

CITY OF MENOMINEE, MICHIGAN

Annual Financial Report

June 30, 2007

Auditing Procedures Report

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

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Menominee	County Menominee
Fiscal Year End 6/30/2007	Opinion Date December 12, 2007	Date Audit Report Submitted to State December 27, 2007	

We affirm that:

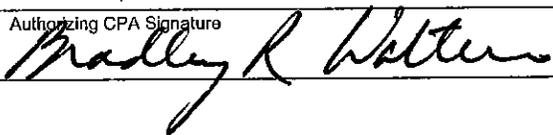
We are certified public accountants licensed to practice in Michigan.

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input type="checkbox"/>	Previously submitted	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Kerber, Rose & Associates, S.C.		Telephone Number (715) 735-9321	
Street Address 1727 Stephenson Street		City Marinette	State WI
Authorizing CPA Signature 		Printed Name Bradley R. Walters	Zip 54143
		License Number 1101013321	

CITY OF MENOMINEE, MICHIGAN

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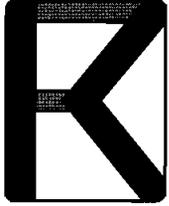
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INDEPENDENT AUDITORS' REPORT



KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the Common Council
City of Menominee
Menominee, Michigan

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management discussion and analysis and budgetary comparison information on pages 3 through 8 and 51 through 64 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods or measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and Members of the Common Council
City of Menominee

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



KERBER, ROSE & ASSOCIATES, S.C.
Certified Public Accountants
December 12, 2007

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF MENOMINEE, MICHIGAN
Management Discussion and Analysis
June 30, 2007

As management of the City of Menominee, we offer readers of the City's financial statements this overview of the financial activities of the City of Menominee for the fiscal year ended June 30, 2007. Please read it in conjunction with the City's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The assets of the City of Menominee exceeded the liabilities as of June 30, 2007 by \$51,166,454 (net assets). Of this amount, \$3,913,654 were unrestricted net assets. The net assets for government activities were \$29,938,624, and for business-type activities \$21,227,830.
- The total net assets increased by \$739,963 during the fiscal year.
- The general fund balance is \$772,357 with \$128,033 reserved and \$644,324 unreserved. Of the unreserved fund balance, \$229,401 is designated and \$414,923 is undesignated, or approximately 10 percent of the anticipated general fund expenditures for 2007-2008 fiscal year.
- General obligation debt decreased by \$679,603 during fiscal year 2007.
- Capital assets decreased by \$134,596 net of depreciation during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

1. Government-wide Financial Statements.

The government-wide financial statements (pages 9-11) provide readers with a broad overview of the finances of the City of Menominee, in a manner similar to a private sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the City's financial position.

The statement of net assets shows the restricted net assets and unrestricted net assets. The unrestricted assets are the assets that can be spent under City government's discretion. The restricted assets are the assets that are constrained by external regulations on how they may be used, such as debt covenants, enabling legislation, or other legal requirements, and they can not be spent under City's discretion. The City's total unrestricted net assets were \$3,913,654 at fiscal year end June 30, 2007, with \$2,135,383 in the governmental type activities.

The largest portion of the net assets for the business-type activities is the investment in capital assets (i.e., land, buildings, machinery and equipment, and infrastructure), less any related debt used to purchase those assets that is still outstanding. The City uses these capital assets to provide services to citizens. These assets are not available for future spending.

CITY OF MENOMINEE, MICHIGAN
Management Discussion and Analysis
June 30, 2007

CITY OF MENOMINEE NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
ASSETS:						
Current and Other Assets	\$ 6,038,146	\$ 6,282,718	\$ 3,420,928	\$ 2,916,302	\$ 9,459,074	\$ 9,199,020
Capital Assets	29,654,314	29,306,413	21,614,317	22,096,814	51,268,631	51,403,227
Total Assets	<u>35,692,460</u>	<u>35,589,131</u>	<u>25,035,245</u>	<u>25,013,116</u>	<u>60,727,705</u>	<u>60,602,247</u>
LIABILITIES:						
Long-Term Liabilities						
Outstanding	4,769,318	5,226,384	3,402,930	3,612,726	8,172,248	8,839,110
Current and Other Liabilities						
Liabilities	984,518	634,978	404,485	399,343	1,389,003	1,034,321
Total Liabilities	<u>5,753,836</u>	<u>5,861,362</u>	<u>3,807,415</u>	<u>4,012,069</u>	<u>9,561,251</u>	<u>9,873,431</u>
NET ASSETS:						
Invested in Capital Assets Net of Related Debt						
Debt	25,157,068	24,339,362	18,428,235	18,526,525	43,585,303	42,865,887
Restricted	2,646,173	2,656,117	1,021,324	966,092	3,667,497	3,622,209
Unrestricted	<u>2,135,383</u>	<u>2,732,290</u>	<u>1,778,271</u>	<u>1,508,430</u>	<u>3,913,654</u>	<u>4,240,720</u>
Total Net Assets	<u>\$ 29,938,624</u>	<u>\$ 29,727,769</u>	<u>\$ 21,227,830</u>	<u>\$ 21,001,047</u>	<u>\$ 51,166,454</u>	<u>\$ 50,728,816</u>

Assets exceed liabilities by \$51,166,454 at June 30, 2007.

Assets exceeded liabilities by \$50,728,816 at June 30, 2006.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes for net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the terms of related cash flows. The net assets increased by \$739,963.

In the statement of net assets and the statement of activities, the City is divided into two kinds of activities: governmental activities and business-type activities.

The governmental activities of the City of Menominee include police, fire, public works, parks, recreation, and general administration. Property taxes, state shared revenue, and state and federal grants finance most of the activities. Also, all the special revenue funds, debt service funds, capital project funds, and permanent funds are also included here.

The business-type activities include Water Treatment Utility, Wastewater Treatment Utility, Marina, River Park, and Industrial Aid. The City charges a fee to customers to help it cover the cost of certain services it provides.

CITY OF MENOMINEE, MICHIGAN
Management Discussion and Analysis
June 30, 2007

STATEMENT OF ACTIVITIES

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program Revenue	\$ 383,314	\$ 497,947	\$ 2,989,128	\$ 2,829,081	\$ 3,372,442	\$ 3,327,028
Operating Grants and Contributions	785,441	1,117,634	-	-	785,441	1,117,634
Capital Grants and Contributions	826,426	1,179,877	2,504	-	828,930	1,179,877
General Revenues:						
Property Taxes	3,808,490	3,633,219	-	-	3,808,490	3,633,219
State and Federal Aids Not Restricted to Specific Functions	1,199,430	1,175,004	-	-	1,199,430	1,175,004
Interest and Investment Earnings	290,259	156,844	122,499	94,841	412,758	251,685
Gain on Repossession Of Assets	-	-	-	29,702	-	29,702
Other	868,011	660,834	-	-	868,011	660,834
Total Revenues	<u>8,161,371</u>	<u>8,421,359</u>	<u>3,114,131</u>	<u>2,953,624</u>	<u>11,275,502</u>	<u>11,374,983</u>
Expenses:						
General Government	873,336	903,922	-	-	873,336	903,922
Public Safety	2,690,436	2,720,622	-	-	2,690,436	2,720,622
Public Works	2,404,987	2,101,172	-	-	2,404,987	2,101,172
Culture and Recreation	1,065,873	1,061,967	-	-	1,065,873	1,061,967
Other	405,388	416,522	-	-	405,388	416,522
Interest and Fiscal Charges	208,172	201,583	-	-	208,172	201,583
Water Treatment	-	-	1,004,094	937,449	1,004,094	937,449
Wastewater Treatment	-	-	1,176,145	1,141,641	1,176,145	1,141,641
Marina	-	-	586,735	725,948	586,735	725,948
River Park	-	-	120,374	99,197	120,374	99,197
Industrial Aid	-	-	-	-	-	-
Total Expenses	<u>7,648,191</u>	<u>7,405,788</u>	<u>2,887,348</u>	<u>2,904,235</u>	<u>10,535,539</u>	<u>10,310,023</u>
Change (Increase in Net Assets)	513,180	1,015,571	226,783	49,389	739,963	1,064,960
Net Assets – July 1	29,727,769	27,379,529	21,001,047	20,951,658	50,728,816	48,331,187
Correction to Restate:						
Capital Assets	-	1,332,669	-	-	-	1,332,669
Receivables	(302,325)	-	-	-	(302,235)	-
Net Assets – Beginning of Year as Restated	<u>29,425,444</u>	<u>28,712,198</u>	<u>21,001,047</u>	<u>20,951,658</u>	<u>50,426,491</u>	<u>49,663,856</u>
Net Assets – End of Year	<u>\$ 29,938,624</u>	<u>\$ 29,727,769</u>	<u>\$ 21,227,830</u>	<u>\$ 21,001,047</u>	<u>\$ 51,166,454</u>	<u>\$ 50,728,816</u>

CITY OF MENOMINEE, MICHIGAN
Managements Discussion and Analysis
June 30, 2007

2. Fund Financial Statements

The fund financial statements (pages 12 – 50) provide detailed information about the most significant funds - not the City as a whole. The City has three kinds of funds: governmental, proprietary, and fiduciary funds.

Governmental Funds. Governmental funds financial statements focus on near-term inflows and outflow of spendable resources. Such information is useful in assessing the City's financial requirements. Unreserved fund balance may serve as a useful measure of the city's net resources available for spending at the end of 2006 fiscal year. The unreserved funds are the funds that can be spent under management's discretion.

At fiscal year end June 30, 2007, the City's governmental funds reported a combined ending fund balance of \$4,952,935.

The general fund is the chief operating fund of the City. At the fiscal year end, its unreserved fund balance was \$644,324. Among the unreserved funds, \$229,401 was designated by management for future projects. A healthy, unrestricted fund balance is necessary for a sound and responsible financial management system. The City needs the unreserved funds to meet emergency needs, general interest revenues through investments, and to maintain the City's bond rating. The principal use of the unreserved funds is to avoid short term borrowing due to cash flow shortages.

Proprietary Funds. Proprietary funds provide the same type of information found in the government-wide financial statements, only in more detail. For the proprietary funds, unrestricted net assets of the Water Treatment Utility at the fiscal year end amounted to \$589,244, for the Wastewater Treatment Utility they amounted to \$536,977, and for the Marina they amounted to \$335,871.

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

CITY OF MENOMINEE, MICHIGAN
Management Discussion and Analysis
June 30, 2007

General Fund Budgetary Highlights

The City amended its budget during the fiscal year as shown in the following chart:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2006 - 2007 Actual</u>	<u>Variance</u>
General Fund:				
Revenues	\$ 4,919,412	\$ 4,754,997	\$ 5,175,326	\$ 420,329
Expenditure	4,858,539	4,792,711	4,927,715	(135,004)
Transfers In/Out	(414,172)	(449,073)	(449,073)	-
	<u>\$ (353,299)</u>	<u>\$ (486,787)</u>	<u>\$ (201,462)</u>	<u>\$ 285,325</u>
Difference				
	<u>\$ (353,299)</u>	<u>\$ (486,787)</u>	<u>\$ (201,462)</u>	<u>\$ 285,325</u>
Major Streets:				
Revenues	\$ 722,752	\$ 722,752	\$ 1,264,257	\$ 541,505
Expenditures	895,192	895,192	1,005,075	(109,883)
Transfers In/Out	172,440	172,440	(120,553)	(292,993)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,629</u>	<u>\$ 138,629</u>
Difference				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,629</u>	<u>\$ 138,629</u>
Local Streets:				
Revenues	\$ 205,040	\$ 205,040	\$ 198,203	\$ (6,837)
Expenditures	745,040	745,040	508,722	236,318
Transfers In/Out	540,000	540,000	381,647	(158,353)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,128</u>	<u>\$ 71,128</u>
Difference				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,128</u>	<u>\$ 71,128</u>

Capital Assets and Debt Administration

The City's investment in capital assets for its governmental and business type activities as of June 30, 2007 amounts to \$51,268,631, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

CITY OF MENOMINEE, MICHIGAN
Management Discussion and Analysis
June 30, 2007

At June 30, 2007, the City of Menominee had total bonded debt outstanding of \$7,900,175. Of this amount, \$4,497,246 comprised debt backed by the full faith and credit of the government and \$3,402,929 represents bonds secured by specified revenue sources (i.e., revenue bonds).

The City maintains a BBB+ bond rating by Standard and Poors for both its general obligation debt and for the revenue bonds for the Wastewater Treatment Utility.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total state equalized value. The current debt limitation for the City of Menominee is \$20,389,093 which is significantly in excess of the City's outstanding general obligation debt of \$4,497,246.

NEXT YEAR'S BUDGETS AND RATES

State shared revenue contributes approximately 25% of the general fund revenues for the City of Menominee. For the 2007–2008 fiscal year, the City expects this revenue to remain about the same or to decrease slightly from the 2006-2007 revenue.

Over 50% of the City's general fund revenues are from general property tax levies. The tax rate has remained relatively unchanged the last few years. City management expects the current tax rate to remain relatively stable.

The 2007-2008 general fund budget includes the use of \$79,612 of the June 30, 2007 unreserved designated fund balance.

Request for Information

The financial report is designed to provide a general overview of the City of Menominee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in the report, or requests for additional financial information, should be addressed to Menominee City Clerk/Treasurer, 2511 Tenth Street, Menominee, Michigan 49858.

BASIC FINANCIAL STATEMENTS

CITY OF MENOMINEE, MICHIGAN

Statement of Net Assets

As of June 30, 2007

	Governmental Fund Types		
	Governmental Activities	Business Type Activities	Total
ASSETS:			
Cash	\$ 1,050,037	\$ 1,949,706	\$ 2,999,743
Investments	273,413	-	273,413
Receivables - Net	1,742,279	749,158	2,491,437
Internal Balances	496,901	(453,717)	43,184
Inventories and Prepaid Items	122,099	112,486	234,585
Deferred Charges	70,525	41,971	112,496
Restricted Cash	504,089	1,021,324	1,525,413
Restricted Investments	1,778,803	-	1,778,803
Capital Assets, Net of Depreciation	29,654,314	21,614,317	51,268,631
TOTAL ASSETS	35,692,460	25,035,245	60,727,705
LIABILITIES:			
Accounts Payable	540,165	14,100	554,265
Accrued and Other Liabilities	296,747	69,037	365,784
Deferred Revenue	147,606	321,348	468,954
Noncurrent Liabilities:			
Due Within One Year	943,280	216,847	1,160,127
Due in More Than One Year	3,826,038	3,186,083	7,012,121
TOTAL LIABILITIES	5,753,836	3,807,415	9,561,251
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	25,157,068	18,428,235	43,585,303
Restricted:			
Debt Service	178,754	536,183	714,937
Plant Replacement	-	485,141	485,141
Construction	1,375,228	-	1,375,228
Permanent Fund	1,092,191	-	1,092,191
Unrestricted	2,135,383	1,778,271	3,913,654
TOTAL NET ASSETS	\$ 29,938,624	\$ 21,227,830	\$ 51,166,454

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN
Statement of Activities
For the Year Ended June 30, 2007

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS:				
Governmental Activities:				
General Government	\$ 873,336	\$ 103,140	\$ -	\$ -
Public Safety	2,690,436	65,925	3,587	-
Public Works	2,404,987	116,073	593,624	573,246
Culture and Recreation	1,065,873	98,177	188,230	253,180
Other	405,388	-	-	-
Interest and Fiscal Charges	208,172	-	-	-
Total Governmental Activities	7,648,192	383,315	785,441	826,426
BUSINESS-TYPE ACTIVITIES:				
Water Treatment	1,004,094	1,036,939	-	2,504
Wastewater Treatment	1,176,145	1,267,443	-	-
Marina	586,735	589,073	-	-
River Park	120,373	90,673	-	-
Industrial Aid	-	5,000	-	-
Total Business-Type Activities	2,887,347	2,989,128	-	2,504
TOTAL ACTIVITIES	\$ 10,535,539	\$ 3,372,443	\$ 785,441	\$ 828,930

GENERAL REVENUES:

Property Taxes, Levied for General Purposes
Property Taxes, Levied for Debt Service
Property Taxes, Levied for Streets
State and Federal Aids Not Restricted to Specific Functions
Interest and Investment Earnings
Other

Total General Revenues

Transfer between Governmental and Business-Type Activities

CHANGE IN NET ASSETS

NET ASSETS - BEGINNING OF YEAR - RESTATED

NET ASSETS - END OF YEAR

**Net (Expense) Revenue
And Changes in Net Assets**

Governmental Activities	Business-Type Activities	Total
\$ (770,196)	\$ -	\$ (770,196)
(2,620,924)	-	(2,620,924)
(1,122,044)	-	(1,122,044)
(526,286)	-	(526,286)
(405,388)	-	(405,388)
(208,172)	-	(208,172)
<u>(5,653,010)</u>	<u>-</u>	<u>(5,653,010)</u>
-	35,349	35,349
-	91,298	91,298
-	2,338	2,338
-	(29,700)	(29,700)
-	5,000	5,000
<u>-</u>	<u>104,285</u>	<u>104,285</u>
<u>(5,653,010)</u>	<u>104,285</u>	<u>(5,548,725)</u>
3,056,392	-	3,056,392
95,000	-	95,000
657,098	-	657,098
1,199,430	-	1,199,430
290,259	122,498	412,757
868,011	-	868,011
<u>6,166,190</u>	<u>122,498</u>	<u>6,288,688</u>
<u>-</u>	<u>-</u>	<u>-</u>
513,180	226,783	739,963
<u>29,425,444</u>	<u>21,001,047</u>	<u>50,426,491</u>
<u>\$ 29,938,624</u>	<u>\$ 21,227,830</u>	<u>\$ 51,166,454</u>

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN

Balance Sheet
Governmental Funds
As of June 30, 2007

	General Fund	Major Street	Local Street
ASSETS:			
Cash and Cash Equivalents	\$ 342,302	\$ 23,375	\$ 3,058
Investments	-	-	-
Receivables - Net	118,454	43,974	27,897
Due From Other Funds	481,562	536,357	305,633
Receivable From Other Governments	419,527	83,885	30,907
Inventories and Prepaid Items	121,724	-	-
TOTAL ASSETS	\$ 1,483,569	\$ 687,591	\$ 367,495
LIABILITIES:			
Accounts Payable	\$ 78,472	\$ 76,040	\$ -
Accrued Payroll	52,923	1,806	1,267
Due to Other Funds	424,314	304,270	145,632
Payable to Other Governments	73,008	-	-
Deferred Revenue	82,495	43,974	27,897
Total Liabilities	711,212	426,090	174,796
FUND BALANCES:			
Reserved	128,033	-	-
Unreserved:			
Designated	229,401	-	-
Undesignated	414,923	261,501	192,699
Total Fund Balances	772,357	261,501	192,699
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,483,568	\$ 687,591	\$ 367,495

See Accompanying Notes

Public Improvement Projects	Street Construction	Other Governmental Funds	Total Governmental Funds
\$ 40,365	\$ 502,484	\$ 642,542	\$ 1,554,126
-	471,265	1,580,951	2,052,216
-	-	955,253	1,145,578
-	194,133	63,256	1,580,941
-	-	62,382	596,701
-	-	375	122,099
<u>\$ 40,365</u>	<u>\$ 1,167,882</u>	<u>\$ 3,304,759</u>	<u>\$ 7,051,661</u>
\$ 365,427	\$ -	\$ 20,224	\$ 540,163
-	-	6,587	62,583
1,034	876	207,915	1,084,041
-	-	80,826	153,834
-	-	103,739	258,105
<u>366,461</u>	<u>876</u>	<u>419,291</u>	<u>2,098,726</u>
-	1,167,006	1,479,167	2,774,206
-	-	-	229,401
(326,096)	-	1,406,301	1,949,328
<u>(326,096)</u>	<u>1,167,006</u>	<u>2,885,468</u>	<u>4,952,935</u>
<u>\$ 40,365</u>	<u>\$ 1,167,882</u>	<u>\$ 3,304,759</u>	<u>\$ 7,051,661</u>

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets
As of June 30, 2007

Total Fund Balances - Governmental Funds **\$ 4,952,935**

Total net assets reported for governmental activities in the statement of net assets are different from the amount reported above as total governmental funds fund balance because:

Elimination of due to and due from governmental funds:

Due to	1,084,040	
Due from	<u>(1,084,040)</u>	-

Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	42,019,155	
Governmental Accumulated Depreciation	<u>(12,364,841)</u>	29,654,314

Deferred revenue reported as a liability on the balance sheet is recognized as revenue on the statement of activities and has been removed from the statement of net assets.

Special Assessments		110,499
---------------------	--	---------

Certain liabilities, including bonds and notes payable, are not due in the current period and therefore not reported in the fund statements. Liabilities reported in the statement of net assets that are not reported in the funds balance sheet:

General Debt	(4,497,246)	
Accrued Interest on General Obligation Debt	(80,331)	
Bond Issuance Costs Amortized	70,525	
Vested Employee Benefits	<u>(272,072)</u>	<u>(4,779,124)</u>

Total Net Assets - Governmental Activities **\$ 29,938,624**

CITY OF MENOMINEE, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2007

	<u>General Fund</u>	<u>Major Street</u>	<u>Local Street</u>
REVENUES:			
Property Taxes	\$ 3,166,946	\$ 164,263	\$ -
Federal Grants	79,960	106,934	-
State Grants	3,587	979,975	188,230
State Shared Revenue	1,195,338	-	-
Donations	-	-	-
Licenses and Permits	127,440	-	-
Fines and Forfeitures	34,934	-	-
Interest and Rentals	318,698	-	-
Charges For Services	2,500	-	-
Other Revenues	245,923	13,085	9,973
TOTAL REVENUES	<u>5,175,326</u>	<u>1,264,257</u>	<u>198,203</u>
EXPENDITURES:			
Current:			
General Government	825,430	-	-
Public Safety	2,368,056	-	-
Highways, Streets and Bridges	394,865	635,321	246,538
Sanitation	395,218	-	-
Culture and Recreation	337,195	-	-
Other	172,859	-	-
Capital Outlay	135,306	369,754	262,184
Debt Service:			
Principal Retirement	259,806	-	-
Interest and Fiscal Charges	38,980	-	-
Bond Issuance Costs	-	-	-
TOTAL EXPENDITURES	<u>4,927,715</u>	<u>1,005,075</u>	<u>508,722</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>247,611</u>	<u>259,182</u>	<u>(310,519)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds From Long Term Debt	-	-	-
Operating Transfers In	-	654	381,647
Operating Transfers (Out)	(449,073)	(121,207)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(449,073)</u>	<u>(120,553)</u>	<u>381,647</u>
NET CHANGE IN FUND BALANCES	(201,462)	138,629	71,128
FUND BALANCES - BEGINNING OF YEAR	<u>973,819</u>	<u>122,872</u>	<u>121,571</u>
FUND BALANCES - END OF YEAR	<u>\$ 772,357</u>	<u>\$ 261,501</u>	<u>\$ 192,699</u>

See Accompanying Notes

Public Improvement Projects	Street Construction	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 594,159	\$ 3,925,368
-	-	17,523	204,417
-	-	95,961	1,267,753
-	-	4,092	1,199,430
-	-	139,696	139,696
-	-	-	127,440
-	-	66,114	101,048
65	37,450	86,076	442,289
-	-	108,134	110,634
40,300	-	334,017	643,298
<u>40,365</u>	<u>37,450</u>	<u>1,445,772</u>	<u>8,161,373</u>
-	-	-	825,430
-	-	179,171	2,547,227
-	-	-	1,276,724
-	-	-	395,218
-	-	544,489	881,684
-	2,650	229,879	405,388
365,427	-	279,698	1,412,369
-	-	435,000	694,806
-	-	154,759	193,739
1,034	-	10,036	11,070
<u>366,461</u>	<u>2,650</u>	<u>1,833,032</u>	<u>8,643,655</u>
<u>(326,096)</u>	<u>34,800</u>	<u>(387,260)</u>	<u>(482,282)</u>
-	-	225,000	225,000
-	-	459,220	841,521
-	(230,193)	(41,048)	(841,521)
-	(230,193)	643,172	225,000
(326,096)	(195,393)	255,912	(257,282)
-	1,362,399	2,629,556	5,210,217
<u>\$ (326,096)</u>	<u>\$ 1,167,006</u>	<u>\$ 2,885,468</u>	<u>\$ 4,952,935</u>

CITY OF MENOMINEE, MICHIGAN
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2007

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (257,282)

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

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Capital outlay reported in governmental fund statements	\$ 1,412,368	
Depreciation expense reported in the statement of activities	(1,024,799)	
Amount by which capital outlays are more than depreciation in the current period.		387,569

The net effect of various miscellaneous transactions involving capital assets (i.e., trade-ins, and disposals) is to decrease net assets and has no effect on the governmental funds balance sheet. (39,668)

Special assessments receivable are expected to be collected over several years and are not available to pay for current year expenditures. (31,142)

Debt incurred in governmental funds is reported as an other financing source, but is reported as an increase in outstanding long-term debt in the statement of net assets, and does not affect the statement of activities. (225,000)

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities.

The amount of long-term debt principal payments in the current year 694,806

Vested employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

Special termination benefits paid in current year	203,722	
Special termination benefits earned in current year	216,462	
Amounts paid are more than amounts earned by		(12,740)

Unamortized bond issue costs and the deferred discount are reported as expenditures in the governmental funds. However, for governmental activities those costs are shown in the statement of net assets and amortized over the life of the bond issuance as annual interest and other costs in the statement of activities. (4,167)

Interest on long-term debt is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount of accrued interest recognized in the statement of activities. 804

CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 513,180

CITY OF MENOMINEE, MICHIGAN

Statement of Net Assets

Proprietary Funds

As of June 30, 2007

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Marina</u>
Current Assets:			
Cash and Cash Equivalents	\$ 517,573	\$ 489,448	\$ 631,770
Receivables - Net	335,416	413,742	-
Due From Other Funds	-	29,855	-
Inventories	59,184	-	-
Prepaid Items	22,292	31,009	-
Total Current Assets	<u>934,465</u>	<u>964,054</u>	<u>631,770</u>
Noncurrent Assets:			
Restricted Cash and Investments	160,197	861,127	-
Unamortized Debt Discount and Expenses	-	14,434	27,537
Capital Assets, Net of Depreciation	8,700,642	10,285,861	1,545,542
Total Noncurrent Assets	<u>8,860,839</u>	<u>11,161,422</u>	<u>1,573,079</u>
Total Assets	<u>9,795,304</u>	<u>12,125,476</u>	<u>2,204,849</u>
CURRENT LIABILITIES:			
Accounts Payable	5,161	6,415	-
Accrued Expense	15,478	41,407	11,120
Due to Other Funds	288,730	202,662	1,000
Deferred Revenue	17,135	52,897	251,316
Current Portion of Noncurrent Liabilities	18,717	138,130	60,000
Total Current Liabilities	<u>345,221</u>	<u>441,511</u>	<u>323,436</u>
NONCURRENT LIABILITIES:			
Bonds, Notes and Loans Payable	60,497	2,295,586	830,000
Total Liabilities	<u>405,718</u>	<u>2,737,097</u>	<u>1,153,436</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	8,640,145	7,990,275	715,542
Restricted For Debt Service	-	536,183	-
Restricted For Capital Projects	160,197	324,944	-
Unrestricted	589,244	536,977	335,871
TOTAL NET ASSETS	<u>\$ 9,389,586</u>	<u>\$ 9,388,379</u>	<u>\$ 1,051,413</u>

See Accompanying Notes

Other Enterprise Funds	Total Proprietary Funds
\$ 310,915	\$ 1,949,706
-	749,158
21,356	51,211
-	59,184
-	53,301
<u>332,271</u>	<u>2,862,560</u>
-	1,021,324
-	41,971
1,082,272	21,614,317
<u>1,082,272</u>	<u>22,677,612</u>
<u>1,414,543</u>	<u>25,540,172</u>
2,523	14,099
1,032	69,037
12,536	504,928
-	321,348
-	216,847
<u>16,091</u>	<u>1,126,259</u>
-	3,186,083
<u>16,091</u>	<u>4,312,342</u>
1,082,272	18,428,235
-	536,183
-	485,141
316,180	1,778,271
<u>\$ 1,398,452</u>	<u>\$ 21,227,830</u>

See Accompanying Notes

CITY OF MENOMINEE, MICHIGAN
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Marina</u>
OPERATING REVENUES:			
Charges For Services	\$ 1,023,255	\$ 1,242,180	\$ 589,073
Hydrant Rental	804	-	-
Other Revenues	12,880	25,263	-
Total Operating Revenues	<u>1,036,939</u>	<u>1,267,443</u>	<u>589,073</u>
OPERATING EXPENSES:			
Personal Services	224,877	146,003	-
Contractual Services	267,646	380,522	397,299
Utilities	85,038	154,882	-
Repairs and Maintenance	50,195	31,587	-
Other Supplies and Expenses	28,016	36,650	12,250
Depreciation	343,795	332,116	133,916
Total Operating Expenses	<u>999,567</u>	<u>1,081,760</u>	<u>543,465</u>
OPERATING INCOME (LOSS)	<u>37,372</u>	<u>185,683</u>	<u>45,608</u>
NON-OPERATING REVENUE (EXPENSES):			
Interest and Investment Revenue	21,699	59,330	27,422
Interest Expense	(4,527)	(94,385)	(43,270)
Total Non-operating Revenue (Expenses)	<u>17,172</u>	<u>(35,055)</u>	<u>(15,848)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	54,544	150,628	29,760
CAPITAL CONTRIBUTIONS	<u>2,504</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	57,048	150,628	29,760
NET ASSETS - BEGINNING OF YEAR	<u>9,332,538</u>	<u>9,237,751</u>	<u>1,021,653</u>
NET ASSETS - END OF YEAR	<u>\$ 9,389,586</u>	<u>\$ 9,388,379</u>	<u>\$ 1,051,413</u>

Other Enterprise Funds	Total Proprietary Funds
\$ -	\$ 2,854,508
-	804
95,673	133,816
<u>95,673</u>	<u>2,989,128</u>
41,951	412,831
6,542	1,052,009
21,965	261,885
11,699	93,481
5,315	82,231
32,901	842,728
<u>120,373</u>	<u>2,745,165</u>
<u>(24,700)</u>	<u>243,963</u>
14,047	122,498
-	(142,182)
<u>14,047</u>	<u>(19,684)</u>
(10,653)	224,279
-	2,504
<u>(10,653)</u>	<u>226,783</u>
1,409,105	21,001,047
<u>\$ 1,398,452</u>	<u>\$ 21,227,830</u>

CITY OF MENOMINEE, MICHIGAN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	Water Utility	Wastewater Utility
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts From Customers	\$ 1,026,689	\$ 1,270,017
Payments to Suppliers	(139,651)	(220,143)
Payments to Contractors	(267,646)	(380,522)
Payment to Employees	(224,897)	(151,617)
Internal Activity - Receipts From Other Funds	215,760	76,754
Net Cash From Operating Activities	610,255	594,489
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital Contributions	2,504	-
Purchases of Capital Assets	(203,226)	(122,295)
Principal and Interest Paid on Capital Debt	(22,952)	(230,756)
Other Receipts	-	466
Net Cash From Capital and Related Financing Activities	(223,674)	(352,585)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	21,699	59,330
Net Cash From Investing Activities	21,699	59,330
NET CHANGE IN CASH AND CASH EQUIVALENTS	408,280	301,234
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	269,490	1,049,341
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 677,770	\$ 1,350,575
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ 37,372	\$ 185,683
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Operating Activities:		
Depreciation	343,795	332,116
Changes in Non-Cash Components of Working Capital:		
Accounts Receivable	(10,349)	2,573
Due From Other Funds	-	15,093
Inventories	18,588	-
Prepaid Items	(150)	(404)
Accounts Payable	5,160	3,380
Accrued Expenses	(20)	(5,613)
Due to Other Funds	215,760	61,661
Deferred Revenues	99	-
NET CASH FROM OPERATING ACTIVITIES	\$ 610,255	\$ 594,489
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Unrestricted Cash and Investments	\$ 517,573	\$ 489,448
Restricted Cash and Investments	160,197	861,127
TOTAL CASH AND CASH EQUIVALENTS	\$ 677,770	\$ 1,350,575

Marina	Other Enterprise Funds	Total Proprietary Funds
\$ 589,072	\$ 95,673	\$ 2,981,451
(12,250)	(36,790)	(408,834)
(397,299)	(6,542)	(1,052,009)
-	(42,007)	(418,521)
(199,000)	4,176	97,691
<u>(19,477)</u>	<u>14,510</u>	<u>1,199,777</u>
-	-	2,504
(25,727)	(8,982)	(360,229)
(98,270)	-	(351,978)
-	-	467
<u>(123,997)</u>	<u>(8,982)</u>	<u>(709,237)</u>
27,422	14,047	122,498
<u>27,422</u>	<u>14,047</u>	<u>122,498</u>
(116,052)	19,575	613,037
747,822	291,340	2,357,993
<u>\$ 631,770</u>	<u>\$ 310,915</u>	<u>\$ 2,971,030</u>
\$ 45,608	\$ (24,700)	\$ 243,963
133,916	32,901	842,728
-	-	(7,776)
-	(2,412)	12,681
-	-	18,588
-	-	(554)
-	2,190	10,730
-	(56)	(5,689)
(199,000)	6,587	85,008
(1)	-	98
<u>\$ (19,477)</u>	<u>\$ 14,510</u>	<u>\$ 1,199,777</u>
\$ 631,770	\$ 310,915	\$ 1,949,706
-	-	1,021,324
<u>\$ 631,770</u>	<u>\$ 310,915</u>	<u>\$ 2,971,030</u>

CITY OF MENOMINEE, MICHIGAN

Statement of Net Assets

Fiduciary Funds

As of June 30, 2007

	<u>Employee Trust Funds</u>	<u>Agency Funds</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 58,299	\$ 40,498	\$ 98,797
Investments at Fair Value:			
Corporate Stocks	3,260,137	-	3,260,137
Other Investments	6,945,271	-	6,945,271
Total Investments	<u>10,205,408</u>	<u>-</u>	<u>10,205,408</u>
Taxes Receivable	-	53,121	53,121
Total Assets	<u>\$ 10,263,707</u>	<u>\$ 93,619</u>	<u>\$ 10,258,526</u>
LIABILITIES:			
Due to Other Funds	\$ 10,950	\$ -	\$ 10,950
Due to Other Funds	4,828	38,355	43,183
Due to Other Governments	-	55,264	55,264
Total Liabilities	<u>15,778</u>	<u>93,619</u>	<u>109,397</u>
NET ASSETS:			
Held in Trust For Employees' Retirement System	10,247,112	-	10,247,112
Reserved For Employees' Benefits	817	-	817
Total Net Assets	<u>10,247,929</u>	<u>-</u>	<u>10,247,929</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,263,707</u>	<u>\$ 93,619</u>	<u>\$ 10,357,326</u>

CITY OF MENOMINEE, MICHIGAN
Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended June 30, 2007

	Employee Trust Funds
ADDITIONS:	
Contributions:	
Employees	\$ 105,676
Employer	156,119
Investment Revenues	1,201,638
Other	6,395
Total Additions	1,469,828
 DEDUCTIONS:	
Annuities	565,834
Benefits	116,008
Total Deductions	681,842
 CHANGE IN NET ASSETS	 787,986
NET ASSETS - BEGINNING OF YEAR	9,459,943
NET ASSETS - END OF YEAR	\$ 10,247,929

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies of the City is presented to assist in understanding the City's financial statements. The financial statements and notes are representations of the City's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

REPORTING ENTITY

The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, public works, development services, public health and welfare, culture, recreation, water and wastewater.

The City's basic financial statements include the accounts of all City operations. In accordance with generally accepted accounting principles (GAAP), the financial statements are required to include the City and any separate component units that have a significant operational or financial relationship with the City. The City has not identified any component units that are required to be included in the financial statements in accordance with standards established in GASB Statements No. 14 and 39.

RELATED ORGANIZATIONS

City officials are also responsible for appointing a majority of the board members for the Housing Authority of the City of Menominee, but the City's accountability for this organization does not extend beyond making the appointments. Therefore, this organization is not included in the City's reporting entity.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Governmental funds include general, special revenue, capital project, and debt service funds. Proprietary funds include enterprise funds and internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2007

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

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into individual funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type and
- b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition, any other governmental fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following major governmental funds:

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

Major Street Fund – Accounts for revenues and expenditures in connection with the street system designated as major streets by the State of Michigan. This fund is required under state law.

Local Street Fund – Accounts for revenues and expenditures in connection with the street system designated as local streets by the State of Michigan. This fund is required under state law.

Public Improvement Fund – Accounts for the utility infrastructure improvements.

Street Construction Fund – Accounts for the reconstruction of streets.

The City reports the following major proprietary funds:

Water Utility Fund – Accounts for the City's provision of water service to city residents, business entities and public authorities.

Wastewater Treatment Utility Fund – Accounts for the City's provision of wastewater treatment service to city residents, business entities and public authorities.

Marina Fund – Accounts for the operation of the City's marina.

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets. These assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government. For that reason, these funds are not incorporated into the government-wide statements.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2007

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

FUND FINANCIAL STATEMENTS (Continued)

The City reports the following trustee funds:

Police and Fire Retirement Fund – Accounts for investments held for funding police and fire department employees' retirement benefits.

Employee Flexible Benefits Fund – Accounts for employee contributions and payouts for employees enrolled in the City's flexible benefits plan.

The City reports the following agency fund:

The Tax Collection Fund – Accounts for property tax collections and distributions.

MEASUREMENT FOCUS AND BASIS ACCOUNTING

The government-wide and proprietary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash transaction takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources, as well as all tax revenues, are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2007

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

CASH AND INVESTMENTS

Cash deposits consist of demand and time deposits with financial institutions carried at cost. Investments are stated at market value.

For purposes of the statement of cash flows, cash and investments having a maturity of three months or less are considered to be cash equivalents.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded net of allowances for doubtful accounts.

INVENTORIES

Inventories of governmental and proprietary fund types are recorded at cost, which approximates market, using the first-in first-out method of valuation. The cost is recorded as an expenditure at the time individual inventory items are consumed.

PREPAID ITEMS

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years	
	Governmental Activities	Business-Type Activities
Buildings	40 Years	50 Years
Improvements Other Than Building	20 Years	15 – 50 Years
Equipment	15 Years	3 – 10 Years
Infrastructure	50 Years	-

CITY OF MENOMINEE, MICHIGAN
Notes to the Financial Statements
June 30, 2007

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

DEFERRED REVENUE

The City reports deferred revenue on its statement of net assets and balance sheet. Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed as a liability and revenue is recognized.

COMPENSATED ABSENCES

Under terms of employment, employees are granted sick leave and vacations in varying amounts, and are allowed to accrue unused sick leave and vacation time according to specific policies for different departments and unions. A liability for these accrued compensated absences is reported in the government-wide and proprietary funds financial statements. The liability is determined on the basis of current salary rates as of June 30, 2007, although payments for the accrued compensated absences will be made at rates in effect when the benefits are used.

LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet. Noncurrent portions of the interfund receivables for the governmental funds are offset by a reservation of fund balance since they do not constitute expendable available financial resources and therefore are not available for appropriation.

The amount reported on the statement of net assets for internal balances represents the residual balance outstanding between the governmental activities and business type activities.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2007

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

INTERFUND TRANSACTIONS

During the course of normal operations, the City has various transactions between funds, including expenditures and transfers of resources to provide services, construct assets and service debt. The governmental funds generally record such transactions as operating transfers if within governmental funds. Transactions between governmental and proprietary funds are usually recorded as revenues and either expenditures or expenses of the respective funds.

Fund Financial Statements

Interfund activity, if any, within and among the governmental categories is reported as follows in the fund financial statements:

- Interfund transfers – Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities.

EQUITY CLASSIFICATIONS

Government-Wide Statements

Equity is classified as net assets and displayed in three components.

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved being further split between designated and undesignated.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2007

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

USE OF ESTIMATES

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

NOTE 2 - CASH AND INVESTMENTS:

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash	\$ 2,999,743
Investments	273,413
Restricted Cash and Investments	3,304,216
Fiduciary Funds:	
Cash	98,797
Investments	10,205,408
Total Cash and Investments	<u>\$ 16,881,577</u>

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

The City Council has adopted a formal investment policy in accordance with Public Act 196 of 1997. The policy allows all deposits and investments authorized by the above statute, with the following additional restrictions:

- Commercial paper must be rated at the time of purchase within the highest classification established by not less than two standard rating services.
- Mutual Funds must be registered under the Investment Company Act of 1940 and maintain a \$1.00 per share net asset value.

In addition, the policy allows investment in stock, but only for Fund 732, the Police and Fire Retirement Fund, as set forth in Michigan Act 314, PA 1965, and MSA Section 3.98 (114). Donated stock may be held in any fund, in accordance with the wishes of the donor.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2007

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

CUSTODIAL CREDIT RISK

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial risk for *investments* is the risk that, in the event of the failure of a counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The State statutes and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial risks for deposits or investments.

The City maintains its cash accounts at several financial institutions. The balances, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$100,000 per financial institution. Management acknowledges the possibility of risk in this arrangement. However, the size and longevity of the depository institutions minimizes such risk.

The following is a summary of cash deposits as of June 30, 2007:

Fully Insured Deposits	\$	654,788
Uncollateralized		<u>5,209,757</u>
Total	\$	<u>5,864,545</u>

Investments in the following investment types were held by the same counterparty that was used by the City to buy the securities:

Investment Type:		
Federal Agency Securities	\$	571,646
Mutual Funds		<u>6,954,783</u>
	\$	<u>7,526,429</u>

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2007

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

INTEREST RATE RISK (Continued):

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

	<u>Total</u>	<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
Investment Type:					
U.S. Treasury Notes	\$ 430,799	\$ -	\$ 59,583	\$ 24,969	\$ 346,247
Federal Agency Securities	571,646	75,726	143,550	327,495	24,875
GNMA	2,975	-	-	1,072	1,903
	<u>\$ 1,005,420</u>	<u>\$ 75,726</u>	<u>\$ 203,133</u>	<u>\$ 353,536</u>	<u>\$ 373,025</u>

INVESTMENTS WITH FAIR VALUES HIGHLY SENSITIVE TO INTEREST RATE FLUCTUATIONS

Certain investments are highly sensitive to interest rate fluctuations, to a greater degree than already indicated in the information provided above. The City's investments in Federal Agency Securities (Federal Home Loan Bank and Federal National Mortgage Association) are backed by mortgages, which are subject to early payment in periods of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.

CREDIT RISK

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the City's investment policy and the actual rating as of year end for each investment type.

	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End AAA</u>
Investment Type:			
U.S. Treasury Notes	\$ 460,497	N/A	Exempt
GNMA	2,975	N/A	Exempt
Federal Agency Securities	571,646	AAA	AAA
Mutual Funds	6,954,783	AAA	AAA
Common Stock	3,203,756	N/A	No Rating
	<u>\$ 11,193,657</u>		

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2007

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

CONCENTRATION OF CREDIT RISK

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds and money market funds) that represent 5% or more of the City's total investments.

Investments in any one issuer that represent 5% or more of total investments by reporting unit are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Cemetery Perpetual Care Fund:		
Federal Home Loan Bank	Federal Agency Securities	\$ 274,430
FNMA	Federal Agency Securities	228,245
Federal Farm Credit	Federal Agency Securities	68,971

NOTE 3 - PROPERTY TAXES:

Property tax is levied on each July 1st on the taxable valuation of property (as defined by State statutes) located in the City as of the preceding December 31.

Property taxes are recorded in the year levied as receivables and recognized as revenue. Real property taxes not collected by February 28 are turned over to the county for collection. The county pays the City for these delinquent taxes within 60 days. Delinquent personal property taxes are recorded as deferred revenue until collected or written off. In addition to property taxes for the City, taxes are collected and remitted to state and county governments as well as local school districts.

The 2006 taxable valuation of the City totaled \$157 million, on which ad valorem taxes levied consisted of 18.39 mills for the City operating purposes, .9907 mills for City street and road repair, and 3.55 mills for debt service, raising \$3.05 million for City operating purposes, \$164,263 for City street and road repair, and \$594,158 for debt service. These amounts are recognized in the respective General, Major Street and Debt Service Funds financial statements as taxes receivable-current and as tax revenue.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2007

NOTE 4 - RECEIVABLES:

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

	<u>General Fund</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Water Utility</u>
Taxes	\$ 44,837	\$ -	\$ -	\$ -
Accounts	24,812	-	-	294,173
Special Assessments	38,628	43,974	27,897	48,598
Intergovernmental	419,527	83,885	30,907	-
Interest and Other	10,177	-	-	-
Less: Allowance for Doubtful Accounts	-	-	-	(7,355)
Net Receivables	<u>\$ 537,981</u>	<u>\$ 127,859</u>	<u>\$ 58,804</u>	<u>\$ 335,416</u>

	<u>Wastewater Utility</u>	<u>Aggregate Nonmajor Funds</u>	<u>Aggregate Fiduciary Funds</u>	<u>Total</u>
Taxes	\$ -	\$ -	\$ 53,121	\$ 97,958
Accounts	333,682	1,081,450	-	1,734,117
Special Assessments	85,249	-	-	244,346
Intergovernmental	-	62,382	-	596,701
Interest and Other	-	-	-	10,177
Less: Allowance for Doubtful Accounts	(5,189)	(126,197)	-	(138,741)
Net Receivables	<u>\$ 413,742</u>	<u>\$ 1,017,635</u>	<u>\$ 53,121</u>	<u>\$ 2,544,558</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Special Assessment	\$ 110,499	\$ -
MSHDA	-	86,339
Other	-	61,267
Total	<u>\$ 110,499</u>	<u>\$ 147,606</u>

Economic Development and Housing Rehabilitation Loan Receivable - The City has received grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2007

NOTE 5 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2007 were as follows:

	<u>Balance 7/1/2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2007</u>
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 1,953,513	\$ -	\$ 17,804	\$ 1,935,709
Construction in Progress	-	365,427	-	365,427
Total Capital Assets not being Depreciated	<u>1,953,513</u>	<u>365,427</u>	<u>17,804</u>	<u>2,301,136</u>
Other Capital Assets:				
Buildings and Improvements	6,543,539	140,466	-	6,684,004
Infrastructure	26,770,862	837,080	-	27,607,942
Machinery and Equipment	4,067,733	69,395	43,724	4,093,404
Library Materials	1,332,669	-	-	1,332,669
Total Capital Assets being depreciated	<u>38,714,802</u>	<u>1,046,941</u>	<u>43,724</u>	<u>39,718,019</u>
Less Accumulated Depreciation for:				
Building and Improvements	2,546,778	210,286	-	2,757,064
Infrastructure	5,958,114	570,825	-	6,528,939
Machinery and Equipment	2,857,010	243,688	21,860	3,078,838
Total Accumulated Depreciation	<u>11,361,902</u>	<u>1,024,799</u>	<u>21,860</u>	<u>12,364,841</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>27,352,900</u>	<u>22,142</u>	<u>21,864</u>	<u>27,353,178</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 29,306,413</u>	<u>\$ 387,569</u>	<u>\$ 39,668</u>	<u>\$ 29,654,314</u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements
June 30, 2007

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Balance 7/1/06</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/07</u>
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 448,399	\$ -	\$ -	\$ 448,399
Construction in Progress	8,488	-	-	8,488
Total Capital Assets not being Depreciated	<u>456,887</u>	<u>-</u>	<u>-</u>	<u>456,887</u>
Capital Assets being Depreciated:				
Water	14,850,762	205,812	-	15,056,574
Wastewater	15,985,778	122,296	-	16,108,074
Marina	2,864,086	25,728	-	2,915,542
River park	1,128,060	6,395	-	1,134,455
Subtotal	34,828,686	360,231	-	35,188,917
Less Accumulated Depreciation	13,188,759	842,728	-	14,031,487
Total Capital Assets, being Depreciated, Net of Depreciation	<u>21,639,927</u>	<u>(482,497)</u>	<u>-</u>	<u>21,157,430</u>
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 22,096,814</u>	<u>\$ (482,497)</u>	<u>\$ -</u>	<u>\$ 21,614,317</u>

Depreciation expense was charged to functions of the City as follows:

Governmental Activities:	
General Government	\$ 47,906
Public Safety	108,605
Public Works	684,099
Culture and Recreation	184,189
Total Depreciation Expense – Governmental Activities	<u>\$ 1,024,799</u>
Business-Type Activities:	
Water Utility	\$ 343,795
Sewer Utility	332,116
Marina	133,916
River Park	32,901
Total Depreciation Expense – Business-Type Activities	<u>\$ 842,728</u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2007

NOTE 6 - LONG-TERM DEBT:

The following is a summary of changes in long-term obligations of the City for the year ended June 30, 2007:

	<u>Balance 7/1/06</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/07</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and Notes Payable:					
Bonds	\$ 3,945,000	\$ 225,000	\$ 435,000	\$ 3,735,000	\$ 480,000
Notes	<u>1,022,052</u>	<u>-</u>	<u>259,806</u>	<u>762,246</u>	<u>263,119</u>
Total	4,967,052	225,000	694,806	4,497,246	743,119
Other Liabilities:					
Vested Compensated Absences	<u>259,332</u>	<u>216,462</u>	<u>203,722</u>	<u>272,072</u>	<u>200,161</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 5,226,384</u>	<u>\$ 441,462</u>	<u>\$ 898,528</u>	<u>\$ 4,769,318</u>	<u>\$ 943,280</u>
Business-Type Activities:					
Bonds and Notes Payable:					
Bonds	\$ 3,347,000	\$ -	\$ 160,000	\$ 3,187,000	\$ 166,000
Notes	<u>265,726</u>	<u>-</u>	<u>49,797</u>	<u>215,929</u>	<u>50,847</u>
Total Business-Type Activities Long-Term Liabilities	<u>\$ 3,612,726</u>	<u>\$ -</u>	<u>\$ 209,797</u>	<u>\$ 3,402,929</u>	<u>\$ 216,847</u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements
June 30, 2007

NOTE 6 - LONG-TERM OBLIGATIONS (Continued):

Additional information on the above outstanding long-term obligations follows:

All general obligation debt is secured by the full faith and credit and unlimited taxing power of the City. General obligation debt at June 30, 2007 is comprised of the following individual issues:

	Date of Issuance	Final Maturity	Interest Rates	Original Indebtedness	Balance 06/30/07
Governmental Activities					
Long-Term Obligations:					
2001 Bonds	03/01/01	03/01/12	3.40 – 4.30%	\$ 4,500,000	\$ 2,720,000
2003 Bonds	09/04/03	09/01/16	2.25 – 4.56%	965,000	790,000
2007 Bonds	06/15/07	06/15/18	6.29%	225,000	225,000
2001 Notes	09/16/01	09/15/09	5.29%	534,549	226,351
2002 Notes	08/30/02	08/30/08	4.15%	85,000	30,666
2006 Notes	02/28/05	09/15/08	3.50%	82,500	55,287
2006 Notes	07/15/05	07/15/09	3.60%	600,000	449,942
Sub-Total					<u>4,497,246</u>
Vested Compensated Absences					<u>272,072</u>
Total Governmental Activities Long-Term Obligations					<u><u>\$ 4,769,318</u></u>
Business Type Activities					
Long-Term Obligations:					
1992 Bonds	09/02/94	09/01/13	2.00%	1,520,000	\$ 520,000
1998 Bonds	09/23/98	09/01/17	4.50%	1,665,000	1,494,000
1998 Bonds	09/23/98	09/01/38	4.50%	300,000	283,000
1999 Bonds	05/01/99	05/01/16	4.20 – 5.00%	1,250,000	890,000
2002 Notes	08/30/02	08/30/10	4.45%	400,000	215,930
Total Business Type Activities Long-Term Obligations					<u><u>\$ 3,402,930</u></u>

The above debt issues have been allocated to the City's enterprise fund and governmental funds based on the use of the proceeds. The annual principal and interest maturities are allocated as follows:

	General Long-Term Obligations		Enterprise Funds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 743,119	\$ 182,538	\$ 216,847	\$ 140,778	\$ 959,966	\$ 323,316
2009	776,828	152,250	226,110	133,105	1,002,938	285,355
2010	752,299	119,869	234,473	125,016	986,772	244,885
2011	555,000	87,371	246,500	116,503	801,500	203,874
2012	585,000	62,827	193,000	107,555	778,000	170,382
2013-2017	1,060,000	90,297	840,000	425,404	1,900,000	515,701
2018-2022	25,000	1,585	233,000	305,325	258,000	306,910
2023-2027	-	-	290,000	247,905	290,000	247,905
2028-2032	-	-	361,000	176,740	361,000	176,740
2033-2037	-	-	460,000	86,985	460,000	86,985
2038-2038	-	-	102,000	4,590	102,000	4,590
	<u>\$ 4,497,246</u>	<u>\$ 696,737</u>	<u>\$ 3,402,930</u>	<u>\$ 1,869,906</u>	<u>\$ 7,900,176</u>	<u>\$ 2,566,643</u>

Estimated payments of accumulated employee benefits are not included in the above schedule.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2007

NOTE 7- NET ASSETS/FUND BALANCES:**GOVERNMENT-WIDE STATEMENTS**

Net assets reported on the government-wide statement of net assets at June 30, 2007 include the following

Invested in Capital Assets, Net of Related Debt:		
Net Capital Assets	\$	29,654,314
Less: Related Long-Term Debt Outstanding (Net of \$70,525 Bond Issuance Costs)		<u>4,497,246</u>
Total Invested in Capital Assets, Net of Related Debt	\$	<u>25,157,068</u>
Restricted:		
Debt Service	\$	178,754
Construction		1,375,228
Permanent Fund		<u>1,092,191</u>
Total Restricted	\$	<u>2,646,173</u>
Unrestricted	\$	<u>2,135,383</u>
Total Net Assets -- Government-Wide Statements	\$	<u>29,938,624</u>

FUND STATEMENTS

Fund balances reported in the governmental funds balance sheet at June 30, 2007 are further classified as follows:

Reserved:

General Fund:

Reserved for Inventory	\$	72,012	
Reserved for Plant-A-Tree		6,310	
Reserved for Prepaid Expenditures		<u>49,711</u>	
Total General Fund			\$ 128,033

Special Revenue Funds:

Reserved for Cemetery Trusts		34,312	
Reserved for Library		22,261	
Reserved for Housing Rehabilitation		<u>7,899</u>	
Total Special Revenue funds			64,472

Debt Service Funds:

Reserved for Street Construction Debt		39,657	
Reserved for Library Debt		<u>139,098</u>	
Total Debt Service Funds			178,755

Capital Projects Funds:

Spies Field Improvement Project		143,749	
Street Construction		<u>1,167,006</u>	
Total Capital Projects Funds			1,310,755

Permanent Fund:

Cemetery Perpetual Care Fund			<u>1,092,191</u>
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Total Reserved Fund Balances	\$	<u>2,774,206</u>
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CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2007

NOTE 7 - NET ASSETS/FUND BALANCES (Continued):

Unreserved/Designated:

General Fund:

Parks-Boat Launches	\$	22,324
Circle Lane		135,173
Fuel Pump		26,000
Henes Park Pavilion		4,712
Alleys		10,000
Recreation		10,812
Bricks		3,751
DARE Program		4,688
Flags		200
Water Tower Improvements		11,741
Total Unreserved/Designated	\$	<u>229,401</u>

Unreserved/Undesignated:

General Fund	\$	414,923
Major Street Fund		261,501
Local Street Fund		192,699
Public Improvement Projects Fund		(326,096)
Other Special Revenue Funds		1,406,301
Total Unreserved/Undesignated	\$	<u>1,949,328</u>

Total Government Funds' Fund Balance \$ 4,952,935

The deficit in the Public Improvements Projects fund resulted from construction in progress as of June 30, 2007. The funds to finance these projects were received on July 3, 2007 from the issuance of bonds. See Note 12 - Subsequent Events.

NOTE 8 - RETIREMENT COMMITMENTS:

City employees are covered by either the Policemen and Firemen Retirement System (PFRS) or the Municipal Employees' Retirement System (MERS).

Police and Firemen Retirement System (PFRS)

Police and Firemen Retirement System (PFRS) is a single-employer defined benefit pension plan administered by the City. The plan is accounted for as a separate pension trust fund in the City's financial statements. The PFRS is authorized and operated under state law, Act 345 of the Public Acts of 1937, as amended.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2007

NOTE 8 - RETIREMENT COMMITMENTS (Continued):

	<u>Eligibility</u>	<u>Amount</u>
Service Retirement:	Police: Any age with 20 or more years of service or age 60 regardless of service. Fire: Age 50 with 25 or more years of service or age 60 regardless of service	Straight life pension equals 2.75% of 3 year average final compensation (AFC) times years of service. Straight life pension equals 3.0% of 3 year AFC times years of service - Lump sum payments for unused vacation are included in AFC for Firefighters.
Deferred Retirement:	10 or more years of service.	Computed as service retirement but based upon service, AFC and benefit in effect at termination. Benefit begins at date retirement would have occurred had member remained in employment.
Death After Retirement Survivor's Pension:	Payable to a surviving spouse, if any, upon the death of a retired member who was receiving a straight life pension which was effective July 1, 1975 or later.	Spouse's pension equals 60% of the straight life pension the deceased retiree was receiving.
Non-Duty Death-In-Service Survivor's Pension:	Payable to a surviving spouse, if any, upon the death of a member with 20 or more years of service.	Accrued straight life pension actuarially reduced in accordance with an Option I election.
Duty Death-In-Service Survivor's Pension:	Payable upon the expiration of worker's compensation to the survivors of a member who died in the line of duty.	Same amount that was paid by worker's compensation.
Non-Duty Disability:	Payable upon the total and permanent disability of a member with 5 or more years of service.	To Age 55: 1.5% of AFC times years of service. At age 55: Same as Service Retirement Pension.
Duty Disability:	Payable upon the total and permanent disability of a member in the line of duty.	To Age 55: 50% of AFC. At age 55: Same as Service Retirement Pension with service credit from date of disability to Age 55.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2007

NOTE 8 - RETIREMENT COMMITMENTS (Continued):

Member Contributions

8.44% Police

5.0% Fire

Upon retirement, a fire member may withdraw their accumulated contributions with interest and receive correspondingly reduced lifetime benefit.

City's Contributions

4.73% Police

10.62% Fire

Actuarial Accrued Liability

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of June 30, 2006. Significant actuarial assumptions used in determining the actuarial accrued liability included a) a rate of return on the investment of present and future assets of 8.0%, b) projected salary increases of 5% per year compounded annually, attributable to inflation and c) additional salary increases of 5.2% to 9% per year, depending on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumptions that were used in the June 30, 2006 actuarial valuation to determine the annual employer contribution amounts. The individual entry-age actuarial cost method was used to determine the entries at disclosure.

GASB 25 Information (As of 6/30/06)

Actuarial Accrued Liability:

To Retirees and Beneficiaries	\$	4,183,799
To Present Active Members:		
Member Contributions		765,466
Employer Financed Portion		4,919,153
Total Actuarial Accrued Liability		<u>9,868,418</u>

Actuarial Value of Assets		<u>9,818,842</u>
Unfunded Actuarial Accrued Liability	\$	<u>49,576</u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2007

NOTE 8 - RETIREMENT COMMITMENTS (Continued):

GASB 27 Information

Contributions required and made – The funding policy of the plan 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 amortization payment for the fiscal year ended June 30, 2005 were determined using the individual entry-age actuarial cost method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of thirty years. The following table provides a schedule of contribution amounts and percentages for recent years.

Year Ended June 30,	Annual Required Contribution	Percent Contributed
1999	\$ 64,985	100%
2000	61,725	100%
2001	59,524	100%
2002	62,238	100%
2003	72,637	100%
2004	91,468	100%
2005	89,230	100%

The amount shown above as the annual required contribution is the amount actually contributed in each fiscal year. These amounts are determined by applying the computed employer percent of payroll contribution rate to the actual pay during the fiscal year.

The employer portion of the contribution for the fiscal year ending June 30, 2007 was \$156,119.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(a-b) (Unfunded) Overfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(a-b/c) UAL as a Percent- age of Covered Payroll
06/30/99	\$ 8,166,375	\$ 6,808,181	\$ 1,358,194	120%	\$ 1,086,706	125%
06/30/00	8,681,934	7,153,496	1,528,438	121%	1,229,250	124%
06/30/01	9,092,177	7,581,435	1,510,742	120%	1,339,922	113%
06/30/02	9,347,631	7,737,906	1,609,725	121%	1,391,279	116%
06/30/03	9,438,016	8,263,479	1,174,537	114%	1,397,778	84%
06/30/04	9,556,866	8,904,193	652,673	107%	1,405,567	46%
06/30/05	9,640,612	9,492,545	148,067	102%	1,484,043	10%
06/30/06	9,818,842	9,868,418	(49,576)	99%	1,505,352	(3)%

Membership of the plan consists of the following at June 30, 2006:

Retirees and Beneficiaries Receiving Benefits	27
Active Plan Members	31
Total	<u>58</u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements
For the Year Ended June 30, 2007

NOTE 8 - RETIREMENT COMMITMENTS (Continued):

Michigan Municipal Employees Retirement System (MERS)

The City contributes to the Michigan Municipal Employees Retirement System (MERS), a multiple-employer public retirement system that acts as a common investment and administrative agent for municipalities in the State of Michigan. The plan issues a stand-alone financial report.

All full-time and certain part-time City employees, except for Police and Fire employees, who are covered exclusively under the Police and Fire Retirement System, are eligible to participate in the MERS. Benefits vest after 6 years of service. Normal retirement provisions of the MERS apply to participants who retire at or after age 60 with at least 10 years of credited service. Employees with 15 years of credited service may retire at or after age 55 with reduced benefits. Employees with 25 years or more of credited service may retire at or after age 50 with reduced benefits. Employees with 30 years of credited service may retire at or after age 55 with full benefits. Early retirement before age 60 requires approval of the City Council. All full-time employees, except police and fire, have a benefit equal to 2.5 percent of average annual compensation for the last five years of employment multiplied by years of credited service with a maximum benefit of 80% of final average compensation.

Actuarial Accrued Liability

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the actuarial accrued liability include a) a rate of return on the investment of present and future assets of 8.0%, b) projected salary increases of 4.5% per year compounded annually, attributable to inflation and c) additional salary increases of 0.00% to 4.16% per year, depending on age, attributable to merit and longevity.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2006 actuarial valuation to determine the annual employer contribution amounts. The entry age normal cost method was used to determine the entries at disclosure.

GASB 25 Information (As Of 12/31/06)

Actuarial Accrued Liability:

Retirees and Beneficiaries Currently Receiving Benefits	\$	2,813,421
Terminated Employees not yet Receiving Benefits		343,233
Current Employees:		
Accumulated Employee Contributions Including Allocated Investment Income		147,495
Employer Financed		4,251,859
Total Actuarial Accrued Liability		<u>7,556,008</u>

Net Assets Available for Benefits at Actuarial Value

(Market Value is \$6,581,804)		6,491,001
Unfunded (Overfunded) Actuarial Accrued Liability	\$	<u>1,065,007</u>

Fiscal Year Beginning		09/01/08
Annual Required Contribution (ARC)	\$	210,696*
Amortization Factor Used – Underfunded Liabilities (30 Years)		0.054719

*Based on valuation payroll, but the actual required contribution will be based on current monthly payroll times the computed employer contribution rate.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2007

NOTE 8 - RETIREMENT COMMITMENTS (Continued):

GASB 27 Information

The employer contribution rate has been determined based on the entry age normal cost method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry-age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit. The following table provides a schedule of contribution amounts and percentages of recent years.

Year Ended June 30,	Annual Required Contribution	Percent Contributed
2001	\$ 20,231	100%
2002	8,868	100%
2003	52,399	100%
2004	105,758	100%
2005	224,184	100%
2006	210,696	100%

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a/c) UAL as a Percentage of Covered Payroll
2001	\$ 5,884,383	\$ 5,921,115	\$ 36,732	99%	\$ 1,845,391	2%
2002	5,727,331	6,126,064	398,733	93%	1,887,625	21%
2003	5,842,880	6,484,027	641,147	90%	2,018,837	32%
2004	5,982,657	6,744,604	761,947	89%	2,031,211	38%
2005	6,155,941	7,540,189	1,384,248	82%	2,097,619	66%
2006	6,491,001	7,556,008	1,065,007	86%	2,126,114	50%

Membership of the plan consists of the following at December 31, 2006:

Active Member	48
Vested Former Members	12
Retirees and Beneficiaries	42
Total	<u>102</u>

NOTE 9 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS:

Underground water contamination had been discovered at the City's closed landfill site. The City has installed a well monitoring system. The Environmental Protection Agency has signed off on the corrective action taken by the City. The annual operation and maintenance cost approximates \$45,000 per year. The City will be responsible for this cost into perpetuity.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2007

NOTE 10 - TAX INCREMENTAL DISTRICT FUND:

The City has established a separate special revenue fund for a Tax Incremental District (TID) created by the City in accordance with the Brownfield Redevelopment Financing Act, Act 381 of the Public Acts of the State of Michigan Statutes of 1996. At the time the TID was created, the property tax base within the TID was "frozen" and increment taxes resulting from increases to the property tax base will be used to finance TID improvements, including principal and interest on long-term debt issued by the City to finance such improvements. The City's TID was created on December 20, 2005, and therefore is still eligible to incur project costs.

Since creation of the above TID, the City has provided various financing sources to the TID. Detail of the amounts recoverable by the City as of June 30, 2007 from future excess tax increment revenues is \$312,175.

The intent of the City is to recover the above amount from future TID surplus funds, if any, prior to termination of the TID.

NOTE 11 - CONTINGENT LIABILITIES:

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the City attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

NOTE 12 - SUBSEQUENT EVENTS:

On March 3, 2007 the City Council approved to issue and sell general obligation capital improvement bonds not to exceed \$3,000,000 for the purpose of paying all or part of the cost of acquiring and constructing water system improvements, sanitary sewer improvements, and street improvements in the City. On July 3, 2007 the City received \$2,015,000 in capital improvement bonds for the purposes listed above.

On February 1, 2007 the City received notification of approval for a \$243,900 Community Development Block Grant for downtown rental rehabilitation. As of June 30, 2007 no expenses have been incurred.

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2007

NOTE 13 - INTERFUND RECEIVABLES AND PAYABLES:

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due To/From Other Funds:		
General Fund	Local Street	\$ 145,632
	Cemetery Operations	37,722
	Economic Development-GL P&F	500
	Downtown Development Authority	765
	Spies Public Library	122,797
	Economic Development – MIW	680
	Community Development MSHDA	257
	Spies Field Construction	4,637
	River Park	12,536
	Wastewater	81,607
	Water	24,047
	Tax Collection	38,355
	Employee Flexible Benefit	4,828
	Street Construction Debt	5,165
	Marina	1,000
	Public Improvement Projects	1,034
Major Street	Wastewater	140,585
	Water	20,180
	General Fund	375,593
Local Street	Major Street	303,771
	Wastewater	536
	Water	450
	Street Construction	876
Cemetery Perpetual Care	Cemetery Operations	1,732
Street Construction	Wastewater	37,495
	Water	156,638
Cemetery Operations	Cemetery Perpetual Care	33,659
Brownfield TID	General Fund	27,365
Street Construction Debt Reduction	Major Street	499
Wastewater	Water	29,855
Industrial Aid	General Fund	21,356
		<u>\$ 1,632,152</u>

CITY OF MENOMINEE, MICHIGAN

Notes to the Financial Statements

June 30, 2007

NOTE 14 - INTERFUND TRANSFERS:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
Major Street	General Fund	\$ 654
Local Street	General Fund	30,247
	Major Street	121,207
	Street Construction	230,193
Cemetery Operations	General Fund	65,892
	Cemetery Perpetual Care	41,048
Spies Public Library	General Fund	352,280
		<u>\$ 841,521</u>

NOTE 15 - RESTATEMENT OF BEGINNING NET ASSETS:

The following adjustment was made to the beginning net assets of the governmental activities:

June 30, 2006 (as Previously Reported)	\$ 29,727,769
Overstatement of Net Assets – Receivable Collected in Prior Year	<u>(302,325)</u>
As Restated June 30, 2006	<u>\$ 29,425,444</u>

NOTE 16 - FUTURE ACCOUNTING STANDARDS:

In 2004, the Governmental Accounting Standards board (GASB) approved Statement No. 45. This Statement requires that state and local governments in the United States account for and report the annual cost of OPEB (Other Post Employment Benefits) and the outstanding obligation and commitments. GASB Statement 45 *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pension* is effective for the fiscal year beginning July 1, 2009. The effect of this accounting standard on the City's financial statements in future years has not been determined.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MENOMINEE, MICHIGAN
 Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
 General Fund
 For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES:				
Property Taxes	\$ 3,193,238	\$ 3,193,238	\$ 3,166,946	\$ (26,292)
Federal Grants	-	-	79,960	79,960
State Grants	5,000	5,000	3,587	(1,413)
State Shared Revenue	1,182,437	1,182,437	1,195,338	12,901
Licenses and Permits	128,430	128,430	127,440	(990)
Fines and Forfeitures	32,000	32,000	34,934	2,934
Interest and Rentals	43,220	43,220	318,698	275,478
Charges for Services	4,000	4,000	2,500	(1,500)
Other	331,087	166,672	245,923	79,251
Total Revenues	4,919,412	4,754,997	5,175,326	420,329
EXPENDITURES:				
General Government				
City Council	15,875	18,875	17,685	1,190
Judicial - Other Labor	2,000	2,000	-	2,000
City Mayor	2,304	2,304	2,027	277
City Manager	168,556	166,994	165,364	1,630
Elections	11,778	11,778	11,557	221
Assessor	67,303	67,303	64,529	2,774
City Attorney	144,930	143,912	128,002	15,910
Clerk/Treasurer	299,982	298,089	286,698	11,391
Board of Review	1,827	1,827	1,662	165
Building and Grounds	154,441	174,213	147,906	26,307
Total General Government	868,996	887,295	825,430	61,866
Public Safety				
Police Department	1,233,698	1,177,624	1,155,318	22,306
Fire Department	1,077,309	1,033,604	1,040,945	(7,341)
Building Inspector	110,075	109,397	106,787	2,610
Zoning Board of Appeals	400	400	1,558	(1,158)
Animal Control - Animal Care	64,194	63,516	63,448	68
Other Protection - Rescue Squad	7,800	7,800	-	7,800
Total Public Safety	2,493,476	2,392,341	2,368,056	24,285
Highways, Street and Bridges				
City Engineer	52,450	67,950	65,816	2,134
Street Lighting	110,659	110,659	108,712	1,947
Alleys	11,787	11,787	11,445	342
Street Department	-	-	208,892	(208,892)
Total Highways, Streets and Bridges	174,896	190,396	394,865	(204,469)
Sanitation				
Waste Collection	105,350	119,150	118,691	459
Rubbish Collection	59,289	59,289	59,393	(104)
Landfill	190,918	190,918	189,496	1,422
Recycling	28,371	28,371	27,638	733
Total Sanitation	383,928	397,728	395,218	2,510
Culture and Recreation				
Parks Department	169,078	148,410	140,541	7,869
Marina	-	1,400	1,065	335
Henes Park	105,611	110,337	106,562	3,775
City Recreation	109,638	109,487	89,027	20,460
Total Culture and Recreation	384,327	369,634	337,195	32,439
Other Functions				
Community Development	23,800	23,800	10,147	13,653
Economic Development	35,953	35,953	33,712	2,241
Fixed Expenses	55,250	55,250	129,000	(73,750)
Total Other Functions	115,003	115,003	172,859	(57,856)
Capital Outlay	159,397	161,798	135,306	26,492
Debt Service	278,516	278,516	298,786	(20,270)
Total Expenditures	4,858,539	4,792,711	4,927,715	(135,004)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	60,873	(37,714)	247,611	555,333
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(414,172)	(449,073)	(449,073)	0
Total Other Financing Sources (Uses)	(414,172)	(449,073)	(449,073)	0
NET CHANGE IN FUND BALANCE	(353,299)	(486,787)	(201,462)	285,325
FUND BALANCES - BEGINNING	973,819	973,819	973,819	-
FUND BALANCES - ENDING	\$ 620,520	\$ 487,032	\$ 772,357	\$ 285,325

CITY OF MENOMINEE, MICHIGAN
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Major Streets Fund
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES:				
Property Taxes	\$ 165,900	\$ 165,900	\$ 164,263	\$ (1,637)
Federal Grants	-	-	106,934	106,934
State Grants and Shared Revenue	536,852	536,852	979,975	443,123
Other	20,000	20,000	13,085	(6,915)
Total Revenues	<u>722,752</u>	<u>722,752</u>	<u>1,264,257</u>	<u>541,505</u>
EXPENDITURES:				
Highways, Street and Bridges	432,704	432,704	635,321	(202,617)
Capital Outlay	462,488	462,488	369,754	92,734
Total Expenditures	<u>895,192</u>	<u>895,192</u>	<u>1,005,075</u>	<u>(109,883)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(172,440)</u>	<u>(172,440)</u>	<u>259,182</u>	<u>431,622</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	172,440	172,440	654	(171,786)
Operating Transfers Out	-	-	(121,207)	(121,207)
Total Other Financing Sources (Uses)	<u>172,440</u>	<u>172,440</u>	<u>(120,553)</u>	<u>(292,993)</u>
NET CHANGE IN FUND BALANCE	-	-	138,629	138,629
FUND BALANCES - BEGINNING	<u>122,872</u>	<u>122,872</u>	<u>122,872</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 122,872</u>	<u>\$ 122,872</u>	<u>\$ 261,501</u>	<u>\$ 138,629</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Local Streets Fund
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
REVENUES:				
State Grants and Shared Revenue	\$ 200,040	\$ 200,040	\$ 188,230	\$ (11,810)
Other	5,000	5,000	9,973	4,973
Total Revenues	<u>205,040</u>	<u>205,040</u>	<u>198,203</u>	<u>(6,836)</u>
EXPENDITURES:				
Highways, Street and Bridges	205,040	205,040	246,538	(41,498)
Capital Outlay	540,000	540,000	262,184	277,816
Total Expenditures	<u>745,040</u>	<u>745,040</u>	<u>508,722</u>	<u>236,318</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(540,000)</u>	<u>(540,000)</u>	<u>(310,519)</u>	<u>229,481</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	540,000	540,000	381,647	(158,353)
Total Other Financing Sources (Uses)	<u>540,000</u>	<u>540,000</u>	<u>381,647</u>	<u>(158,353)</u>
NET CHANGE IN FUND BALANCE	-	-	71,128	71,128
FUND BALANCES - BEGINNING	<u>121,571</u>	<u>121,571</u>	<u>121,571</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 121,571</u>	<u>\$ 121,571</u>	<u>\$ 192,699</u>	<u>\$ 71,128</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Detailed Revenues - Budget and Actual
General Fund
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
TAXES:				
Assessed Value:				
Real Property	\$ 2,500,184	\$ 2,500,184	\$ 2,496,632	\$ (3,552)
Personal Property	579,304	579,304	553,436	(25,868)
Total Assessed Value	<u>3,079,488</u>	<u>3,079,488</u>	<u>3,050,068</u>	<u>(29,420)</u>
Taxes Other Than Assessed Value:				
In Lieu of Taxes-Housing	11,000	11,000	10,068	(932)
Mobile Home	750	750	824	74
Total Taxes Other Than Assessed Value	<u>11,750</u>	<u>11,750</u>	<u>10,892</u>	<u>(858)</u>
Tax Administration Fee	80,000	80,000	85,811	5,811
Penalties and Interest on Taxes	22,000	22,000	20,175	(1,825)
Total Taxes	<u>3,193,238</u>	<u>3,193,238</u>	<u>3,166,946</u>	<u>(26,292)</u>
LICENSES AND PERMITS:				
Business Licenses and Permits:				
CATV Franchises and Fees	95,000	95,000	98,619	3,619
Taxi Licenses	100	100	75	(25)
Vendor Permits	250	250	255	5
Total Business Licenses and Permits	<u>95,350</u>	<u>95,350</u>	<u>98,949</u>	<u>3,599</u>
Nonbusiness Licenses and Permits:				
Building	17,000	17,000	17,203	203
Occupancy	3,000	3,000	2,760	(240)
Rental Housing Inspections	12,000	12,000	7,600	(4,400)
Dog and Cat	-	-	48	48
Zoning	1,080	1,080	880	(200)
Total Nonbusiness Licenses and Permits	<u>33,080</u>	<u>33,080</u>	<u>28,491</u>	<u>(4,589)</u>
Total Licenses and Permits	<u>128,430</u>	<u>128,430</u>	<u>127,440</u>	<u>(990)</u>
INTERGOVERNMENTAL REVENUES:				
Federal Grants				
	-	-	79,960	79,960
State Grants:				
Michigan Justice Training	5,000	5,000	3,587	(1,413)
State Shared Revenue:				
Income Sales and Use Tax	1,174,848	1,174,848	1,156,682	(18,166)
Liquor License	7,589	7,589	7,755	166
Maintenance Fee	-	-	30,901	30,901
Total State Shared Revenue	<u>1,182,437</u>	<u>1,182,437</u>	<u>1,195,338</u>	<u>12,901</u>
Total Intergovernmental Revenues	<u>1,187,437</u>	<u>1,187,437</u>	<u>1,278,885</u>	<u>91,448</u>
CHARGES FOR SERVICE - Fire Runs and Protection	<u>4,000</u>	<u>4,000</u>	<u>2,500</u>	<u>(1,500)</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Detailed Revenues - Budget and Actual
General Fund
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
FINES AND FORFEITS:				
Parking Violations	\$ 2,000	\$ 2,000	\$ 3,080	\$ 1,080
District Court	30,000	30,000	31,854	1,854
Total Fines and Forfeits	<u>32,000</u>	<u>32,000</u>	<u>34,934</u>	<u>2,934</u>
INTEREST AND RENTALS				
Interest on Investments	25,000	25,000	67,009	42,009
Interest on Special Assessments	-	-	913	913
Rent-Real Estate	16,220	16,220	25,620	9,400
Rent-Equipment	2,000	2,000	225,156	223,156
Total Interest and Rentals	<u>43,220</u>	<u>43,220</u>	<u>318,698</u>	<u>275,479</u>
OTHER REVENUES:				
Sale of Assets	12,300	12,300	43,310	31,010
Special Assessments	10,000	10,000	11,846	1,846
Boat Launch Fees	5,000	5,000	6,428	1,428
Copier Charges	4,500	4,500	4,190	(310)
Rubbish Bins	10,000	10,000	-	(10,000)
Recycling	5,000	5,000	10,771	5,771
Refunds/Rebates	24,720	24,720	69,811	45,091
Other	5,000	5,000	5,183	183
Reimbursements-Utility	66,672	66,672	66,672	-
Donations	164,415	-	4,907	4,907
Gas/Diesel Sales	4,000	4,000	4,380	380
Recreation	19,480	19,480	18,425	(1,055)
Total Other Revenues	<u>331,087</u>	<u>166,672</u>	<u>245,923</u>	<u>79,253</u>
TOTAL REVENUES	<u>\$ 4,919,412</u>	<u>\$ 4,754,997</u>	<u>\$ 5,175,326</u>	<u>\$ 420,329</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Detailed Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
GENERAL GOVERNMENT:				
City Council:				
Salaries	\$ 8,000	\$ 8,000	\$ 8,001	\$ (1)
Fringe Benefits	775	775	680	95
Publications	7,000	7,000	5,781	1,219
Travel	100	3,100	3,223	(123)
Total City Council	<u>15,875</u>	<u>18,875</u>	<u>17,685</u>	<u>1,190</u>
Judicial - Other Labor	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
City Mayor:				
Salaries	1,250	1,250	1,250	-
Fringe Benefits	104	104	106	(2)
Travel	950	950	671	279
Total City Mayor	<u>2,304</u>	<u>2,304</u>	<u>2,027</u>	<u>277</u>
City Manager:				
Salaries	108,499	101,999	99,069	2,930
Fringe Benefits	55,993	53,131	53,788	(657)
Longevity	714	714	748	(34)
Office Supplies	100	100	251	(151)
Publications	250	250	75	175
Contracted Services	-	7,800	7,800	-
Auto Allowance	1,000	1,000	760	240
Travel	2,000	2,000	2,873	(873)
Total City Manager	<u>168,556</u>	<u>166,994</u>	<u>165,364</u>	<u>1,630</u>
Elections:				
Salaries	6,750	6,750	10,212	(3,462)
Fringe Benefits	528	528	16	512
Office Supplies	4,500	4,500	1,329	3,171
Total Elections	<u>11,778</u>	<u>11,778</u>	<u>11,557</u>	<u>221</u>
Assessor:				
Salaries	49,800	49,800	48,293	1,507
Fringe Benefits	12,543	12,543	12,340	203
Longevity	560	560	544	16
Office Supplies	3,000	3,000	2,641	359
Travel	1,400	1,400	711	689
Total Assessor	<u>67,303</u>	<u>67,303</u>	<u>64,529</u>	<u>2,774</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Detailed Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
GENERAL GOVERNMENT (CONTINUED):				
City Attorney:				
Salaries	\$ 67,637	\$ 67,637	\$ 67,018	\$ 619
Fringe Benefits	36,523	35,505	35,875	(370)
Longevity	306	306	306	-
Office Supplies	600	600	731	(131)
Publications	6,500	6,500	7,239	(739)
Contract Services	32,000	32,000	15,213	16,787
Auto Allowance	264	264	199	65
Travel	1,100	1,100	1,421	(321)
Total City Attorney	<u>144,930</u>	<u>143,912</u>	<u>128,002</u>	<u>15,910</u>
Clerk/Treasurer:				
Salaries	160,311	160,311	159,058	1,253
Fringe Benefits	77,103	75,210	77,338	(2,128)
Longevity	1,768	1,768	1,768	-
Office Supplies	16,500	16,500	14,940	1,560
Postage	16,000	16,000	17,954	(1,954)
Equipment Maintenance	6,000	6,000	5,345	655
Audit	20,000	20,000	9,700	10,300
Auto Allowance	500	500	408	92
Travel	1,800	1,800	187	1,613
Total Clerk/Treasurer	<u>299,982</u>	<u>298,089</u>	<u>286,698</u>	<u>11,391</u>
Board of Review:				
Salaries	1,000	1,000	1,237	(237)
Fringe Benefits	77	77	89	(12)
Office Supplies	250	250	166	84
Publications	500	500	170	330
Total Board of Review	<u>1,827</u>	<u>1,827</u>	<u>1,662</u>	<u>165</u>
Building and Grounds:				
Salaries	13,365	13,365	13,471	(106)
Fringe Benefits	8,738	8,490	8,633	(143)
Longevity	748	748	623	125
Operating and Building Supplies	24,550	24,550	22,951	1,599
Equipment Maintenance	12,000	23,020	2,083	20,937
Telephone	26,000	35,000	35,929	(929)
Electrical	39,240	39,240	37,971	1,269
Heat	25,580	25,580	23,433	2,147
Water	4,220	4,220	2,812	1,408
Total Building and Grounds	<u>154,441</u>	<u>174,213</u>	<u>147,906</u>	<u>26,307</u>
Total General Government	<u>868,996</u>	<u>887,295</u>	<u>825,430</u>	<u>61,865</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Detailed Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
PUBLIC SAFETY:				
Police Department:				
Salaries	\$ 799,000	\$ 763,620	\$ 742,878	\$ 20,742
Fringe Benefits	311,192	289,498	291,064	(1,566)
Physical	3,000	3,000	4,520	(1,520)
Longevity	7,480	7,480	5,939	1,541
Operating Supplies	9,500	9,500	10,384	(884)
Uniforms	7,220	7,220	4,795	2,425
Police Lien	5,220	5,220	1,286	3,934
Travel	6,500	6,500	6,027	473
Equipment Maintenance	21,000	21,000	22,534	(1,534)
Radio Maintenance	4,000	4,000	3,061	939
Crossing Guards Salaries	15,000	15,000	12,575	2,425
Crossing Guards Fringe Benefits	1,436	1,436	1,143	293
Auxiliary Police Supplies	1,750	2,750	2,727	23
Michigan Justice Training Fund	5,000	5,000	3,514	1,486
OHSP Grant	-	-	15,230	(15,230)
Youth Alcohol Enforcement Grant	-	-	5,216	(5,216)
Gas, Oil and Grease	36,400	36,400	22,425	13,975
Total Police Department	<u>1,233,698</u>	<u>1,177,624</u>	<u>1,155,318</u>	<u>22,306</u>
Fire Department:				
Salaries	688,574	670,317	697,334	(27,017)
Fringe Benefits	323,365	285,417	277,621	7,796
Physical	11,000	11,000	6,517	4,483
Longevity	8,024	8,024	7,132	892
Miscellaneous Labor	1,500	1,500	-	1,500
Office Supplies	950	950	786	164
Subscriptions and Dues	1,236	1,236	1,008	228
Building Supplies	2,800	2,800	2,745	55
Operating Supplies	12,360	12,360	9,667	2,693
Uniforms	3,500	3,500	3,851	(351)
Equipment Maintenance	12,750	25,250	24,512	738
Radio Maintenance	3,000	3,000	2,777	223
Gas, Oil and Grease	2,750	2,750	3,524	(774)
Travel	5,500	5,500	3,471	2,029
Total Fire Department	<u>1,077,309</u>	<u>1,033,604</u>	<u>1,040,945</u>	<u>(7,341)</u>
Building Inspector:				
Salaries	73,100	73,100	70,995	2,105
Fringe Benefits	30,903	30,225	31,106	(881)
Longevity	442	442	442	-
Operating Supplies	1,450	1,450	1,113	337
Auto Expense	1,680	1,680	1,680	-
Travel	2,500	2,500	1,451	1,049
Total Building Inspector	<u>110,075</u>	<u>109,397</u>	<u>106,787</u>	<u>2,610</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Detailed Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
PUBLIC SAFETY (CONTINUED):				
Zoning Board of Appeals:				
Supplies	\$ -	\$ -	\$ 1,000	\$ (1,000)
Publications	400	400	558	(158)
Total Zoning Board of Appeals	400	400	1,558	(1,158)
Animal Control-Animal Care:				
Salaries	27,364	27,364	26,146	1,218
Fringe Benefits	19,412	18,734	19,868	(1,134)
Longevity	578	578	578	-
Animal Care	16,840	16,840	16,856	(16)
Total Animal Control-Animal Care	64,194	63,516	63,448	68
Other Protection - Rescue Squad	7,800	7,800	-	7,800
Total Public Safety	2,493,476	2,392,341	2,368,056	24,285
HIGHWAYS, STREETS AND BRIDGES:				
City Engineer:				
Salaries	30,000	40,000	34,251	5,749
Fringe Benefits	12,765	18,265	22,533	(4,268)
Longevity	53	53	374	(321)
Office Supplies	1,900	1,900	318	1,582
Dues	500	500	542	(42)
Operating Supplies	1,300	1,300	1,726	(426)
Travel	1,100	1,100	1,553	(453)
Equipment Maintenance	4,432	4,432	4,026	406
Auto Expense	400	400	493	(93)
Total City Engineer	52,450	67,950	65,816	2,134
Street Lighting:				
Salaries	1,000	1,000	813	187
Fringe Benefits	559	559	305	254
Outside Labor	2,000	2,000	2,177	(177)
Operating Supplies	2,000	2,000	4,036	(2,036)
Electric	105,000	105,000	101,381	3,619
Contracted Services	100	100	-	100
Total Street Lighting	110,659	110,659	108,712	1,947
Alleys:				
Salaries	5,000	5,000	5,496	(496)
Fringe Benefits	2,787	2,787	2,604	183
Operating Supplies	1,000	1,000	-	1,000
Equipment Rental	3,000	3,000	3,345	(345)
Total Alleys	11,787	11,787	11,445	342

CITY OF MENOMINEE, MICHIGAN
Schedule of Detailed Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
HIGHWAY, STREETS AND BRIDGES (CONTINUED):				
Street Department:				
Salaries	-	-	21,942	(21,942)
Fringe Benefits	-	-	55,250	(55,250)
Longevity	-	-	132	(132)
Operating Supplies	-	-	47,109	(47,109)
Equipment Maintenance	-	-	63,352	(63,352)
Utilities	-	-	21,107	(21,107)
Total Street Department	-	-	208,892	(208,892)
Total Highways, Streets and Bridges	174,896	190,396	394,865	(204,469)
SANITATION:				
Waste Collection:				
Salaries	53,532	59,532	66,078	(6,546)
Fringe Benefits	29,980	37,780	30,369	7,411
Longevity	238	238	272	(34)
Gas, Oil and Grease	7,000	7,000	9,960	(2,960)
Operating Supplies	600	600	793	(193)
Equipment Maintenance	14,000	14,000	11,219	2,781
Total Waste Collection	105,350	119,150	118,691	459
Rubbish Collection:				
Salaries	31,500	31,500	22,436	9,064
Fringe Benefits	9,789	9,789	11,820	(2,031)
Contracted Services	18,000	18,000	25,137	(7,137)
Total Rubbish Collection	59,289	59,289	59,393	(104)
Landfill:				
Salaries	150	150	-	150
Fringe Benefits	16	16	-	16
Utilities	5,230	5,230	7,018	(1,788)
Contracted Services	32,504	32,504	34,878	(2,374)
Landfill Fees	137,018	137,018	126,067	10,951
Spring Clean-Up	16,000	16,000	21,533	(5,533)
Total Landfill	190,918	190,918	189,496	1,422
Recycling:				
Salaries	1,600	1,600	2,103	(503)
Fringe Benefits	921	921	1,058	(137)
Outside Labor	24,000	24,000	23,288	712
Utilities	600	600	225	375
Operating Supplies	500	500	164	336
Equipment Rental	750	750	800	(50)
Total Recycling	28,371	28,371	27,638	733
Total Sanitation	383,928	397,728	395,218	2,510

See Notes To The Budgetary Schedules

CITY OF MENOMINEE, MICHIGAN
Schedule of Detailed Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
CULTURE AND RECREATION:				
Parks Department:				
Salaries	\$ 79,195	\$ 64,296	\$ 52,320	\$ 11,976
Fringe Benefits	28,622	20,780	21,297	(517)
Longevity	411	411	832	(421)
Special Projects	-	-	1,169	(1,169)
Operating Supplies	10,000	10,000	20,545	(10,545)
Building Supplies	2,000	4,073	1,043	3,030
Equipment Maintenance	8,500	8,500	8,255	245
Equipment Rental	1,000	1,000	321	679
Gas, Oil and Grease	2,700	2,700	3,220	(520)
Utilities	35,000	35,000	29,951	5,049
Other	1,650	1,650	1,588	62
Total Parks Department	<u>169,078</u>	<u>148,410</u>	<u>140,541</u>	<u>7,869</u>
Marina:				
Operating Supplies	-	1,400	1,065	335
Henes Park:				
Salaries	60,156	60,156	51,562	8,594
Fringe Benefits	20,877	20,877	24,369	(3,492)
Longevity	578	578	-	578
Feed	1,500	1,500	1,039	461
Operating Supplies	6,500	6,500	4,356	2,144
Equipment Maintenance	4,000	4,000	1,141	2,859
Utilities	9,000	9,000	6,979	2,021
Gas, Oil and Grease	3,000	3,000	2,962	38
Special Projects	-	4,726	14,154	(9,428)
Total Henes Park	<u>105,611</u>	<u>110,337</u>	<u>106,562</u>	<u>3,775</u>
City Recreation:				
Salaries	73,364	73,364	60,100	13,264
Fringe Benefits	14,580	14,429	13,785	644
Longevity	309	309	265	44
Miscellaneous Labor	1,685	1,685	1,470	215
Operating Supplies	9,900	9,900	6,036	3,864
Gasoline and Grease	850	850	993	(143)
Utilities	1,600	1,600	827	773
Travel	500	500	26	474
Equipment Maintenance	1,500	1,500	392	1,108
Equipment Rental	350	350	-	350
Other	5,000	5,000	5,133	(133)
Total City Recreation	<u>109,638</u>	<u>109,487</u>	<u>89,027</u>	<u>20,460</u>
Total Culture and Recreation	<u>384,327</u>	<u>369,634</u>	<u>337,195</u>	<u>32,439</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Detailed Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
OTHER FUNCTIONS:				
Community Development:				
Salaries	\$ -	\$ -	\$ 9,681	\$ (9,681)
Miscellaneous Labor	1,000	1,000	300	700
Office Supplies	1,500	1,500	141	1,359
Postage	4,000	4,000	-	4,000
Publications	300	300	25	275
Demolition	17,000	17,000	-	17,000
Total Community Development	23,800	23,800	10,147	13,653
Economic Development:				
Christmas Decorations	3,400	3,400	5,059	(1,659)
Travel	800	800	197	603
Dues	7,253	7,253	6,593	660
Contracted Services	20,000	20,000	20,000	-
Legal	1,500	1,500	358	1,142
Miscellaneous	3,000	3,000	1,505	1,495
Total Economic Development	35,953	35,953	33,712	2,241
Fixed Expenses:				
Business Insurance and Bonds	52,000	52,000	54,549	(2,549)
Unemployment Compensation	-	-	2,887	(2,887)
Investment Fees	-	-	150	(150)
County Charge-Back	250	250	67,888	(67,638)
Employee Assistance Program	2,500	2,500	3,526	(1,026)
Other	500	500	-	500
Total Fixed Expenses	55,250	55,250	129,000	(73,750)
Total Other Functions	115,003	115,003	172,859	(57,856)
CAPITAL OUTLAY:				
Police Department	46,500	46,500	44,956	1,544
Engineer	4,000	4,000	-	4,000
Sanitation	30,101	-	-	-
Fire Department	50,000	50,055	54,143	(4,088)
Sidewalks	28,796	28,796	18,605	10,191
Armory	-	15,036	15,036	(0)
Circle Lane	-	17,411	2,566	14,845
Total Capital Outlay	159,397	161,798	135,306	26,492

CITY OF MENOMINEE, MICHIGAN
 Schedule of Detailed Expenditures - Budget and Actual
 General Fund
 For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
DEBT SERVICE:				
Principal	\$ 250,000	\$ 250,000	\$ 259,806	\$ (9,806)
Interest	28,516	28,516	38,980	(10,464)
Total Debt Service	<u>278,516</u>	<u>278,516</u>	<u>298,786</u>	<u>(20,270)</u>
OTHER FINANCING USES -				
Operating Transfers Out	<u>414,172</u>	<u>449,073</u>	<u>449,073</u>	<u>0</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 5,272,711</u>	<u>\$ 5,241,784</u>	<u>\$ 5,376,788</u>	<u>\$ (135,004)</u>

CITY OF MENOMINEE, MICHIGAN
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2007

BUDGETS AND BUDGETARY ACCOUNTING:

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

- a. Prior to the first Monday of March, every department submits to the city manager an itemized estimate of its expected income and expenditures during the next fiscal year for the department or activities under its control. The city manager then prepares a proposed budget. A public hearing is then held regarding the proposed budget.
- b. Not later than sixty days prior to July 1, a recommended budget within the tax limit and other revenue sources of the City is presented to the city council. The annual appropriations bill must then be passed no later than thirty days prior to July 1.
- c. The city manager may transfer budget amounts between departments within any fund and shall report such transfers to the council in writing in a timely manner. However, any revisions that alter the total expenditures of any fund must be approved by the city council.
- d. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds and Proprietary Funds.

BASIS OF ACCOUNTING:

The budget is prepared on the same modified accrual basis of accounting as applied to the governmental funds in the basic financial statements.

EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS:

The following funds had an excess of actual expenditures over budget for the year ended June 30, 2007:

Individual Fund	Excess Expenditures
General Fund	
Highway, Streets and Bridges	\$ 204,469
Other Functions	57,856
Debt Service	20,270
Major Streets Fund	
Public Works	202,617
Transfers Out	121,207
Local Streets Fund	
Public Works	41,498

SUPPLEMENTARY INFORMATION

CITY OF MENOMINEE, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
As of June 30, 2007

	Permanent Cemetery Perpetual Care	Special Revenue Funds			
	Cemetery Operations	Waterfront Festival	Brownfield TID	Public Improvement	
ASSETS:					
Cash and Cash Equivalents	\$ -	\$ 31,959	\$ 43,547	\$ -	\$ 125,342
Investments	1,124,117	12,025	-	-	-
Receivables-Net	-	-	-	-	-
Due From Other Funds	1,733	33,659	-	27,365	-
Receivable From Other Governments	-	-	-	-	-
Inventories and Prepaid Items	-	-	375	-	-
TOTAL ASSETS	<u>\$ 1,125,850</u>	<u>\$ 77,643</u>	<u>\$ 43,922</u>	<u>\$ 27,365</u>	<u>\$ 125,342</u>
LIABILITIES:					
Accounts Payable	\$ -	\$ 959	\$ -	\$ 5,104	\$ -
Accrued Payroll	-	2,918	-	-	-
Due to Other Funds	33,659	39,454	-	-	-
Payable to Other Governments	-	-	-	-	-
Deferred Revenue	-	-	17,400	-	-
TOTAL LIABILITIES	<u>33,659</u>	<u>43,331</u>	<u>17,400</u>	<u>5,104</u>	<u>-</u>
FUND BALANCES:					
Reserved	1,092,191	34,312	-	22,261	-
Unreserved:					
Undesignated	-	-	26,522	-	125,342
TOTAL FUND BALANCES	<u>1,092,191</u>	<u>34,312</u>	<u>26,522</u>	<u>22,261</u>	<u>125,342</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,125,850</u>	<u>\$ 77,643</u>	<u>\$ 43,922</u>	<u>\$ 27,365</u>	<u>\$ 125,342</u>

Special Revenue Funds

Downtown Development Authority	Drug Law Enforcement	Sples Public Library	Menominee Iron Works	Neighborhood Preservation Project	Economic Development GLP&F	Community Development MSHDA
\$ 29,545	\$ 5,809	\$ 44,516	\$ 351,644	\$ -	\$ -	\$ 8,575
131,317	-	130,071	-	-	-	-
-	-	-	632,246	80,826	1,000	86,339
-	-	-	-	-	-	-
-	-	62,382	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 160,862</u>	<u>\$ 5,809</u>	<u>\$ 236,969</u>	<u>\$ 983,890</u>	<u>\$ 80,826</u>	<u>\$ 1,000</u>	<u>\$ 94,914</u>
\$ 323	\$ -	\$ 5,359	\$ -	\$ -	\$ -	\$ 419
-	-	3,669	-	-	-	-
765	-	122,797	680	-	500	257
-	-	-	-	80,826	-	-
-	-	-	-	-	-	86,339
<u>1,088</u>	<u>-</u>	<u>131,825</u>	<u>680</u>	<u>80,826</u>	<u>500</u>	<u>87,015</u>
-	-	-	-	-	-	7,899
159,774	5,809	105,144	983,210	-	500	-
<u>159,774</u>	<u>5,809</u>	<u>105,144</u>	<u>983,210</u>	<u>-</u>	<u>500</u>	<u>7,899</u>
<u>\$ 160,862</u>	<u>\$ 5,809</u>	<u>\$ 236,969</u>	<u>\$ 983,890</u>	<u>\$ 80,826</u>	<u>\$ 1,000</u>	<u>\$ 94,914</u>

CITY OF MENOMINEE, MICHIGAN

Combining Balance Sheet (Continued)

Nonmajor Governmental Funds

As of June 30, 2007

Capital Projects Fund	Debt Service		Total
	Street Construction Debt	Spies Public Library Debt	
\$ 1,605	\$ -	\$ -	\$ 642,542
-	44,323	139,098	1,580,951
154,842	-	-	955,253
-	499	-	63,256
-	-	-	62,382
-	-	-	375
<u>\$ 156,447</u>	<u>\$ 44,822</u>	<u>\$ 139,098</u>	<u>\$ 3,304,759</u>
\$ 8,060	\$ -	\$ -	\$ 20,224
-	-	-	6,587
4,638	5,165	-	207,915
-	-	-	80,826
-	-	-	103,739
<u>12,698</u>	<u>5,165</u>	<u>-</u>	<u>419,291</u>
143,749	39,657	139,098	1,479,167
-	-	-	1,406,301
<u>143,749</u>	<u>39,657</u>	<u>139,098</u>	<u>2,885,468</u>
<u>\$ 156,447</u>	<u>\$ 44,822</u>	<u>\$ 139,098</u>	<u>\$ 3,304,759</u>

CITY OF MENOMINEE, MICHIGAN
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2007

	Permanent		Special Revenue				
	Cemetery Perpetual Care	Cemetery Operations	Waterfront Festival	Brownfield TID	Public Improvement	Downtown Development Authority	Drug Law Enforcement
REVENUES:							
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,324	\$ -
Federal Grants	-	-	-	-	-	-	-
State Grants	-	-	-	-	-	-	-
State Shared Revenue	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-
Fines and Forfeits	-	-	-	-	-	-	-
Interest and Rentals	-	32	-	-	6,202	6,441	-
Charges for Services	5,693	95,229	-	-	-	-	14
Other	66,774	-	129,718	-	-	6,605	310
Total Revenues	<u>72,467</u>	<u>95,261</u>	<u>129,718</u>	<u>-</u>	<u>6,202</u>	<u>19,370</u>	<u>324</u>
EXPENDITURES:							
Public Safety	-	177,171	-	-	-	-	2,000
Culture and Recreation	-	-	126,449	-	-	-	-
Other	6,659	-	-	-	150	7,251	-
Capital Outlay	-	-	-	192,703	-	-	-
Debt Service:							
Principal Retirement	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	10,036	-	-	-
Total Expenditures	<u>6,659</u>	<u>177,171</u>	<u>126,449</u>	<u>202,739</u>	<u>150</u>	<u>7,251</u>	<u>2,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>65,808</u>	<u>(81,910)</u>	<u>3,269</u>	<u>(202,739)</u>	<u>6,052</u>	<u>12,119</u>	<u>(1,676)</u>
OTHER FINANCING SOURCES (USES):							
Bond Proceeds	-	-	-	225,000	-	-	-
Operating Transfers In	-	106,940	-	-	-	-	-
Operating Transfers Out	(41,048)	-	-	-	-	-	-
Total Other Financial Sources (Uses)	<u>(41,048)</u>	<u>106,940</u>	<u>-</u>	<u>225,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>24,760</u>	<u>25,030</u>	<u>3,269</u>	<u>22,261</u>	<u>6,052</u>	<u>12,119</u>	<u>(1,676)</u>
FUND BALANCES - BEGINNING	<u>1,067,431</u>	<u>9,282</u>	<u>23,253</u>	<u>-</u>	<u>119,290</u>	<u>147,655</u>	<u>7,485</u>
FUND BALANCES - ENDING	<u>\$ 1,092,191</u>	<u>\$ 34,312</u>	<u>\$ 26,522</u>	<u>\$ 22,261</u>	<u>\$ 125,342</u>	<u>\$ 159,774</u>	<u>\$ 5,809</u>

Spies Public Library	Menominee Iron Works	Special Revenue			Capital Projects Fund	Debt Service		Totals
		Neighborhood Preservation Project	Economic Development GL P&F	Community Development MSHDA	Spies Field Improvement Project	Street Construction Debt	Spies Public Library Debt	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 492,835	\$ 95,000	\$ 594,159
-	-	-	-	-	17,523	-	-	17,523
4,092	-	-	-	95,961	-	-	-	95,961
-	-	-	-	-	-	-	-	4,092
66,114	-	-	-	-	139,696	-	-	139,696
7,212	45,470	-	-	-	17,149	4,648	6,120	66,114
12,379	33,000	-	-	-	-	-	-	86,076
89,797	78,470	-	-	85,231	174,368	-	-	108,134
				181,192		497,483	101,120	334,017
								1,445,772
-	-	-	-	-	-	-	-	179,171
418,040	-	-	-	-	-	-	-	544,489
-	-	-	-	215,819	-	-	-	229,879
-	-	-	-	-	86,994	-	-	279,698
-	-	-	-	-	-	375,000	60,000	435,000
-	-	-	-	-	-	122,791	31,968	154,759
418,040	-	-	-	215,819	86,994	497,791	91,968	10,036
								1,833,032
(328,243)	78,470	-	-	(34,627)	87,373	(308)	9,152	(387,260)
-	-	-	-	-	-	-	-	225,000
352,280	-	-	-	-	-	-	-	459,220
352,280	-	-	-	-	-	-	-	(41,048)
								643,172
24,037	78,470	-	-	(34,627)	87,373	(308)	9,152	255,912
81,107	904,740	-	500	42,526	56,376	39,965	129,946	2,629,556
\$ 105,144	\$ 983,210	\$ -	\$ 500	\$ 7,899	\$ 143,749	\$ 39,657	\$ 139,098	\$ 2,885,468

CITY OF MENOMINEE, MICHIGAN

Combining Statement of Net Assets

Nonmajor Proprietary Funds

As of June 30, 2007

	<u>River Park</u>	<u>Industrial Aid</u>	<u>Total</u>
ASSETS:			
Current Assets			
Cash and Cash Equivalents	\$ 310,915	\$ -	\$ 310,915
Due From Other Funds	-	21,356	21,356
Total Current Assets	<u>310,915</u>	<u>21,356</u>	<u>332,271</u>
Noncurrent Assets			
Capital Assets - Net of Depreciation	725,162	357,110	1,082,272
Total Noncurrent Assets	<u>725,162</u>	<u>357,110</u>	<u>1,082,272</u>
TOTAL ASSETS	<u>1,036,077</u>	<u>378,466</u>	<u>1,414,543</u>
LIABILITIES:			
Current Liabilities			
Accounts Payable	2,523	-	2,523
Accrued Expense	1,032	-	1,032
Due to Other Funds	12,536	-	12,536
Total Current Liabilities	<u>16,091</u>	<u>-</u>	<u>16,092</u>
TOTAL LIABILITIES	<u>16,091</u>	<u>-</u>	<u>16,092</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	725,162	357,110	1,082,272
Unrestricted	294,824	21,356	316,180
TOTAL NET ASSETS	<u>\$ 1,019,986</u>	<u>\$ 378,466</u>	<u>\$ 1,398,452</u>

CITY OF MENOMINEE, MICHIGAN
Combining Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Proprietary Funds
For the Year Ended June 30, 2007

	<u>River Park</u>	<u>Industrial Aid</u>	<u>Total</u>
OPERATING REVENUES:			
Other Revenues	\$ 90,673	\$ 5,000	\$ 95,673
Total Operating Revenues	<u>90,673</u>	<u>5,000</u>	<u>95,673</u>
OPERATING EXPENSES:			
Personal Services	41,951	-	41,951
Utilities	21,965	-	21,965
Professional Services	6,542	-	6,542
Repairs and Maintenance	11,699	-	11,699
Other Supplies and Expenses	5,315	-	5,315
Depreciation	32,901	-	32,901
Total Operating Expenses	<u>120,373</u>	<u>-</u>	<u>120,373</u>
Operating Income (Loss)	<u>(29,700)</u>	<u>5,000</u>	<u>(24,700)</u>
NONOPERATING REVENUE (EXPENSES):			
Interest and Investment Revenue	14,047	-	14,047
CHANGE IN NET ASSETS	(15,653)	5,000	(10,653)
NET ASSETS - BEGINNING	<u>1,035,639</u>	<u>373,466</u>	<u>1,409,105</u>
NET ASSETS - ENDING	<u>\$ 1,019,986</u>	<u>\$ 378,466</u>	<u>\$ 1,398,452</u>

CITY OF MENOMINEE, MICHIGAN
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2007

	<u>River Park</u>	<u>Industrial Aid</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts From Customers	\$ 90,673	\$ 5,000	\$ 95,673
Payments to Suppliers	(36,790)	-	(36,790)
Payments to Contractors	(6,542)	-	(6,542)
Payments to Employees	(42,007)	-	(42,007)
Internal Activity - Receipts From Other Funds	6,588	(2,412)	4,176
Net Cash From Operating Activities	<u>11,922</u>	<u>2,588</u>	<u>14,510</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of Capital Assets	(6,394)	(2,588)	(8,982)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Income	14,047	-	14,047
NET CHANGE IN CASH AND CASH EQUIVALENTS	19,575	-	19,575
CASH AND CASH EQUIVALENTS - BEGINNING	291,340	-	291,340
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 310,915</u>	<u>\$ -</u>	<u>\$ 310,915</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (29,700)	\$ 5,000	\$ (24,700)
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Operating Activities:			
Depreciation	32,901	-	32,901
Changes in Non-Cash Components of Working Capital			
Due From Other Funds	-	(2,412)	(2,412)
Accounts Payable	2,190	-	2,190
Accrued Expenses	(56)	-	(56)
Due to Other Funds	6,587	-	6,587
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 11,922</u>	<u>\$ 2,588</u>	<u>\$ 14,510</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:			
Unrestricted Cash and Investments	\$ 310,915	\$ -	\$ 310,915
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 310,915</u>	<u>\$ -</u>	<u>\$ 310,915</u>

CITY OF MENOMINEE, MICHIGAN
Combining Statement of Net Assets
Employee Trust Fund
As of June 30, 2007

	<u>Police and Fire Retirement</u>	<u>Employee Flexible Benefits</u>	<u>Totals</u>
ASSETS:			
Cash and Cash Equivalents	\$ 52,653	\$ 5,645	\$ 58,298
Investments at Fair Value:			
Corporate Stocks	3,260,137	-	3,260,137
Other Investments	6,945,271	-	6,945,271
Total Investments	<u>10,205,408</u>	<u>-</u>	<u>10,205,408</u>
TOTAL ASSETS	<u>\$ 10,258,061</u>	<u>\$ 5,645</u>	<u>\$ 10,263,706</u>
LIABILITIES:			
Accounts Payable	\$ 10,949	\$ -	\$ 10,949
Due to Other Funds	-	4,828	4,828
Total Liabilities	<u>10,949</u>	<u>4,828</u>	<u>15,777</u>
NET ASSETS:			
Held in Trust for Employees' Retirement System	10,247,112	-	10,247,112
Reserved for Employees' Benefits	-	817	817
Total Net Assets	<u>10,247,112</u>	<u>817</u>	<u>10,247,929</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,258,061</u>	<u>\$ 5,645</u>	<u>\$ 10,263,706</u>

CITY OF MENOMINEE, MICHIGAN
Combining Statement of Changes in Net Assets
Employee Trust Fund
For the Year Ended June 30, 2007

	<u>Police and Fire Retirement</u>	<u>Employee Flexible Benefits</u>	<u>Totals</u>
ADDITIONS:			
Contributions:			
Employees	\$ 95,713	\$ 9,963	\$ 105,676
Employer	156,119	-	156,119
Investment Revenues	1,201,638	-	1,201,638
Other	-	6,395	6,395
Total Additions	<u>1,453,470</u>	<u>16,358</u>	<u>1,469,828</u>
DEDUCTIONS:			
Annuities	565,834	-	565,834
Benefits	97,577	18,431	116,008
Total Deductions	<u>663,411</u>	<u>18,431</u>	<u>681,842</u>
CHANGES IN NET ASSETS	790,059	(2,073)	787,986
NET ASSETS - BEGINNING	<u>9,457,053</u>	<u>2,890</u>	<u>9,459,943</u>
NET ASSETS - ENDING	<u>\$ 10,247,112</u>	<u>\$ 817</u>	<u>\$ 10,247,929</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Bonded Indebtedness
June 30, 2007

Debt Description	Date of Issue	Amount of Issue	Interest Rate
1992 Water Supply and Sewage Disposal System Revenue Bonds	9/24/92	\$ 1,520,000	2.00%

Date	Principal	Interest
04/01/08	\$ 80,000	\$ 10,400
04/01/09	85,000	8,800
04/01/10	85,000	7,100
04/01/11	90,000	5,400
04/01/12	90,000	3,600
04/01/13	90,000	1,800
	\$ 520,000	\$ 37,100

Debt Description	Date of Issue	Amount of Issue	Interest Rate
Water Supply and Sewage Disposal System Junior Lien Revenue Bonds, Series 1998A	9/23/98	\$ 1,665,000	4.5%

Date	Principal	Interest
04/01/08	\$ 23,000	\$ 67,230
04/01/09	24,000	66,195
04/01/10	25,000	65,115
04/01/11	26,000	63,990
04/01/12	28,000	62,820
04/01/13	29,000	61,560
04/01/14	30,000	60,255
04/01/15	31,000	58,905
04/01/16	33,000	57,510
04/01/17	34,000	56,025
04/01/18	36,000	54,495
04/01/19	37,000	52,875
04/01/20	39,000	51,210
04/01/21	41,000	49,455
04/01/22	43,000	47,610
04/01/23	45,000	45,675
04/01/24	47,000	43,650
04/01/25	49,000	41,535
04/01/26	51,000	39,330
04/01/27	53,000	37,035
04/01/28	56,000	34,650
04/01/29	58,000	32,110
04/01/30	61,000	29,520
04/01/31	63,000	26,775
04/01/32	67,000	23,940
04/01/33	69,000	20,925
04/01/34	73,000	17,820
04/01/35	76,000	14,535
04/01/36	80,000	11,115
04/01/37	83,000	7,515
04/01/38	84,000	3,780
	\$ 1,494,000	\$ 1,305,160

CITY OF MENOMINEE, MICHIGAN
Schedule of Bonded Indebtedness
June 30, 2007

<u>Debt Description</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>
Water Supply and Sewage Disposal System Junior Lien Revenue Bonds, Series 1998B	9/23/98	\$ 300,000	4.5%

<u>Date</u>	<u>Principal</u>	<u>Interest</u>
04/01/08	\$ 3,000	\$ 12,735
04/01/09	4,000	12,600
04/01/10	4,000	12,420
04/01/11	4,000	12,240
04/01/12	5,000	12,060
04/01/13	5,000	11,835
04/01/14	5,000	11,610
04/01/15	6,000	11,385
04/01/16	6,000	11,115
04/01/17	6,000	10,845
04/01/18	7,000	10,575
04/01/19	7,000	10,260
04/01/20	7,000	9,945
04/01/21	8,000	9,630
04/01/22	8,000	9,270
04/01/23	8,000	8,910
04/01/24	9,000	8,550
04/01/25	9,000	8,145
04/01/26	9,000	7,740
04/01/27	10,000	7,335
04/01/28	10,000	6,885
04/01/29	10,000	6,435
04/01/30	11,000	5,845
04/01/31	12,000	5,490
04/01/32	13,000	4,950
04/01/33	14,000	4,365
04/01/34	15,000	3,735
04/01/35	16,000	3,060
04/01/36	17,000	2,340
04/01/37	17,000	1,575
04/01/38	18,000	810
	<u>\$ 283,000</u>	<u>\$ 254,695</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Bonded Indebtedness
June 30, 2007

<u>Debt Description</u>		<u>Date of Issue</u>	<u>Amount of Issue</u>
1999 Building Authority Bonds (Limited Tax General Obligation) (Marina Fund)		5/1/99	\$ 1,250,000

<u>Interest Rate</u>	<u>Date</u>	<u>Principal</u>	<u>Interest</u>
4.4%	10/01/07	\$ 60,000	\$ 40,740
4.4%	10/01/08	60,000	38,100
4.45%	10/01/09	65,000	35,334
4.55%	10/01/10	70,000	32,295
4.65%	10/01/11	70,000	29,075
4.7%	10/01/12	100,000	25,098
4.8%	10/01/13	105,000	20,228
4.85%	10/01/14	115,000	14,919
4.9%	10,01/15	120,000	9,190
5.0%	10/01/16	125,000	3,125
		<u>\$ 890,000</u>	<u>\$ 248,104</u>

<u>Debt Description</u>		<u>Date of Issue</u>	<u>Amount of Issue</u>
Unlimited Tax General Obligation Bond, Series 2001			

<u>Interest Rate</u>	<u>Date</u>	<u>Principal</u>	<u>Interest</u>
4.0%	8/01/07	\$ 395,000	\$ 106,929
4.125%	8/01/08	415,000	90,469
4.250%	8/01/09	440,000	72,560
4.30%	8/01/10	465,000	52,213
4.30%	8/01/11	490,000	32,680
4.30%	8/01/12	515,000	11,073
		<u>\$ 2,720,000</u>	<u>\$ 365,924</u>

CITY OF MENOMINEE, MICHIGAN
Schedule of Bonded Indebtedness
June 30, 2007

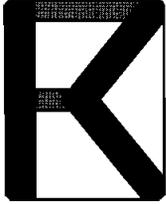
<u>Debt Description</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>
Unlimited Tax General Obligation Bonds, Series 2003 (Refunding of Callable 1995 Library Bonds)	9/4/03	\$ 965,000

<u>Interest Rate</u>	<u>Date</u>	<u>Principal</u>	<u>Interest</u>
2.7%	10/01/07	\$ 65,000	\$ 29,965
2.7%	10/01/08	70,000	28,143
3.5%	10/01/09	65,000	26,060
3.5%	10/01/10	70,000	23,698
4.05%	10/01/11	75,000	20,954
4.05%	10/01/12	75,000	17,916
4.3%	10/01/13	85,000	14,570
4.3%	10/01/14	90,000	10,808
4.55%	10/01/15	95,000	6,711
4.55%	10/01/16	100,000	2,275
		<u>\$ 790,000</u>	<u>\$ 181,100</u>

<u>Debt Description</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>
2007 Brownfield Redemption Authority Tax Investment Bonds (Limited Tax General Obligation)	6/5/07	\$ 225,000	6.34%

<u>Date</u>	<u>Principal</u>	<u>Interest</u>
06/15/08	\$ 20,000	\$ 14,265
06/15/09	20,000	12,997
06/15/10	20,000	11,729
06/15/11	20,000	10,461
06/15/12	20,000	9,193
06/15/13	20,000	7,925
06/15/14	20,000	6,657
06/15/15	20,000	5,389
06/15/16	20,000	4,121
06/15/17	20,000	2,853
06/15/18	25,000	1,585
	<u>\$ 225,000</u>	<u>\$ 87,175</u>

ADDITIONAL INDEPENDENT ACCOUNTANTS' REPORTS



KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Common Council
City of Menominee
Menominee, Michigan

We have audited the financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Menominee, Michigan (City) as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements and have issued our report thereon dated December 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings as finding #07-1 to be a significant deficiency in the internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Menominee in a separate letter dated December 12, 2007.

This report is intended solely for the information and use of the Common Council, management, and awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



KERBER, ROSE & ASSOCIATES, S.C.

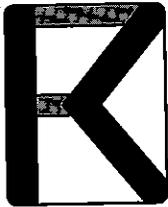
Certified Public Accountants
December 12, 2007

CITY OF MENOMINEE, MICHIGAN
Schedule of Findings
For the Year Ended June 30, 2007

Financial Statement Findings

Significant Deficiencies

- #07-1** The size of the City is such that its accounting staff is not large enough to provide an appropriate segregation of duties. One individual performs substantially all the accounting functions. This same individual also has the ability to record journal entries into the accounting software. We recognize that the City is not large enough to make the employment of additional persons for the purpose of segregating duties practical from a financial standpoint. The Council should continue to rely on its direct knowledge of the City's operations to control and safeguard assets.



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December 12, 2007

Honorable Mayor and Common Council
City of Menominee
Menominee, Michigan

We have audited the financial statements of City of Menominee, Michigan (City) for the year ended June 30, 2007, and have issued our report dated December 12, 2007. In connection with our audit we are issuing this letter to inform the City of certain matters. This letter is divided into three components – required communications under professional auditing standards, prior year observations, and current year observations.

REQUIRED COMMUNICATIONS

Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and may not be detected by us.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the City as of and for the year ended June 30, 2007, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

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

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

Segregation of Duties – The size of the City is such that its accounting staff is not large enough to provide an appropriate segregation of duties. One individual performs substantially all the accounting functions. This same individual also has the ability to record journal entries into the accounting software. We recognize that the City is not large enough to make the employment of additional persons for the purpose of segregating duties practical from a financial standpoint. The Board should continue to rely on its direct knowledge of the City's operations to control and safeguard assets.

Financial Accounting and Reporting - A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiency described above is not a material weakness.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Menominee are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year 2006-07. We noted no transactions entered into by the City during the years that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. There were no significant estimates used in the preparation of the 2007 financial statements.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). During the course of the audit we proposed and management accepted several adjustments to the City's general ledger. These entries related primarily to recording adjustments to record receivables, reclassifying expenses, and adjusting certain accrued expenses.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Issues Discussed Prior To Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

In addition to the above required communication, we would like the City to consider the following items.

PRIOR YEAR OBSERVATIONS

Deposit Stamps (per 6/30/06 letter)

Bank stamps should be provided to each department accepting checks as a form of payment, so that all checks may be restrictively endorsed immediately upon receipt.

Status (6/30/07)

This remains an issue the City needs to address.

Password for Signature File (per 6/30/06 letter)

A password should exist to prevent access to the signature file used to sign disbursement and payroll checks. This password should be known only to authorized signers on the accounts. Proof reports should be provided to the "signer" for review just before checks are printed. The signer should then sign off on the proof and enter the password to produce the checks.

Status (6/30/07)

This remains an issue the City needs to address.

Payroll Tax Reconciliations (per 6/30/06 letter)

Schedules should be developed to assist the payroll clerk in reconciling payroll detail to weekly tax deposits and quarterly payroll tax returns. Additional schedules should be developed to assist in tracking compensated absence amounts used and available. In general, more efficient procedures should be developed for producing payroll and the related payments to taxing agencies and other third parties.

Status (6/30/07)

This remains an issue the City should address.

Time Cards (per 6/30/06 letter)

Time cards should be prepared and signed by employees. Any changes made to reclassify time from one project to another should be initialed by the employee. This will prevent override of budgetary controls by department managers. We noticed that in the Department of Public Works the department head is not submitting the original employee time sheets. The employee time sheet should be submitted with approved changes by the department head.

Status (6/30/07)

This remains an issue the City should address

Marina Rentals Slips (per 6/30/06 letter)

A control sheet should be developed and maintained showing each available slip and the related rental rate. Marina management should provide the City with a report of the billing and a monthly report of outstanding receivables. The City should reconcile the control sheet to the billing to ensure each slip has been properly billed, and should record receivables in the City's financial records.

Status (6/30/07)

This remains an issue the City needs to address.

Marina Cash Register Reconciliations (per 6/30/06 letter)

The Marina Management Group has installed computers at each point of sale. Reports from these computerized cash registers should be included with the cash deposits so that the amount of the deposit can be reconciled to the cash register report.

Status (6/30/07)

This remains an issue the City needs to address.

Purchasing and Procurement (per 6/30/06 letter)

The City has a policy which requires purchase orders for expenditures over \$1,000. Most department managers are not complying with this policy. Strict enforcement of purchasing policies is needed to prevent expenditures in excess of appropriations.

Status (6/30/07)

This remains an issue the City needs to address

Concentration of Cash (per 6/30/06 letter)

The City should consider the amounts of uninsured cash and the associated risk. The City should consider obtaining additional collateral or place deposits in various banks for greater protection of assets. The City should consider obtaining collateral at all other banks.

Status 6/30/07

This remains an issue the City needs to address.

CURRENT YEAR OBSERVATION

Building Inspection Department

The building inspection department conducts various inspections for house sales and rental housing inspections. The fee for these inspections should be paid prior to or at the time of the inspection. Billing after the inspection has proven unsatisfactory.

Closing

We thank you for allowing us to be of service to the City of Menominee. We received complete cooperation and appreciate your consideration of our comments and your implementation of suggestions.

This information is intended solely for the use by the City, management, and others within the City and is not intended to be and should not be used by anyone other than these specified parties.



KERBER, ROSE & ASSOCIATES, S.C.
Certified Public Accountants