$ 2,106,614.84	\$ 975,031.05	\$ 3,081,645.89

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

COMBINED STATEMENT OF REVENUES, EXPENSES
& CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2007

	TOTAL	OPERATION & MAINTENANCE	SELF- INSURANCE RESERVE
OPERATING REVENUES:			
Water & sewer charges	\$ 30,071,406	\$ 30,071,406	\$ -
Other operating revenue	1,885,656	1,885,656	-
NON-OPERATING REVENUES:			
Interest on investments	605,451	172,855	-
Other income	-	-	-
TRANSFERS FROM:			
Operation & Maintenance - budget transfers	2,900,000	-	-
Operation & Maintenance - use of bond proceeds	-	-	-
Operation & Maintenance - long-term debt	-	-	-
Reserves	2,437,303	2,437,303	-
TOTAL FINANCIAL RESOURCES	37,899,816	34,567,220	-
OPERATING EXPENSES:			
Water purchases	8,087,453	8,087,453	-
Water & sewer maintenance	5,969,095	5,969,095	-
Shared services	4,438,312	4,438,312	-
Waste water treatment plant	9,036,253	9,036,253	-
NON-OPERATING EXPENSES:			
Construction contracts & related project costs	1,831,642	-	-
Other non-operating expenses	2,089,262	155,688	-
TRANSFERS TO:			
Operation & Maintenance	2,437,303	-	-
Reserves	2,900,000	2,900,000	-
TOTAL EXPENSES	36,789,320	30,586,801	-
NET FISCAL YEAR INCREASE (DECREASE)	1,110,496	3,980,419	-
OTHER ADJUSTMENTS:			
Fixed assets capitalized	1,831,642	1,831,642	-
Depreciation	(4,579,288)	(4,579,288)	-
Net Assets - January 1, 2007	75,661,636	58,746,521	500,000
Net Assets - December 31, 2007	\$ 74,024,486	\$ 59,979,294	\$ 500,000

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

COMBINED STATEMENT OF REVENUES, EXPENSES
& CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2007

WASTE WATER IMPROVEMENT RESERVE	INFRASTRUCTURE REPLACEMENT RESERVE	METER REPLACEMENT RESERVE	CAPITAL EQUIPMENT REPLACEMENT RESERVE	BUILDING CONSTRUCTION RESERVE	DEBT SERVICE RESERVE
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
107,651	200,991	12,756	22,203	2,109	86,886
-	-	-	-	-	-
-	-	-	-	-	2,900,000
-	-	-	-	-	-
-	-	-	-	-	-
107,651	200,991	12,756	22,203	2,109	2,986,886
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
142,783	1,519,860	-	168,999	-	-
419,062	61,252	-	3,943	-	1,449,317
903,221	14,082	-	-	-	1,520,000
-	-	-	-	-	-
1,465,066	1,595,194	-	172,942	-	2,969,317
(1,357,415)	(1,394,203)	12,756	(150,739)	2,109	17,569
-	-	-	-	-	-
-	-	-	-	-	-
3,479,777	6,172,842	258,259	977,240	42,702	5,484,295
\$ 2,122,362	\$ 4,778,639	\$ 271,015	\$ 826,501	\$ 44,811	\$ 5,501,864

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

BUDGETARY COMPARISON SCHEDULE
REVENUES & OTHER FINANCING SOURCES
YEAR ENDED DECEMBER 31, 2007

	ORIGINAL BUDGET	AMENDED BUDGET	REVENUES	VARIANCE FAVORABLE (UNFAVORABLE)
OPERATING REVENUES:				
Industrial Water Sales	\$ 6,346,000	\$ 6,346,000	\$ 5,778,048	\$ (567,952)
Domestic Water Sales	9,519,000	9,519,000	8,973,482	(545,518)
Unmetered Water Sales	12,000	12,000	9,724	(2,276)
Water Service Charge	1,041,200	1,041,200	1,043,675	2,475
Public Fire Protection	90,000	90,000	90,000	-
Penalties	280,000	280,000	326,704	46,704
Miscellaneous	10,000	10,000	8,192	(1,808)
Garage Rental	29,480	29,480	29,480	-
Meter Repairs	30,000	30,000	50,453	20,453
Outside Service	15,000	15,000	9,057	(5,943)
Meter Sales	35,000	35,000	40,150	5,150
Centerline Transmission	15,000	15,000	17,648	2,648
Cross Connection Charges	285,000	285,000	258,117	(26,883)
Total Water Division Revenue	17,707,680	17,707,680	16,634,730	(1,072,950)
Sewer Treatment Charge	12,731,500	12,731,500	11,665,546	(1,065,954)
Sewer Service Charge	2,607,300	2,607,300	2,610,655	3,355
Sewer Treatment Other Income	50,000	50,000	130,682	80,682
Pretreatment Surcharges	921,000	921,000	915,449	(5,551)
Total Waste Water Treatment Revenue	16,309,800	16,309,800	15,322,332	(987,468)
Total Operating Revenues	34,017,480	34,017,480	31,957,062	(2,060,418)
NON-OPERATING REVENUES:				
Interest on Investments	90,000	90,000	172,855	82,855
Gain on Sale of Fixed Assets	10,000	10,000	-	(10,000)
Total Non-Operating Revenues	100,000	100,000	172,855	72,855
TOTAL REVENUES	\$ 34,117,480	\$ 34,117,480	\$ 32,129,917	\$ (1,987,563)

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

BUDGETARY COMPARISON SCHEDULE
EXPENDITURES & OTHER FINANCING USES
OPERATION & MAINTENANCE FUND
YEAR ENDED DECEMBER 31, 2007

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
OPERATION & MAINTENANCE FUND SUMMARY BY CATEGORY & FUNCTION				
Personnel Services:				
Water & sewer maintenance	\$ 2,314,928	\$ 2,314,928	\$ 2,215,190	\$ 99,738
Shared services	958,652	958,652	979,818	(21,166)
Waste water treatment	3,057,559	3,057,559	2,872,812	184,747
<i>Total personnel services</i>	<u>6,331,139</u>	<u>6,331,139</u>	<u>6,067,820</u>	<u>263,319</u>
Employee benefits:				
Water & sewer maintenance	2,523,331	2,523,331	2,399,317	124,014
Shared services	905,078	905,078	846,432	58,646
Waste water treatment	3,341,943	3,341,943	2,872,648	469,295
<i>Total employee benefits</i>	<u>6,770,352</u>	<u>6,770,352</u>	<u>6,118,397</u>	<u>651,955</u>
Supplies & materials:				
Water & sewer maintenance	375,000	375,000	459,879	(84,879)
Shared services	20,000	20,000	4,481	15,519
Waste water treatment	450,000	450,000	378,286	71,714
<i>Total supplies & materials</i>	<u>845,000</u>	<u>845,000</u>	<u>842,646</u>	<u>2,354</u>
Other services & charges				
Water purchases	8,490,000	8,490,000	8,087,453	402,547
Water & sewer maintenance	1,083,000	1,083,000	894,709	188,291
Shared services	2,618,500	2,618,500	2,607,581	10,919
Waste water treatment	3,032,000	3,032,000	2,912,507	119,493
<i>Total other services & charges</i>	<u>15,223,500</u>	<u>15,223,500</u>	<u>14,502,250</u>	<u>721,250</u>
GRAND TOTAL	<u>\$ 29,169,991</u>	<u>\$ 29,169,991</u>	<u>\$ 27,531,113</u>	<u>\$ 1,638,878</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

BUDGETARY COMPARISON SCHEDULE
EXPENDITURES & OTHER FINANCING USES
OPERATION & MAINTENANCE FUND
YEAR ENDED DECEMBER 31, 2007

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
WATER & SEWER MAINTENANCE				
Personnel Services:				
Permanent employees	\$ 2,089,928	\$ 2,089,928	\$ 1,721,336	\$ 368,592
Temporary employees	-	-	79,209	(79,209)
Overtime	225,000	225,000	414,645	(189,645)
<i>Total Personnel Services</i>	<u>2,314,928</u>	<u>2,314,928</u>	<u>2,215,190</u>	<u>99,738</u>
Employee Benefits:				
Education & training	17,250	17,250	12,477	4,773
Uniform/cleaning allowance	14,000	14,000	9,000	5,000
Social security	198,980	198,980	175,705	23,275
Employee insurances	583,627	583,627	547,525	36,102
Employees' VEBA trust	689,165	689,165	610,206	78,959
Health savings expense	-	-	42	(42)
Supplemental life insurance	-	-	405	(405)
Longevity	91,401	91,401	84,900	6,501
Retirement fund	883,630	883,630	924,597	(40,967)
Defined contribution expense	22,582	22,582	21,784	798
Cost of living	8,391	8,391	3,687	4,704
Uniforms	7,790	7,790	4,842	2,948
My lawyer expense	6,515	6,515	4,147	2,368
<i>Total Employee Benefits</i>	<u>2,523,331</u>	<u>2,523,331</u>	<u>2,399,317</u>	<u>124,014</u>
<i>Total Personnel & Benefits</i>	<u>4,838,259</u>	<u>4,838,259</u>	<u>4,614,507</u>	<u>223,752</u>
Supplies & materials:				
Operating supplies	225,000	225,000	180,545	44,455
Materials	100,000	100,000	91,877	8,123
Meter replacement	50,000	50,000	187,457	(137,457)
<i>Total Supplies & Materials</i>	<u>375,000</u>	<u>375,000</u>	<u>459,879</u>	<u>(84,879)</u>
Other Services & Charges:				
Professional services	150,000	150,000	145,890	4,110
Dirt removal	110,000	110,000	44,702	65,298
Pavement & lawn repairs	600,000	600,000	421,009	178,991
Telephone	8,000	8,000	9,892	(1,892)
Auto expense	100,000	100,000	145,042	(45,042)
Utilities	100,000	100,000	108,895	(8,895)
Building improvements	15,000	15,000	19,279	(4,279)
<i>Total Other Services & Charges</i>	<u>1,083,000</u>	<u>1,083,000</u>	<u>894,709</u>	<u>188,291</u>
GRAND TOTAL	<u>\$ 6,296,259</u>	<u>\$ 6,296,259</u>	<u>\$ 5,969,095</u>	<u>\$ 327,164</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

BUDGETARY COMPARISON SCHEDULE
EXPENDITURES & OTHER FINANCING USES
OPERATION & MAINTENANCE FUND
YEAR ENDED DECEMBER 31, 2007

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
SHARED SERVICES				
Personnel Services:				
Permanent employees	\$ 848,652	\$ 848,652	\$ 813,358	\$ 35,294
Temporary employees	40,000	40,000	29,791	10,209
Overtime	70,000	70,000	136,669	(66,669)
<i>Total Personnel Services</i>	<u>958,652</u>	<u>958,652</u>	<u>979,818</u>	<u>(21,166)</u>
Employee Benefits:				
Education & training	14,150	14,150	14,102	48
Uniform/cleaning allowance	8,000	8,000	10,000	(2,000)
Social security	78,646	78,646	78,153	493
Employee insurances	199,933	199,933	172,857	27,076
Employees' VEBA trust	261,216	261,216	254,570	6,646
Health savings expense	525	525	699	(174)
Supplemental life insurance	-	-	392	(392)
Longevity	33,878	33,878	33,902	(24)
Retirement fund	239,305	239,305	200,900	38,405
Defined contribution expense	64,104	64,104	76,442	(12,338)
Cost of living	3,131	3,131	1,858	1,273
Uniforms	190	190	547	(357)
My lawyer expense	2,000	2,000	2,010	(10)
<i>Total Employee Benefits</i>	<u>905,078</u>	<u>905,078</u>	<u>846,432</u>	<u>58,646</u>
<i>Total Personnel & Benefits</i>	<u>1,863,730</u>	<u>1,863,730</u>	<u>1,826,250</u>	<u>37,480</u>
Supplies & Materials:				
Operating supplies	20,000	20,000	4,481	15,519
<i>Total Supplies & Materials</i>	<u>20,000</u>	<u>20,000</u>	<u>4,481</u>	<u>15,519</u>
Other Services & Charges:				
Professional services	390,000	390,000	420,600	(30,600)
Auditing	20,000	20,000	15,500	4,500
Postage	200,000	200,000	187,862	12,138
Unemployment benefits	1,000	1,000	6,002	(5,002)
Auto expense	18,000	18,000	16,948	1,052
Conferences & workshops	1,500	1,500	240	1,260
General insurance	400,000	400,000	400,000	-
Utilities	1,000	1,000	429	571
Administrative expense	1,560,000	1,560,000	1,560,000	-
MSDWA annual fee	25,000	25,000	-	25,000
Debt issuance costs	2,000	2,000	-	2,000
<i>Total Other Services & Charges</i>	<u>2,618,500</u>	<u>2,618,500</u>	<u>2,607,581</u>	<u>10,919</u>
GRAND TOTAL	<u>\$ 4,502,230</u>	<u>\$ 4,502,230</u>	<u>\$ 4,438,312</u>	<u>\$ 63,918</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

BUDGETARY COMPARISON SCHEDULE
EXPENDITURES & OTHER FINANCING USES
OPERATION & MAINTENANCE FUND
YEAR ENDED DECEMBER 31, 2007

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
WASTE WATER TREATMENT PLANT				
Personnel Services:				
Permanent employees	\$ 2,727,559	\$ 2,727,559	\$ 2,558,429	\$ 169,130
Temporary employees	50,000	50,000	64,826	(14,826)
Overtime	280,000	280,000	249,557	30,443
<i>Total Personnel Services</i>	<u>3,057,559</u>	<u>3,057,559</u>	<u>2,872,812</u>	<u>184,747</u>
Employee Benefits:				
Education & training	155,850	155,850	48,899	106,951
Certification bonuses	68,000	68,000	38,500	29,500
Uniform/cleaning allowance	-	-	22,000	(22,000)
Social security	256,805	256,805	236,504	20,301
Holiday pay	63,467	63,467	66,846	(3,379)
Employee insurances	635,687	635,687	544,176	91,511
Employees' VEBA trust	909,913	909,913	828,047	81,866
Health savings expense	-	-	225	(225)
Supplemental life insurance	-	-	1,243	(1,243)
Longevity	102,627	102,627	103,138	(511)
Retirement fund	1,005,375	1,005,375	795,108	210,267
Defined contribution expense	122,790	122,790	172,560	(49,770)
Cost of living	9,589	9,589	4,972	4,617
Uniforms	5,840	5,840	4,785	1,055
My lawyer expense	6,000	6,000	5,645	355
<i>Total Employee Benefits</i>	<u>3,341,943</u>	<u>3,341,943</u>	<u>2,872,648</u>	<u>469,295</u>
<i>Total Personnel & Benefits</i>	<u>6,399,502</u>	<u>6,399,502</u>	<u>5,745,460</u>	<u>654,042</u>
Supplies & Materials:				
Operating supplies	75,000	75,000	91,473	(16,473)
Chemicals	375,000	375,000	286,813	88,187
<i>Total Supplies & Materials</i>	<u>450,000</u>	<u>450,000</u>	<u>378,286</u>	<u>71,714</u>
Other Services & Charges:				
Professional services	350,000	350,000	146,563	203,437
Building lease	54,000	54,000	54,000	-
Odor control	50,000	50,000	6,256	43,744
Ash removal	150,000	150,000	60,971	89,029
Telephone & radio	13,000	13,000	14,769	(1,769)
Auto expense	25,000	25,000	9,901	15,099
Utilities	840,000	840,000	874,943	(34,943)
Electric power	1,100,000	1,100,000	1,158,033	(58,033)
Repairs & maintenance	400,000	400,000	534,059	(134,059)
Management agency fees	50,000	50,000	53,012	(3,012)
<i>Total Other Services & Charges</i>	<u>3,032,000</u>	<u>3,032,000</u>	<u>2,912,507</u>	<u>119,493</u>
GRAND TOTAL	<u>\$ 9,881,502</u>	<u>\$ 9,881,502</u>	<u>\$ 9,036,253</u>	<u>\$ 845,249</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

STATEMENT OF RESTRICTED RESERVES
YEAR ENDED DECEMBER 31, 2007

	TOTAL	SELF INSURANCE RESERVE
 SOURCES OF FINANCIAL RESOURCES		
Interest on investments	\$ 432,596	\$ -
Transfer from operating cash - budget transfers	2,900,000	-
Transfer from operating cash - use of bond proceeds	-	-
Transfer from operating cash - long term debt	-	-
TOTAL SOURCES OF FINANCIAL RESOURCES	3,332,596	-
 USES OF FINANCIAL RESOURCES:		
Construction contracts & related project costs	1,831,642	-
Other non-operating expenses	1,933,574	-
Transfer to operating cash	2,437,303	-
TOTAL USES OF FINANCIAL RESOURCES	6,202,519	-
 NET FISCAL YEAR INCREASE (DECREASE)	 (2,869,923)	-
 Net Assets - January 1, 2007	 16,915,115	500,000
 Net Assets - December 31, 2007	 \$ 14,045,192	\$ 500,000

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

STATEMENT OF RESTRICTED RESERVES
YEAR ENDED DECEMBER 31, 2007

DEBT SERVICE RESERVE	CONSTRUCTION PROGRAM RESERVES
\$ 86,886	\$ 345,710
2,900,000	-
-	-
-	-
2,986,886	345,710
-	1,831,642
1,449,317	484,257
1,520,000	917,303
2,969,317	3,233,202
17,569	(2,887,492)
5,484,295	10,930,820
\$ 5,501,864	\$ 8,043,328

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

STATEMENT OF CONSTRUCTION PROGRAM RESERVES
YEAR ENDED DECEMBER 31, 2007

	TOTAL	WASTE WATER IMPROVEMENT RESERVE
 SOURCES OF FINANCIAL RESOURCES		
Interest on investments	\$ 345,710	\$ 107,651
Transfer from operating cash - budget transfers	-	-
Transfer from operating cash - use of bond proceeds	-	-
Transfer from operating cash - long term debt	-	-
TOTAL SOURCES OF FINANCIAL RESOURCES	345,710	107,651
 USES OF FINANCIAL RESOURCES:		
Construction contracts & related project costs	1,831,642	142,783
Other non-operating expenses	484,257	419,062
Transfer to operating cash	917,303	903,221
TOTAL USES OF FINANCIAL RESOURCES	3,233,202	1,465,066
 NET FISCAL YEAR INCREASE (DECREASE)	 (2,887,492)	 (1,357,415)
 Net Assets - January 1, 2007	 10,930,820	 3,479,777
 Net Assets - December 31, 2007	 \$ 8,043,328	 \$ 2,122,362

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

STATEMENT OF CONSTRUCTION PROGRAM RESERVES
YEAR ENDED DECEMBER 31, 2007

INFRASTRUCTURE REPLACEMENT RESERVE	METER REPLACEMENT RESERVE	CAPITAL EQUIPMENT REPLACEMENT RESERVE	BUILDING CONSTRUCTION RESERVE
\$ 200,991	\$ 12,756	\$ 22,203	\$ 2,109
-	-	-	-
-	-	-	-
-	-	-	-
<hr/> 200,991	<hr/> 12,756	<hr/> 22,203	<hr/> 2,109
 1,519,860	 -	 168,999	 -
 61,252	 -	 3,943	 -
 14,082	 -	 -	 -
<hr/> 1,595,194	<hr/> -	<hr/> 172,942	<hr/> -
 (1,394,203)	 12,756	 (150,739)	 2,109
 6,172,842	 258,259	 977,240	 42,702
<hr/> <hr/> \$ 4,778,639	<hr/> <hr/> \$ 271,015	<hr/> <hr/> \$ 826,501	<hr/> <hr/> \$ 44,811

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

INVESTMENTS IN OPERATING & RESTRICTED FUNDS
AS OF DECEMBER 31, 2007

				COST	MATURITY VALUE	MARKET VALUE	INTEREST ACCRUED @ 12/31/07
Operating Fund:							
<i>Comerica:</i>							
Municipal Pooled Funds		Variable		\$ 6,802,230	\$ 6,802,230	\$ 6,802,230	\$ -
<i>National City:</i>							
Certificates of Deposit:							
	Purchase	Maturity	Rate				
	12-13-2007	03-13-2008	4.31%	80,000	80,000	80,000	172
Municipal Pooled Funds			Variable	42,000	42,000	42,000	-
Total Operating Fund				<u>\$ 6,924,230</u>	<u>\$ 6,924,230</u>	<u>\$ 6,924,230</u>	<u>\$ 172</u>
Waste Water Treatment Improvement Reserve:							
<i>Comerica:</i>							
Municipal Pooled Funds		Variable		2,446,089	2,446,089	2,446,089	-
Total Waste Water Treatment Improvement Reserve				<u>\$ 2,446,089</u>	<u>\$ 2,446,089</u>	<u>\$ 2,446,089</u>	<u>\$ -</u>
Infrastructure Replacement Reserve:							
<i>Comerica:</i>							
Municipal Pooled Funds		Variable		3,745,416	3,745,416	3,745,416	-
Total Infrastructure Replacement Reserve				<u>\$ 3,745,416</u>	<u>\$ 3,745,416</u>	<u>\$ 3,745,416</u>	<u>\$ -</u>
Meter Replacement Reserve:							
<i>Comerica:</i>							
Municipal Pooled Funds		Variable		271,015	271,015	271,015	-
Total Meter Replacement Reserve				<u>\$ 271,015</u>	<u>\$ 271,015</u>	<u>\$ 271,015</u>	<u>\$ -</u>
Equipment Replacement Reserve:							
<i>Comerica:</i>							
Municipal Pooled Funds		Variable		309,866	309,866	309,866	-
Total Equipment Replacement Reserve				<u>\$ 309,866</u>	<u>\$ 309,866</u>	<u>\$ 309,866</u>	<u>\$ -</u>
Building Construction Reserve:							
<i>Comerica:</i>							
Municipal Pooled Funds		Variable		44,812	44,812	44,812	-
Total Building Construction Reserve				<u>\$ 44,812</u>	<u>\$ 44,812</u>	<u>\$ 44,812</u>	<u>\$ -</u>
Debt Retirement Reserve:							
<i>Comerica:</i>							
Municipal Pooled Funds		Variable		736,873	736,873	736,873	-
Total Debt Retirement Reserve				<u>\$ 736,873</u>	<u>\$ 736,873</u>	<u>\$ 736,873</u>	<u>\$ -</u>
GRAND TOTAL - ALL FUNDS				<u>\$ 14,478,301</u>	<u>\$ 14,478,301</u>	<u>\$ 14,478,301</u>	<u>\$ 172</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM
SCHEDULE OF FIXED ASSETS & DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 2007

ASSETS

<u>Asset</u>	Beginning <u>Balance</u>	2007 <u>Additions</u>	2007 <u>Deletions</u>	Ending <u>Balance</u>
Land	\$ 605,219	\$ -	\$ -	\$ 605,219
Buildings & Improvements				
Aeration Tanks	1,276,300	-	-	1,276,300
Ash Lagoon	113,490	-	-	113,490
Blower Building	1,239,400	-	-	1,239,400
Chlorine Building	28,530	-	-	28,530
Incinerator Building	1,406,990	-	-	1,406,990
Nine Mile Pumping Station	171,578	-	-	171,578
Retention Basin	6,099,488	-	-	6,099,488
WWTP Service Building	654,150	-	-	654,150
Water Division Headquarters	6,520,038	-	-	6,520,038
Settling Tank	511,300	-	-	511,300
Sludge Handling Building	261,100	-	-	261,100
Switchgear Building	145,200	-	-	145,200
Tertiary Filter Building	3,498,708	-	-	3,498,708
Waste Water Storage Facilities	2,397,933	-	-	2,397,933
Waste Water Treatment Plant	38,133,380	142,783	-	38,276,163
Total Buildings & Improvements	62,457,585	142,783	-	62,600,368
Utility Systems				
Water Mains	47,208,855	1,458,275	46,780	48,620,350
Water Service Connections	8,204,969	-	-	8,204,969
Sewer Lines	49,603,072	61,585	2,896	49,661,761
Water Meters	4,461,698	-	-	4,461,698
Outside Reading Devices	1,715,519	-	-	1,715,519
Total Utility Systems	111,194,113	1,519,860	49,676	112,664,297
Machinery & Equipment				
Pumping Equipment	1,654,793	54,841	-	1,709,634
Tools & Working Equipment	3,541,246	114,158	-	3,655,404
Automobiles & Trucks	5,315,195	-	-	5,315,195
Office Furniture & Equipment	1,582,188	-	-	1,582,188
Total Machinery & Equipment	12,093,422	168,999	-	12,262,421
GRAND TOTAL	\$ 186,350,339	\$ 1,831,642	\$ 49,676	\$ 188,132,305

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM
SCHEDULE OF FIXED ASSETS & DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 2007

ALLOWANCE FOR DEPRECIATION

Beginning <u>Balance</u>	2007 <u>Additions</u>	2007 <u>Deletions</u>	Ending <u>Balance</u>	Book <u>Value</u>
\$ -	\$ -	\$ -	\$ -	\$ 605,219
657,302	31,908	-	689,210	587,090
58,432	2,837	-	61,269	52,221
602,873	30,985	-	633,858	605,542
15,113	713	-	15,826	12,704
745,255	35,175	-	780,430	626,560
90,932	4,289	-	95,221	76,357
3,446,210	152,487	-	3,598,697	2,500,791
346,710	16,354	-	363,064	291,086
2,444,723	163,001	-	2,607,724	3,912,314
263,327	12,783	-	276,110	235,190
138,391	6,528	-	144,919	116,181
76,956	3,630	-	80,586	64,614
1,854,207	87,468	-	1,941,675	1,557,033
1,469,563	59,948	-	1,529,511	868,422
5,564,741	953,335	-	6,518,076	31,758,087
17,774,735	1,561,441	-	19,336,176	43,264,192
16,731,083	990,022	46,780	17,674,325	30,946,025
6,124,288	164,099	-	6,288,387	1,916,582
20,440,011	994,900	2,896	21,432,015	28,229,746
3,661,966	135,851	-	3,797,817	663,881
1,715,519	-	-	1,715,519	-
48,672,867	2,284,872	49,676	50,908,063	61,756,234
1,654,793	-	-	1,654,793	54,841
3,330,630	210,616	-	3,541,246	114,158
4,647,383	445,490	-	5,092,873	222,322
760,384	76,869	-	837,253	744,935
10,393,190	732,975	-	11,126,165	1,136,256
\$ 76,840,792	\$ 4,579,288	\$ 49,676	\$ 81,370,404	\$ 106,761,901

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

CAPITAL ASSETS
DECEMBER 31, 2007

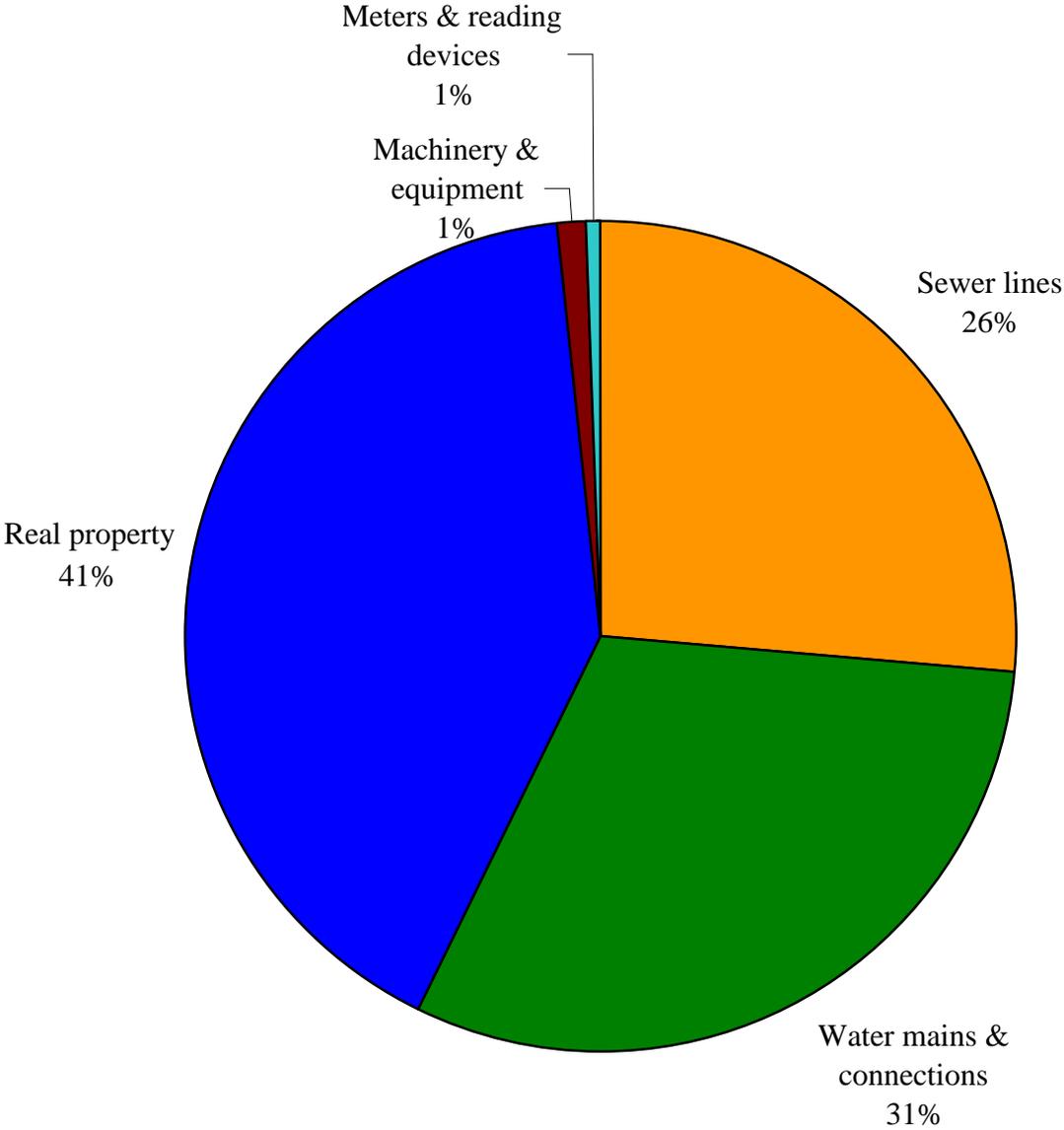
This chart depicts capital assets acquired since the inception of the City of Warren's
Water & Sewer System.

Amounts indicated in the chart reflect net asset values after the provision for depreciation
as summarized below.

	Cost	Accumulated Depreciation	Book Value
Sewer lines	\$ 49,661,761	\$ 21,432,015	\$ 28,229,746
Water mains & connections	56,825,319	23,962,712	32,862,607
Real property	63,205,587	19,336,176	43,869,411
Machinery & equipment	12,262,421	11,126,165	1,136,256
Meters & reading devices	6,177,217	5,513,336	663,881
<hr/>			
Total	<u>\$ 188,132,305</u>	<u>\$ 81,370,404</u>	<u>\$ 106,761,901</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

CAPITAL ASSETS
DECEMBER 31, 2007



NET FIXED ASSETS \$106,761,901

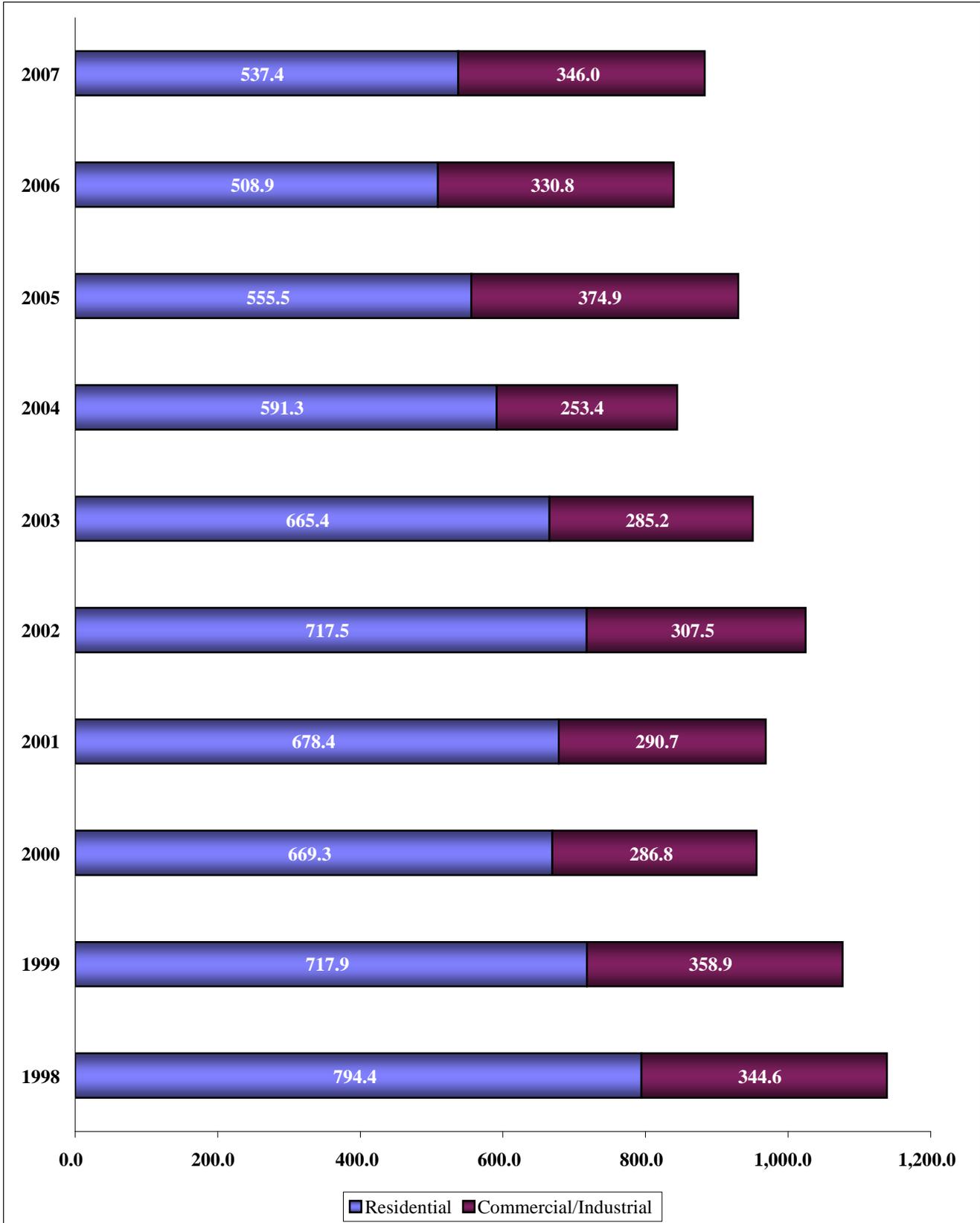
CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

OPERATING STATISTICS
FOR THE YEAR ENDING DECEMBER 31, 2007

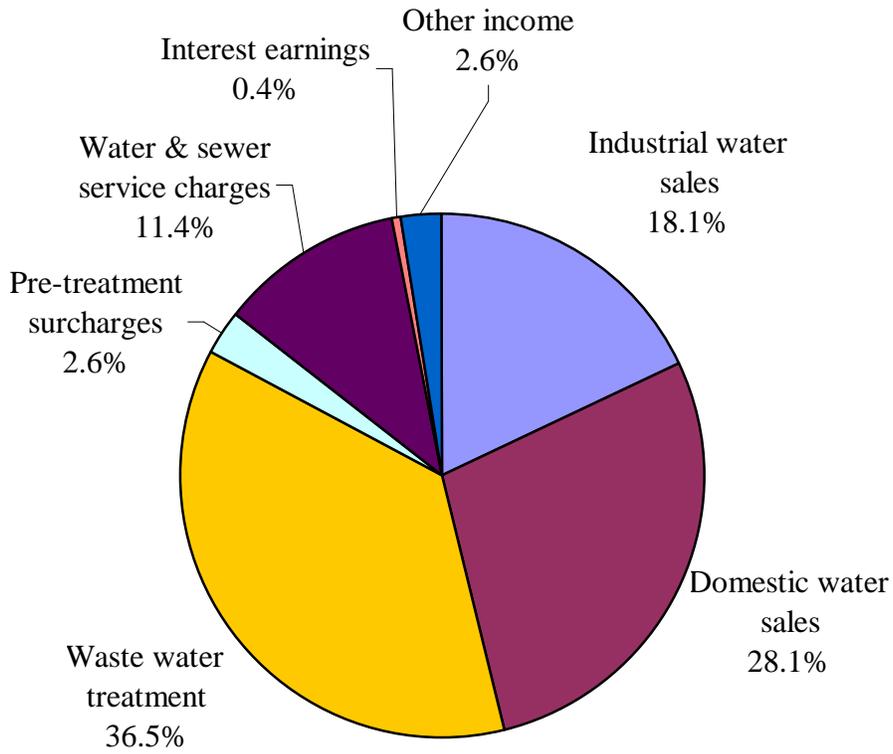
	Residential & Small Commercial Industrial <u>Accounts</u>	Large Commercial Industrial <u>Accounts</u>	<u>Total</u>
Population Served (2000 Census)			138,247
Number of Meters in Service	49,573	670	50,243
Cubic Feet Purchased (in thousands)			1,014,748.2
Cubic Feet Sold (in thousands)	537,418.2	346,045.0	883,463.2
Water Gain {Loss} (percentage)*			{12.94%}
Revenue from Water Sales	\$ 8,973,482	\$ 5,778,048	\$ 14,751,530

*Water gain or loss represents the difference between cubic feet purchased from the City of Detroit and cubic feet sold to residential, commercial and industrial customers. Factors affecting water loss include seepage from breaks {both detected and undetected}, unmetered usage for fire protection and preventative maintenance within the system and the relative accuracy of City of Detroit meters registering purchases and City of Warren meters registering sales.

CITY OF WARREN, MICHIGAN
 WATER & SEWER SYSTEM
 WATER SALES
 FISCAL 1998 THROUGH FISCAL 2007
 {WATER SALES IN MILLION CUBIC FEET}



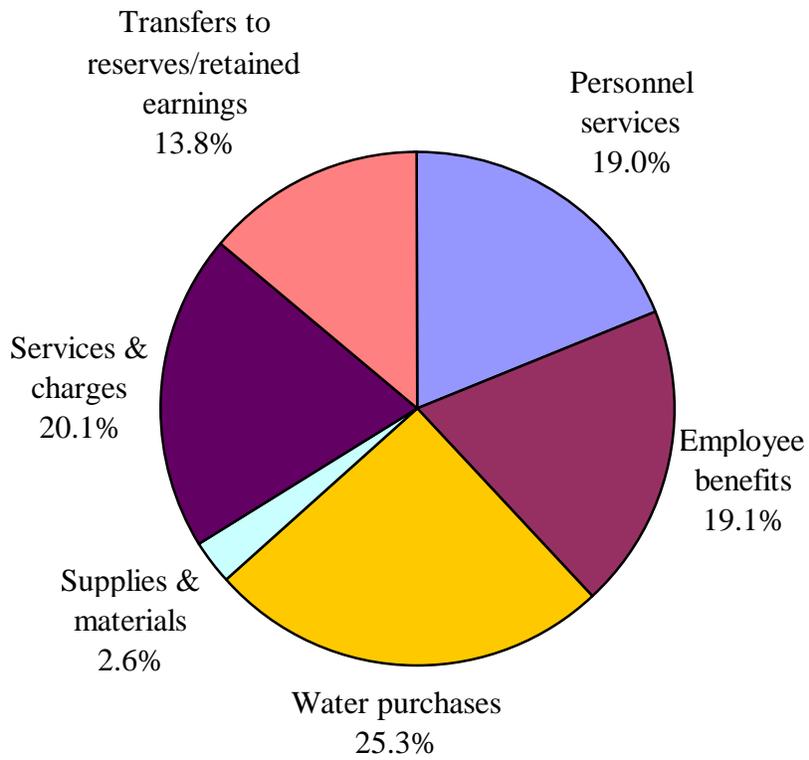
CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM
OPERATION & MAINTENANCE FUND
SOURCE OF REVENUES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007



TOTAL REVENUES

\$31,957,062

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM
OPERATION & MAINTENANCE FUND
MAJOR COMPONENTS DISTRIBUTION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007



TOTAL DISTRIBUTION

\$31,957,062

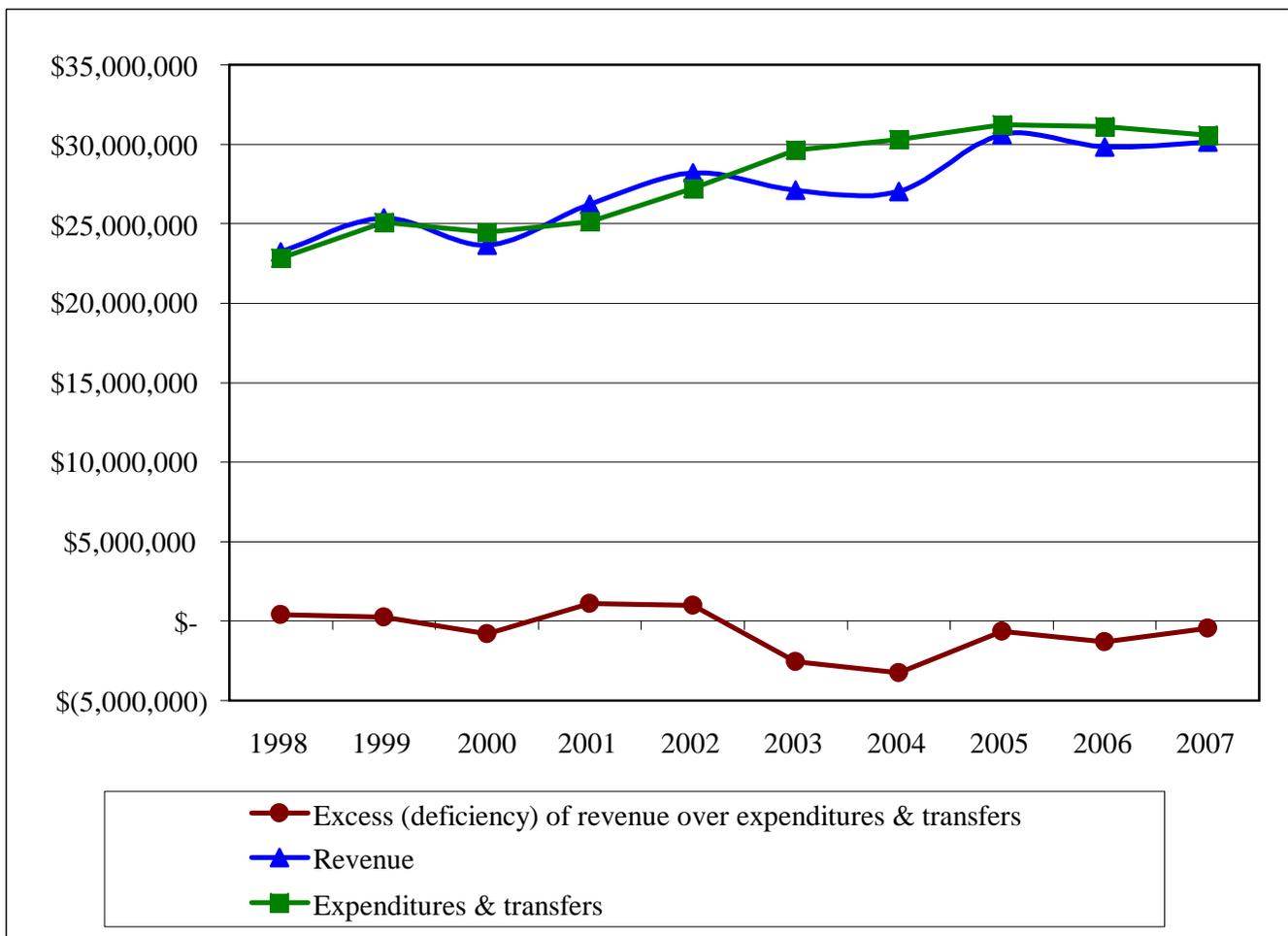
CITY OF WARREN, MICHIGAN
 WATER & SEWER SYSTEM
 OPERATION & MAINTENANCE FUND

REVENUES/EXPENDITURES & TRANSFERS COMPARISON

FISCAL YEARS 1998 THROUGH 2007

The line chart below compares total revenue with total expenditures & transfers for fiscal years 1998 through 2007. The "Excess (deficiency) of revenues over expenditures & transfers" line displays the amount by which total revenues sources exceed or fall short of expenditures & transfers for each year. The transfer of working capital to restricted use reserves is included in the expenditures & transfers amount. Depreciation is not included as it does not involve a cash outlay.

In fiscal periods where revenues exceed expenditures & transfers, reserves are being increased to provide for long term capital needs. In fiscal periods where expenditures & transfers exceed revenues, reserves are being used to subsidize operating costs.



CITY OF WARREN, MICHIGAN
 WATER & SEWER SYSTEM
 OPERATION & MAINTENANCE FUND
OPERATING REVENUE/EXPENSE COMPARISON {before Depreciation}
 FISCAL YEARS 1998 THROUGH 2007

The line chart below compares total operating revenue with total operating expense for fiscal years 1998 through 2007. The "Net operating revenue" line displays the amount by which total operating revenues exceed or fall short of operating expenses for each year.

Operating revenues include water sales, waste water treatment charges and other charges generated through Sections 41-161 and 41-162 of the City of Warren Code of Ordinances. Operating expenses include water purchases, wages & fringe benefit payments, supplies & materials and other services and charges. Depreciation is excluded, as it does not involve a cash outlay.

