

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 Plymouth	County Wayne
Fiscal Year End June 30, 2007	Opinion Date October 23, 2007	Date Audit Report Submitted to State 12-14-2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

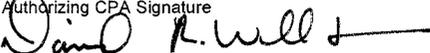
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Post, Smythe, Lutz and Ziel of Plymouth LLP		Telephone Number 734-453-8770		
Street Address 1034 West Ann Arbor Trail		City Plymouth	State MI	Zip 48170
Authorizing CPA Signature 		Printed Name David R. Williamson		License Number 12382

**CITY OF PLYMOUTH
Wayne County, Michigan**

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2007**

CITY OF PLYMOUTH
For the Year Ended June 30, 2007

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For the Year Ended June 30, 2007

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Independent Auditor's Report

October 23, 2007

To the Honorable Mayor and
Members of the City Commission
City of Plymouth, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Plymouth, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Plymouth'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

Honorable Mayor and Members of the
City Commission
City of Plymouth, Michigan

The management's discussion and analysis and the defined benefit pension plan trend information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Plymouth's basic financial statements. The General Fund budget to actual statement and other supplemental information have been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

A handwritten signature in black ink that reads "Post, Smythe, Lutz + Ziel of Plymouth". The signature is written in a cursive, slightly slanted style.

Post, Smythe, Lutz and Ziel of Plymouth LLP
Certified Public Accountants



City of Plymouth

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Management's Discussion and Analysis

As management of the City of Plymouth, we offer readers of the City of Plymouth's financial statements this narrative overview and analysis of the financial activities of the City of Plymouth for the fiscal year ended June 30, 2007.

Financial Highlights

- The assets of the City of Plymouth exceeded its liabilities at the close of the most recent fiscal year by \$22,406,433 (*net assets*). Of this amount, \$8,193,913 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Plymouth's governmental funds reported combined ending fund balances of \$5,662,188, a decrease of \$143,746 in comparison with the prior year. Approximately 70% of this total amount, \$3,936,363, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, fund balance for the general fund was \$1,967,415, an increase of \$562,216 over the prior year, and approximately 31 percent of total general fund expenditures.
- The City of Plymouth's total long-term debt decreased by \$400,161 (4 percent) during the current fiscal year. The reduction resulted from debt payments net of increases in accumulated unpaid sick and vacation pay, and new debt.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Plymouth that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Plymouth include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the City of Plymouth include a water and sewer system.

The government-wide financial statements include not only the City of Plymouth itself (known as the *primary government*), but also a legally separate Downtown Development Authority, and other "non major" component units for which the City of Plymouth is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Plymouth, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Plymouth can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Plymouth maintains twenty four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, and the 2004 G.O. Capital Project Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Plymouth adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

Proprietary funds. The City of Plymouth maintains a single proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Plymouth uses an enterprise fund to account for its water and sewer activity.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Plymouth's various functions. The City of Plymouth uses an internal service fund to account for its fleet of vehicles, and other equipment. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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 statement because the resources of those funds are *not* available to support the City of Plymouth's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-47 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Plymouth's progress in funding its obligation to provide pension benefits to its employees. This information can be found on page 48 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 50-61 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Plymouth, assets exceeded liabilities by \$22,406,433 at the close of the most recent fiscal year.

By far the largest portion of the City of Plymouth's net assets (52 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Plymouth used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Plymouth's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Plymouth's Net Assets

	Governmental		Business-type		Total	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$ 7,575,087	\$ 7,223,871	\$ 4,673,694	\$ 4,048,253	\$ 12,248,781	\$ 11,272,124
Capital Assets	15,528,341	13,927,357	6,819,627	6,571,340	22,347,968	20,498,697
Total Assets	23,103,428	21,151,228	11,493,321	10,619,593	34,596,749	31,770,821
Long-term Liabilities	8,048,058	7,047,312	2,965,000	3,115,000	11,013,058	10,162,312
Other Liabilities	893,413	1,781,982	283,840	287,364	1,177,258	2,069,346
Total Liabilities	8,941,471	8,829,294	3,248,840	3,402,364	12,190,316	12,231,658
Net Assets:						
Invested in Capital Assets						
net of related debt	7,739,939	5,883,213	3,854,627	3,456,340	11,594,566	9,339,553
Restricted	1,725,825	2,901,374	892,129	606,090	2,617,954	3,507,464
Unrestricted	4,696,188	3,537,347	3,497,725	3,154,799	8,193,913	6,692,146
Total Net Assets	\$ 14,161,952	\$ 12,321,934	\$ 8,244,481	\$ 7,217,229	\$ 22,406,433	\$ 19,539,163

An additional portion of the City of Plymouth's net assets (12 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$8,193,913) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Plymouth is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$2,867,270 during the current fiscal year as discussed below.

	Governmental Activities		Business Activities		Total	
	2007	2006	2007	2006	2007	2006
Program Revenues:						
Charges for Services	\$ 3,230,775	\$ 3,297,139	\$ 3,683,801	\$ 3,700,885	\$ 6,914,576	\$ 6,998,024
Operating Grants & Contributions	665,057	653,371	-	-	665,057	653,371
Capital Grants & Contributions	24,131	20,507	-	71,206	24,131	91,713
General Revenues:						
Property Taxes	6,833,102	6,512,085	-	-	6,833,102	6,512,085
State Shared Revenues	854,508	864,611	-	-	854,508	864,611
Unrestricted Investment Earnings	501,685	336,273	135,681	80,701	637,366	416,974
Transfers	30,450	42,249	(30,450)	(22,249)	-	20,000
Loss on Asset Disposal	(16,231)	-	-	-	(16,231)	-
Total Revenues	12,123,477	11,726,235	3,789,032	3,830,543	15,912,509	15,556,778
Program Expenses						
General Government	1,858,106	1,691,362	-	-	1,858,106	1,691,362
Public Safety	3,831,772	3,690,676	-	-	3,831,772	3,690,676
Public Works	2,333,589	2,032,315	-	-	2,333,589	2,032,315
Recreation, Culture, Health & Welfare	1,449,483	1,509,623	-	-	1,449,483	1,509,623
Other	442,440	276,975	-	-	442,440	276,975
Interest on Long-Term Debt	368,069	401,151	-	-	368,069	401,151
Water and Sewer	-	-	2,761,780	2,504,722	2,761,780	2,504,722
Total Expenses	10,283,459	9,602,102	2,761,780	2,504,722	13,045,239	12,106,824
Change in Net Assets	\$ 1,840,018	\$ 2,124,133	\$ 1,027,252	\$ 1,325,821	\$ 2,867,270	\$ 3,449,954

Governmental activities. Governmental activities increased the City of Plymouth's net assets by \$1,840,018, thereby accounting for 64 percent of the total growth in the net assets of the City of Plymouth. Key elements of this increase are as follows:

- Principal repayments on certain general obligation indebtedness were financed by voter approved tax levies. The principal reduction (\$810,000) did not result in an "expenditure" on the government wide statements, while the related property tax revenues were included as "general revenues" in the government wide "statement of activities".

- An improved revenue outlook for the general fund and other operating funds, coupled with continuing tight controls on spending, have allowed the city to maintain positive results from governmental activities. Revenues for the governmental activities have increased \$397,242 while expenditures have increased \$681,357.

This has been achieved despite severe restrictions on major revenue sources, primarily those controlled by the state. Management efforts during this period have focused on cutting personnel costs and reducing fringe benefit loading for fulltime employees. Improvements to the city's revenue picture and continued management of operating costs should help to achieve the goal of adopting a future budget in the near term which can reasonably anticipate the elimination of deficits for all projected years.

Business-type activities. Business-type activities increased the City of Plymouth's net assets by \$1,027,252, accounting for 36 percent of the total growth in the government's net assets. The city's only business-type activity, the water and sewer fund, has demonstrated improvement for the past four years parallel with the improvement in the governmental activities sector. Much of the accumulation of unrestricted assets are the result of the City Commission's desire to provide more reserves to cover unanticipated system replacements as well as to provide for significant future internal funding of ongoing utility replacements.

Financial Analysis of the Government's Funds

As noted earlier, the City of Plymouth used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Plymouth's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Plymouth's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Plymouth's governmental funds reported combined ending fund balances of \$5,662,188, a decrease of \$143,746 in comparison with the prior year. Approximately 70% of this total amount (\$3,936,363) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$99,403), 2) to generate income to pay for the perpetual care of the municipal cemetery (\$430,291) or 3) for capital projects (\$1,196,131).

The general fund is the chief operating fund of the City of Plymouth. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,967,415 and the total fund balance was \$1,967,415. Unreserved fund balance represents 31 percent of total general fund expenditures.

The increase in the fund balance of the City of Plymouth's general fund by \$562,216 during the current fiscal was the result of both improved revenue streams and a sustained effort to limit and reduce personnel expenditures, particularly in the area of health benefits. Tax revenues increased by more than \$239,000 reflecting taxable value additions as a result of the general re-evaluation of all residential property in the city in addition to a significant increase in the state cost of living factor applied to taxable valuations. Investment earnings also demonstrated significant improvement resulting from both increases in rates as well as higher available cash balances over the past three years.

Proprietary funds. The City of Plymouth's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$3,497,725. The total growth in net assets was \$1,027,252. Other factors concerning the finances of the fund have already been addressed in the discussion of the City of Plymouth's business-type activities.

General Fund Budgetary Highlights

Total general fund revenues of \$7,541,020 represent 62% of the revenues of the governmental activity category while expenditures for the year totaling \$6,443,222 represent only 49% of the category total. However, the significant increase in fund balance in the general fund was mostly attributable to a shift of wage and fringe costs for public works employees from general fund expense categories to street, waste collection and water and sewer activities. As a result, the net increase in fund balance in the governmental activities primarily benefited the general fund. Of the total decrease in fund balance for the year of \$143,746, the general fund reported an increase of \$562,216, the 2004 GO bond capital project fund showed a decrease of \$1,646,129 and all other governmental funds reported a combined increase of \$940,167.

There are several factors which will continue to require close monitoring for future fiscal years as the city continues to attempt to improve its financial position. Most important is the status of future revenue streams, primarily taxes and state shared revenue. The city has an active DDA district and Brownfield re-development program. Both of these programs continue to expand operations and, therefore, increase the level of taxes being captured from new construction and re-development. This tends to flatten the tax revenue stream available to the general fund creating difficulty to pay operational expenses subject to uncontrolled cost of living increases such as utility and fuel expenses. State shared revenue has historically been the second largest source of general fund revenue. It is now approximately 75% of what it was just 5 years ago and,

fortunately, has stabilized at that level. An additional 25%, or approximately \$250,000, is at risk because it is not constitutionally guaranteed. Both of these issues are of significant concern to long-range revenue planning.

On the expenditure side, the recreation fund, building fund and neighborhood services fund, which supports the senior transportation program, continue to experience both revenue losses and expenditure increases simultaneously. None of these three special revenue programs can continue as they have in the past several years because many of the revenue losses are permanent. Ultimately, the services will either have to be curtailed or significantly supported by general fund subsidies.

Capital Asset and Debt Administration

Capital assets. The City of Plymouth's investment in capital assets for its governmental and business type activities as of June 30, 2007, amounts to \$22,347,968 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads and highways. The total increase in the City of Plymouth's investment in capital assets for the current fiscal year was 9 percent (an 11 percent increase for governmental activities and a 4 percent increase for business-type activities).

Most of the significant capital asset changes during the current fiscal year occurred with infrastructure construction for street and utility replacements on South Union Street, Blunk Street, Ann Street and Pacific Avenue. This construction amounted to \$ 1,760,839 for street replacements and most of the \$ 468,221 in capital outlay in the Water and Sewer Fund for associated utility replacements. Completion of these projects in 2006 brings to an end the construction authorized by a 1996 vote of the electorate which provided for the issuance of up to \$12,000,000 in street construction bonds. A new proposal to authorize an additional \$10,000,000 in street construction bonds was approved by the City Commission and scheduled for a vote of the electorate at the November, 2007 regular election.

In January of 2007 construction began on the long delayed Sheldon Road railroad underpass project with completion of this project anticipated in early 2009. Funds for the payment of the City's share of this project have been set aside along with some minimal additional funding available for associated utility improvements. In September of 2006, the City issued \$ 995,000 in limited tax general obligation bonds to provide for the funding of long delayed major capital improvements at City Hall, the Cultural Center, the Municipal Services Yard Facility and throughout the parks system within the city. At the conclusion of fiscal year 2006-07, there was \$574,048 available for the Sheldon Road railroad underpass project and an additional \$610,556 available for completion of city wide capital improvement projects.

If the proposed vote of the electorate scheduled for November, 2007 is affirmative, construction will proceed in 2008 on the following streets:

- Auburn Street – Junction to Penniman
- Arthur Street – Junction to William
- Sheridan Avenue – Sheldon to McKinley
- McKinley Street – Sheridan to Ann Arbor Trail

Details to the City's capital assets are contained in the notes to the financial statements on pages 37-38.

Long-term debt. At the end of the current fiscal year, the City of Plymouth had total bonded and installment debt, and accumulated sick and vacation pay outstanding of \$11,013,058. Of this amount, \$8,593,402 comprises debt backed by the full faith and credit of the government and \$2,160,000 represents bonds secured solely by specified revenue sources (i.e., revenue bonds), and \$259,656 in accumulated sick and vacation pay.

Additional information on the City of Plymouth's long-term debt can be found in notes IV.D. on pages 41-42.

Economic Factors and Next Year's Budgets and Rates

The economic climate for the State of Michigan remains bleak with one of the highest unemployment rates in the country and one of the few state economies showing little or no recovery from the recent recession. Economic problems affecting all three major US auto manufacturers and multiple bankruptcy proceedings involving many of their major suppliers continue to lead to stagnation of the Michigan and local economic recoveries. The loss of state shared revenues appears to have at least stabilized and the eventual agreement in the state legislature on a new tax structure to eradicate past structural state budgetary deficits provides some hope that the revenue picture for the city may have stabilized. However, until there is meaningful economic recovery within the state, there will continue to be a threat of lost property taxes due to declining real estate market values and possible effects on both income and sales taxes at the state level which could signal another round of reductions in revenues previously distributed to local communities.

For the upcoming fiscal year, the City Commission has approved an operating millage rate for 2007 at the same level for the fourth consecutive year of 11.3834 mills. In addition, the Commission reduced the debt millage rate from 2.42 mills to 1.23 mills reflecting the final payments on the 1997 and 1998 general obligation bonds and also reduced the rate for solid waste removal from 1.97 to 1.90 mills reflecting lower debt service costs in this fund related to the closure of the city's former landfill in Salem Township. Based on these millage rates, the general fund maintains a healthy fund balance of \$ 1,967,415 in addition to an anticipated available contingency of \$ 213,690 built into the 2007-08 budget.

Following a staff recommendation to maintain utility rates at existing levels for the new fiscal year, the City Commission reconfirmed the existing rate schedule reflecting charges of \$4.10 for water and \$5.41 for sewer per 1,000 gallons of water consumed.

Requests for Information

This financial report is designed to provide a general overview of the City of Plymouth's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 201 S. Main Street, City of Plymouth, Plymouth, Michigan 48170.

BASIC FINANCIAL STATEMENTS

CITY OF PLYMOUTH
Statement of Net Assets
June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 6,295,610	\$ 2,392,406	\$ 8,688,016	\$ 433,271
Investments	59,925	-	59,925	-
Receivables (net of allowance for uncollectibles)	541,225	1,219,789	1,761,014	31,512
Internal Balances	181,816	-	181,816	-
Due from Primary Government	-	-	-	10,824
Due from Other Governmental Units	378,867	-	378,867	-
Inventory	108,480	95,458	203,938	-
Prepaid Expenditures	9,164	-	9,164	15,150
Restricted Assets - Cash and Cash Equivalents	-	892,129	892,129	-
Capital Assets (Net of Accumulated Depreciation)	15,528,341	6,819,627	22,347,968	3,080,500
Intangible Assets	-	73,912	73,912	-
Total Assets	23,103,428	11,493,321	34,596,749	3,571,257
LIABILITIES				
Accounts Payable	428,208	212,792	641,000	4,347
Accrued Liabilities	415,355	71,048	486,403	54,095
Internal Balances	39,031	-	39,031	-
Due to Component Unit	10,824	-	10,824	-
Noncurrent Liabilities:				
Due within one year	748,402	155,000	903,402	250,000
Due in more than one year	7,299,656	2,810,000	10,109,656	275,000
Total Liabilities	8,941,476	3,248,840	12,190,316	583,442
NET ASSETS				
Invested in Capital Assets, net of related debt	7,739,939	3,854,627	11,594,566	2,555,500
Restricted for:				
Capital Projects	1,196,131	12,736	1,208,867	-
Debt Service	99,403	879,393	978,796	15,523
Other	430,291	-	430,291	-
Unrestricted	4,696,188	3,497,725	8,193,913	416,792
Total Net Assets	\$ 14,161,952	\$ 8,244,481	\$ 22,406,433	\$ 2,987,815

CITY OF PLYMOUTH
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				
Primary Government:				
Governmental Activities:				
General Government	\$ 1,858,106	\$ 1,162,704	\$ 9,362	\$ 24,131
Public Safety	3,831,772	548,020	9,520	-
Public Works	2,333,589	583,940	536,098	-
Recreation and Cultural	1,449,483	936,111	110,077	-
Other	442,440	-	-	-
Interest on Long-Term Debt	368,069	-	-	-
Total Governmental Activities	10,283,459	3,230,775	665,057	24,131
Business-type Activities:				
Water and Sewer	2,761,780	3,683,801	-	-
Total Primary Government	\$ 13,045,239	\$ 6,914,576	\$ 665,057	\$ 24,131
Component Unit:				
D.D.A./B.R.A./E.D.C.	\$ 1,350,703	\$ 81,996	\$ -	\$ -

General Revenues:
Property Taxes
State Shared Revenues
Unrestricted Investment Earnings
Loss on Asset Disposal
Transfers
Total General Revenues and Transfers

Change in Net Assets
Net Assets - Beginning

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (661,909)	\$ -	\$ (661,909)	\$ -
(3,274,232)	-	(3,274,232)	-
(1,213,551)	-	(1,213,551)	-
(403,295)	-	(403,295)	-
(442,440)	-	(442,440)	-
(368,069)	-	(368,069)	-
<u>(6,363,496)</u>	<u>-</u>	<u>(6,363,496)</u>	<u>-</u>
<u>-</u>	<u>922,021</u>	<u>922,021</u>	<u>-</u>
<u>(6,363,496)</u>	<u>922,021</u>	<u>(5,441,475)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,268,707)</u>
6,833,102	-	6,833,102	1,450,248
854,508	-	854,508	-
501,685	135,681	637,366	37,464
(16,231)	-	(16,231)	-
30,450	(30,450)	-	-
<u>8,203,514</u>	<u>105,231</u>	<u>8,308,745</u>	<u>1,487,712</u>
1,840,018	1,027,252	2,867,270	219,005
<u>12,321,934</u>	<u>7,217,229</u>	<u>19,539,163</u>	<u>2,768,810</u>
<u>\$ 14,161,952</u>	<u>\$ 8,244,481</u>	<u>\$ 22,406,433</u>	<u>\$ 2,987,815</u>

CITY OF PLYMOUTH
Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>2004 G.O. Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,699,006	\$ 16,363	\$ 3,587,072	\$ 5,302,441
Investments	-	-	59,925	59,925
Receivables (net of allowance for uncollectibles):				
Taxes	378,024	-	-	378,024
Accounts	42,119	-	113,883	156,002
Due from Other Funds	211,879	-	-	211,879
Due from Other Governmental Units	246,959	-	131,908	378,867
Inventory	17,159	-	52,294	69,453
Prepaid Expenditures	5,128	-	4,036	9,164
	<u>2,600,274</u>	<u>16,363</u>	<u>3,949,118</u>	<u>6,565,755</u>
Total Assets	\$ <u>2,600,274</u>	\$ <u>16,363</u>	\$ <u>3,949,118</u>	\$ <u>6,565,755</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ 251,452	\$ 4,836	\$ 153,232	\$ 409,520
Accrued and Other Liabilities	331,552	-	82,577	414,129
Due to Other Funds	39,031	-	30,063	69,094
Due to Component Unit	10,824	-	-	10,824
Total Liabilities	<u>632,859</u>	<u>4,836</u>	<u>265,872</u>	<u>903,567</u>
Fund Balances:				
Reserved for:				
Capital Projects	-	11,527	1,184,604	1,196,131
Debt Service	-	-	99,403	99,403
Other	-	-	430,291	430,291
Unreserved for:				
General Fund	1,967,415	-	-	1,967,415
Special Revenue Funds	-	-	1,968,948	1,968,948
Total Fund Balances	<u>1,967,415</u>	<u>11,527</u>	<u>3,683,246</u>	<u>5,662,188</u>
Total Liabilities and Fund Balances	\$ <u>2,600,274</u>	\$ <u>16,363</u>	\$ <u>3,949,118</u>	

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

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,893,998
Internal Service Funds are used by management to charge the costs of motor pool to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,653,824
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(8,048,058)</u>
Net Assets of Governmental Activities	\$ <u>14,161,952</u>

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

	General	2004 G.O. Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 4,941,881	\$ -	\$ 1,891,221	\$ 6,833,102
Licenses and Permits	2,333	-	261,096	263,429
Intergovernmental:				
Federal, State and Local	864,028	-	591,118	1,455,146
Charges for Services	734,107	-	1,258,110	1,992,217
Fines and Forfeitures	107,069	-	-	107,069
Interest and Rent	254,496	30,710	425,457	710,663
Other	637,106	-	67,495	704,601
Total Revenues	<u>7,541,020</u>	<u>30,710</u>	<u>4,494,497</u>	<u>12,066,227</u>
Expenditures				
Current:				
General Government	1,783,557	-	3,023	1,786,580
Public Safety	3,471,211	-	356,236	3,827,447
Public Works	539,490	-	1,375,961	1,915,451
Recreation and Cultural	97,225	-	1,284,453	1,381,678
Other	442,124	-	-	442,124
Debt Service:				
Principal	-	-	1,199,178	1,199,178
Interest and Other Charges	-	-	368,069	368,069
Capital Outlay	109,615	1,760,839	452,992	2,323,446
Total Expenditures	<u>6,443,222</u>	<u>1,760,839</u>	<u>5,039,912</u>	<u>13,243,973</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,097,798</u>	<u>(1,730,129)</u>	<u>(545,415)</u>	<u>(1,177,746)</u>
Other Financing Sources (Uses)				
Transfers In	19,628	84,000	799,012	902,640
Transfers Out	(555,210)	-	(308,430)	(863,640)
Proceeds from Long Term Debt	-	-	995,000	995,000
Total Other Financing Sources and Uses	<u>(535,582)</u>	<u>84,000</u>	<u>1,485,582</u>	<u>1,034,000</u>
Net Change in Fund Balances	562,216	(1,646,129)	940,167	(143,746)
Fund Balances - Beginning	<u>1,405,199</u>	<u>1,657,656</u>	<u>2,743,079</u>	<u>5,805,934</u>
Fund Balances - Ending	<u>\$ 1,967,415</u>	<u>\$ 11,527</u>	<u>\$ 3,683,246</u>	<u>\$ 5,662,188</u>

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

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances - total governmental funds (page 16)	\$ (143,746)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, and losses on disposal of fixed assets.	1,705,448
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	198,597
Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>79,719</u>
Change in net assets in governmental activities (page 14)	\$ <u><u>1,840,018</u></u>

CITY OF PLYMOUTH
Balance Sheet
Proprietary Funds
June 30, 2007

	Business Type Activity Enterprise Fund	Governmental Activities - Internal Service
	Water & Sewer	Equipment Fund
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 2,392,406	\$ 993,169
Accounts Receivable	1,219,789	7,199
Inventory	95,458	39,027
Total Current Assets	3,707,653	1,039,395
Restricted Assets:		
Cash and Cash Equivalents:		
Debt Retirement	879,393	-
Construction	12,736	-
Total Restricted Assets	892,129	-
Property, Plant and Equipment:		
Water and Sewer Infrastructure	10,645,739	-
Machinery, Equipment and Vehicles	262,006	3,586,233
Accumulated Depreciation	(4,088,118)	(2,951,890)
Net Property, Plant and Equipment	6,819,627	634,343
Intangible Assets	73,912	-
Total Assets	\$ 11,493,321	\$ 1,673,738
<u>LIABILITIES AND EQUITY</u>		
Current Liabilities:		
Accounts Payable	\$ 212,792	\$ 18,688
Accrued Liabilities	71,048	1,226
Bonds Payable	155,000	-
Total Current Liabilities	438,840	19,914
Long-Term Liabilities:		
Bonds Payable	2,810,000	-
Total Long-Term Liabilities	2,810,000	-
Equity:		
Invested in Capital Assets, Net of Related Debt	3,854,627	634,343
Restricted	892,129	1,019,481
Unrestricted	3,497,725	-
Total Equity	8,244,481	1,653,824
Total Liabilities and Equity	\$ 11,493,321	\$ 1,673,738

CITY OF PLYMOUTH
Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary Funds
For the Year Ended June 30, 2007

	<u>Business Type Activity Enterprise Fund</u>	<u>Governmental Activities - Internal Service</u>
	<u>Water & Sewer</u>	<u>Equipment Fund</u>
<u>Operating Revenues:</u>		
Charges for Services	\$ 3,667,526	\$ 14,622
Rental Income	-	760,497
Miscellaneous	16,275	3,833
Total Operating Revenues	<u>3,683,801</u>	<u>778,952</u>
<u>Operating Expenses:</u>		
Personal Services, Other and Administrative	499,986	530,117
Trunk and Lateral	122,392	-
Mains	330,891	-
Service Maintenance and Repairs	34,410	-
Sewage Disposal Charges	719,121	-
Purchased Water	544,535	-
Meter Maintenance	114,874	-
Hydrant Maintenance	12,008	-
Depreciation and Amortization	219,934	203,429
Total Operating Expenses	<u>2,598,151</u>	<u>733,546</u>
Operating Income	<u>1,085,650</u>	<u>45,406</u>
<u>Non-Operating Revenues (Expenses):</u>		
Gain on Asset Sales	-	148
Interest Earned	135,681	43,031
Interest Expense	(163,629)	(316)
Total Non-Operating Revenues (Expenses)	<u>(27,948)</u>	<u>42,863</u>
Income before Operating Transfers	1,057,702	88,269
<u>Operating Transfers:</u>		
Operating Transfers Out	<u>(30,450)</u>	<u>(8,550)</u>
Net Income (Loss)	1,027,252	79,719
Fund Equity, Beginning	<u>7,217,229</u>	<u>1,574,105</u>
Fund Equity, Ending	<u>\$ 8,244,481</u>	<u>\$ 1,653,824</u>

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

	Business Type Activity Enterprise Fund	Governmental Activities - Internal Service
	Water & Sewer	Equipment Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers and users	\$ 3,544,936	\$ 18,404
Receipts from quasi-external transactions	-	760,497
Payments to suppliers	(1,892,067)	(338,280)
Payments to employees	(500,850)	(181,780)
Net Cash Provided by Operating Activities	<u>1,152,019</u>	<u>258,841</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Transfer to other funds	<u>(30,450)</u>	<u>(8,550)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchases of Capital Assets	(468,221)	(102,912)
Principal Paid on Capital Debt	(150,000)	(51,564)
Interest Paid on Capital Debt	(155,654)	(316)
Proceeds from Sales of Capital Assets	-	4,095
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(773,875)</u>	<u>(150,697)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Earned	<u>135,681</u>	<u>43,031</u>
Net Increase (Decrease) in Cash and Cash Equivalents	483,375	142,625
Cash and Cash Equivalents, Beginning	<u>2,801,160</u>	<u>850,544</u>
Cash and Cash Equivalents, Ending	<u>\$ 3,284,535</u>	<u>\$ 993,169</u>
<u>Balance Sheet Classifications:</u>		
Cash and Cash Equivalents	\$ 2,392,406	\$ 993,169
Restricted Assets - Cash and Cash Equivalents	892,129	-
Total	<u>\$ 3,284,535</u>	<u>\$ 993,169</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>		
Operating Income	\$ 1,085,650	\$ 45,406
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	219,934	203,429
(Increase) Decrease in Receivables	(138,865)	(51)
(Increase) Decrease in Inventory	(11,176)	5,521
Increase (Decrease) in Accounts Payable	(2,660)	5,851
Increase (Decrease) in Accrued Liabilities	(864)	(1,315)
Net Cash Provided by Operating Activities	<u>\$ 1,152,019</u>	<u>\$ 258,841</u>

CITY OF PLYMOUTH
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 300,871
Due from Other Governmental Units	81,259
Due from Other Funds	39,031
Total Assets	<u>421,161</u>
<u>LIABILITIES</u>	
Due to Other Funds	181,816
Due to Other	239,345
Total Liabilities	<u>421,161</u>
<u>NET ASSETS</u>	<u>\$ -</u>

CITY OF PLYMOUTH
Statement of Net Assets - Component Units
June 30, 2007

	<u>Major Funds</u>		<u>Non Major</u>	<u>Total</u>
	<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>(Economic Development Authority)</u>	
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 426,706	\$ 6,565	\$ -	\$ 433,271
Accounts Receivable	27,815	3,697	-	31,512
Prepaid Insurance	15,150	-	-	15,150
Due from Primary Government	-	-	10,824	10,824
Capital Assets (Net of Accumulated Depreciation)	3,080,500	-	-	3,080,500
Total Assets	<u>3,550,171</u>	<u>10,262</u>	<u>10,824</u>	<u>3,571,257</u>
<u>LIABILITIES</u>				
Accounts Payable	4,347	-	-	4,347
Accrued Liabilities	54,095	-	-	54,095
Noncurrent Liabilities:				
Due within one year	250,000	-	-	250,000
Due in more than one year	275,000	-	-	275,000
Total Liabilities	<u>583,442</u>	<u>-</u>	<u>-</u>	<u>583,442</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, net of related debt	2,555,500	-	-	2,555,500
Restricted for Debt Service	15,523	-	-	15,523
Unrestricted	395,706	10,262	10,824	416,792
	<u>\$ 2,966,729</u>	<u>\$ 10,262</u>	<u>\$ 10,824</u>	<u>\$ 2,987,815</u>

CITY OF PLYMOUTH
Statement of Activities - Component Units
For the Year Ended June 30, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Major Funds		Non Major (Economic Development Authority)	
					Downtown Development Authority	Brownfield Redevelopment Authority		
Major Funds:								
Downtown Development Authority	\$ 994,554	\$ 81,996	\$ -	\$ -	\$ (912,558)	\$ -	\$ -	\$ (912,558)
Brownfield Redevelopment Authority	356,149	-	-	-	-	(356,149)	-	(356,149)
Total	<u>\$ 1,350,703</u>	<u>\$ 81,996</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(912,558)</u>	<u>(356,149)</u>	<u>-</u>	<u>(1,268,707)</u>
General Revenues:								
Property Taxes					1,095,614	354,634	-	1,450,248
Unrestricted Investment Earnings					33,636	3,828		37,464
Total General Revenues					<u>1,129,250</u>	<u>358,462</u>	<u>-</u>	<u>1,487,712</u>
Change in Net Assets					216,692	2,313	-	219,005
Net Assets - Beginning					<u>2,750,037</u>	<u>7,949</u>	<u>10,824</u>	<u>2,768,810</u>
Net Assets - Ending					<u>\$ 2,966,729</u>	<u>\$ 10,262</u>	<u>\$ 10,824</u>	<u>\$ 2,987,815</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Plymouth was incorporated March 14, 1932, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Commission-Manager form of government and provides the following services as authorized by its charter: public safety (police, fire, and inspection), highways and streets, sanitation, community development, culture-recreation, public improvements, planning and zoning, water and sewerage system, and general administrative services. It also operates a municipal cemetery.

As required by generally accepted accounting principles, these financial statements present the City of Plymouth and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units is combined with data of the primary government. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. Each blended and discretely presented component unit has a June 30, 2007 year end.

Blended Component Units

The City of Plymouth Municipal Building Authority is governed by a five (5) member Board appointed by the Mayor with City Commission approval. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings and parking structures.

Discretely Presented Component Units

The City of Plymouth Downtown Development Authority (DDA) Board is comprised of up to twelve (12) members appointed by the Mayor with City Commission approval. The DDA is responsible for the creation of a development and financing plan for the downtown district or a development area within the district to promote economic growth. The Authority must obtain City Commission approval of all development and financing plans. The annual operating budget and any modifications also require the approval of the Plymouth City Commission.

The City of Plymouth Economic Development Corporation (EDC) is governed by a nine (9) member board appointed by the Mayor with City Commission approval. The EDC was established to promote economic development within the City.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity – Continued

Discretely Presented Component Units – Continued

The City of Plymouth Brownfield Redevelopment Authority (BRA) is comprised of a six (6) member board appointed by the Mayor with City Commission approval. The BRA was established to promote the revitalization of environmentally distressed areas of the City.

The above component units are discretely presented within the City financial statements because they are legally separate and financially accountable to the City. Financial accountability is demonstrated by the City Commission making the appointments to the respective boards, approving the annual operating budgets and any amendments of each component unit and approving development and financing plans of the EDC and DDA. Separate financial statements for these component units have not been prepared.

Joint Venture

The City is a participant with the Charter Township of Plymouth in a joint venture to operate the Plymouth Community Fire Department (PCFD), which provides fire services for residents and businesses of both the City and Township. The intergovernmental agreement is considered a joint venture because the City has an ongoing financial interest and ongoing financial responsibility. Upon termination of this agreement, the City will receive an equipment equity interest equal to 25% of the net book value of the PCFD fixed assets at the termination date. The Township is responsible for the administration of the PCFD. By contract the City and the Township share in supporting the PCFD annual operations based on a cost-sharing formula, which is based on a number of factors including population, the average number of fire runs, and state equalized valuation (SEV). The City's annual operating contribution cannot fall below 25%. The City is also obligated to contribute 25% of the annual capital outlay and depreciation reserve expenses.

The City also participates in an intergovernmental service agreement with Plymouth Township for Community services (E911, Police Dispatch). The Township has sole ownership of the assets of the "Plymouth Community Communication Center" established by the agreement.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

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.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Governmental Funds

The City reports the following major governmental funds:

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

The 2004 General Obligation Capital Project Fund is a capital project fund used to account for the construction of various street and road improvements financed by the bond issue.

In addition, the City reports on the following fund types:

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or capital projects).

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

The capital project funds are used to account for construction projects and their related revenue sources.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds include the following fund types:

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the City Commission has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City's enterprise fund is the Water and Sewer Fund, which is reported as a major fund.

Internal Service Funds account for operations that provide services to other departments or agencies of the City on a cost reimbursement basis. As these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental* activities in the government-wide financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary funds include the following fund types:

The Agency Funds are used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Restricted Resources

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of allowances for uncollectible accounts, which are recorded at \$1,761,014 at June 30, 2007.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

3. Inventory

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

4. Restricted Assets

Resources for the debt service and capital project activities within the Water and Sewer Fund (Enterprise Fund) are segregated and classified as "Restricted Assets", and total \$892,129 at June 30, 2007.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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 assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-30
Equipment	5-20
Infrastructure	15-30

6. Compensated Absences

In accordance with contracts negotiated with the various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

6. Compensated Absences – Continued

formulas and conditions specified in the contracts. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The long-term portion of compensated absences related to the governmental funds is a liability recorded in the Statement of Net Assets. The total liability at June 30, 2007 is \$259,656.

7. 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, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. 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.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets. Long-term liabilities expected to be financed from proprietary funds are reported as liabilities in those funds.

8. Fund Equity

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

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet And the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$8,048,058 difference are as follows:

General Obligation Bonds Payable	\$ 7,788,402
Compensated Absences Payable	<u>259,656</u>
	<u>\$ 8,048,058</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets if allocated over their estimated useful lives and reported as depreciation expense". The details of the \$1,705,448 difference are as follows:

Capital Outlay	\$ 2,323,446
Depreciation Expense	(601,619)
Basis of Assets Disposed	<u>(16,379)</u>
	<u>\$ 1,705,448</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$198,597 difference are as follows:

Principal Repayments	\$ 1,199,178
Compensated Absences Increase	(5,581)
Proceeds from Long Term Debt	<u>(995,000)</u>
	<u>\$ 198,597</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

1. The City is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:
 - a. Budgets must be adopted for the General and Special Revenue Funds.
 - b. Budgets must be balanced.
 - c. Budgets must be amended as necessary.
 - d. Public hearings must be held prior to adoption.
 - e. Expenditures cannot exceed budget appropriations.
 - f. Expenditures must be authorized by a budget appropriation prior to being incurred.

2. The City follows these procedures in establishing the budgetary data reflected in these financial statements:
 - a. At the first meeting in April, the City Manager submits to the City Commission the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and the means of financing them, for the General, Special Revenue, Debt Service and Proprietary Fund Types.
 - b. Public hearings are conducted at City Hall to obtain taxpayer comments.
 - c. Prior to June 30, the budgets are legally enacted at the activity level for the General Fund and at the total fund expenditure level for the Special Revenue Funds through passage of a resolution.
 - d. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
 - e. The City Manager is authorized to transfer amounts not to exceed 10% of the departmental budget between departmental (activity level) appropriation accounts.
 - f. Budget appropriations lapse at year end.
 - g. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.
 - h. Budgeted amounts are reported as originally adopted, or as amended by the City Commission.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

The City has no funds with deficit balances.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budgets for the General Fund and Special Revenue Fund are adopted at the activity level. Expenditures in excess of budget appropriations are as follows:

	Final Budget	Actual	Excess Expenditures Over Appropriations
General Fund:			
Other	\$ 348,030	\$ 442,124	\$ 94,094

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the City is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades.

The following information, as required by the Governmental Accounting Standards Board Statement Number 40, is presented regarding the City's deposits and investments:

Custodial Credit Risk. In the event of a bank failure, the City's deposits may not be recovered. Neither State law nor the City's investment policy requires consideration of custodial credit risk. As of June 30, 2007, the City's book balance of its deposits was \$9,879,441; the total book balance was \$9,881,016, due to \$1,575 in cash on hand. The bank balance was \$9,946,631 which was exposed to custodial credit risk, as follows:

	Bank Balance		
Insured by F.D.I.C.	\$ 300,000		
Uninsured and Uncollateralized	9,646,631		
Total	\$9,946,631		
	Carrying Amount	Bank Balance	FDIC Insured
Downtown Development Authority	\$426,706	\$426,706	\$ -
Economic Development Corporation	-	-	-
Brownfield Redevelopment Authority	6,565	6,565	-
	\$433,271	\$433,271	\$ -

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

A reconciliation of cash to the accompanying financial statements follows:

Statement of Net Assets:	
Cash and Cash Equivalents	\$8,688,016
Restricted Assets-Cash	892,129
Fiduciary Fund:	
Cash	<u>300,871</u>
Total	<u>\$9,881,016</u>

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy does not further limit its investment choices.

Interest Rate Risk. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. At year end, the average maturities of deposits are as follows:

<u>Deposits and Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Primary Government:		
Savings and Checking Accounts	\$ 1,550,427	Demand
Certificate of Deposit	518,279	17 days
Pooled Investment (Sweep)	<u>7,877,925</u>	Demand
	<u>\$ 9,946,631</u>	
Trust Fund:		
Mutual Fund – Bonds and Cash	\$ 36,075	Not Available
Mutual Fund – Equity	<u>23,850</u>	N/A
	<u>\$ 59,925</u>	
Component Units:		
Pooled Investment (Sweep)	<u>\$ 433,271</u>	Demand

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Deposits and Investments</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Primary Government:			
Cash and Certificates of Deposits	\$ 2,068,706	N/A	N/A
Pooled Investments	<u>7,877,925</u>	Not Rated	
	<u>\$ 9,946,631</u>		
Trust Fund:			
Mutual Fund – Bonds	\$ 36,075	Not Available	
Mutual Funds – Equity	<u>23,850</u>	N/A	
	<u>\$ 59,925</u>		
Component Units:			
Pooled Investments	<u>\$ 433,271</u>	Not Rated	

Concentration of Credit Risk. The City's investment policy places no limit on the amount the City may invest in any one issuer. The City does have more than 5% of its total investments in a single issuer:

Trust Fund – Munder Intermediate Bond Fund – 80%	\$ 28,874
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CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

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

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 1,243,808	\$ -	\$ -	\$ 1,243,808
Capital Assets, being depreciated:				
Building and Improvements	5,169,981	110,064		5,280,045
Machinery and Equipment	635,066	139,375	121,791	652,650
Infrastructure	11,029,170	2,074,007	-	13,103,177
Internal Service Fund	3,534,389	102,912	51,068	3,586,233
	<u>20,368,606</u>	<u>2,426,358</u>	<u>172,859</u>	<u>22,622,105</u>
Less: Accumulated Depreciation:				
Building and Improvements	(2,955,768)	(134,281)	-	(3,090,049)
Machinery and Equipment	(282,548)	(47,029)	(105,412)	(224,165)
Infrastructure	(1,651,159)	(420,309)	-	(2,071,468)
Internal Service Fund	(2,795,582)	(203,429)	(47,121)	(2,951,890)
	<u>(7,685,057)</u>	<u>(805,048)</u>	<u>(152,533)</u>	<u>(8,337,572)</u>
Governmental Activities Capital Assets, net	<u>\$ 13,927,357</u>	<u>\$ 1,621,310</u>	<u>\$ 20,326</u>	<u>\$ 15,528,341</u>

<u>Business-type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:				
Water and Sewer Mains	\$ 10,217,457	\$ 463,230	\$ -	\$ 10,680,687
Equipment	257,386	4,991	35,319	227,058
	<u>10,474,843</u>	<u>468,221</u>	<u>35,319</u>	<u>10,907,745</u>
Less: Accumulated Depreciation:				
Water and Sewer Mains	(3,668,736)	(214,742)	(1,285)	(3,882,193)
Equipment	(234,767)	(5,192)	(34,034)	(205,925)
	<u>(3,903,503)</u>	<u>(219,934)</u>	<u>(35,319)</u>	<u>(4,088,118)</u>
Business Activities Capital Assets, net	<u>\$ 6,571,340</u>	<u>\$ 248,287</u>	<u>\$ -</u>	<u>\$ 6,819,627</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets – Continued

<u>Component Units:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:				
Equipment	\$ 96,691	\$ -	\$ -	\$ 96,691
Infrastructure	5,501,344	67,709	-	5,569,053
	<u>5,598,035</u>	<u>67,709</u>	<u>-</u>	<u>5,665,744</u>
Less: Accumulated Depreciation:				
Equipment	(7,839)	(3,415)	-	(11,254)
Infrastructure	(2,386,609)	(187,381)	-	(2,573,990)
	<u>(2,394,448)</u>	<u>(190,796)</u>	<u>-</u>	<u>(2,585,244)</u>
Component Units Capital Assets, net	<u>\$ 3,203,587</u>	<u>\$ (123,087)</u>	<u>\$ -</u>	<u>\$ 3,080,500</u>

Depreciated expense was charged to functions of the primary government as follows:

General Government	\$ 65,945
Public Safety	4,326
Public Works	463,543
Recreation and Culture	67,805
Charged though internal service funds	<u>203,429</u>
	<u>\$ 805,048</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

1. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2007, is as follows:

<u>Receivable Fund</u>	<u>Payble Fund</u>	<u>Amount</u>
General Fund	Neighborhood Services Fund	\$ 8,000
	Budget Stabilization	22,063
	Property Tax Agency	9,816
	Housing Agency	170,000
	Council on Aging Agency	2,000
		211,879
Property Tax Agency	General Fund	39,031
Total		\$ <u>250,910</u>
Governmental Due to Governmental		\$ 30,063
Agency Due to Governmental		181,816
Governmental Due to Agency		39,031
Agency Due to Agency		-
		\$ 250,910

Interfund balances represent uncleared short term advances at year end, arising in the normal course of business.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers – Continued

2. Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Local Streets	General Fund	\$ 98,080
Recreation	General Fund	250,000
2002 Capital Imp. Debt	General Fund	60,010
Major Streets	General Fund	25,000
Building	General Fund	95,790
Neighborhood Services	General Fund	12,650
2006 L.T.G.O. Debt	General Fund	13,680
		<u>555,210</u>
2002 Capital Imp. Debt	Major Streets	2,400
Local Streets	Major Streets	87,000
		<u>89,400</u>
2002 Capital Imp. Debt	Recreation Fund	10,800
2006 L.T.G.O Debt	Recreation Fund	4,050
		<u>14,850</u>
2002 Capital Imp. Debt	Solid Waste	7,200
2006 L.T.G.O Debt	Solid Waste	2,700
		<u>9,900</u>
2002 Capital Imp. Debt	Building	2,400
2006 L.T.G.O Debt	Building	1,350
		<u>3,750</u>
2002 Capital Imp. Debt	Equipment Fund	7,200
2006 L.T.G.O Debt	Equipment Fund	1,350
		<u>8,550</u>
2002 Capital Imp. Debt	Water and Sewer	26,400
2006 L.T.G.O Debt	Water and Sewer	4,050
		<u>30,450</u>
2002 Capital Imp. Debt	Local Streets	3,600
2004 G.O. Capital Project	MTF Construction	84,000
2004 G.O. Debt	1997 G.O. Debt	72,132
2002 G.O. Debt	1998 G.O. Debt	11,170
General Fund	Cemetery Trust	19,628
Total		<u>\$ 902,640</u>
Governmental Transferred to Governmental		\$ 863,640
Enterprise to Governmental		30,450
Governmental to Enterprise		-
Internal Service to Governmental		8,550
		<u>\$ 902,640</u>

Transfers represent budgeted operating subsidies, funding for debt service, and required distribution of cemetery perpetual care funds.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt

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

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Balance</u> <u>Within 1 Year</u>
Gov. Activities:					
G.O. Bonds	\$ 7,340,000	\$ 995,000	\$ 905,000	\$ 7,430,000	\$ 540,000
Landfill Closure Act 99	127,580	-	69,178	58,402	58,402
M.B.A. Bonds	525,000	-	225,000	300,000	150,000
Comp. Absences	254,075	5,581	-	259,656	-
Act 99 EQ Fund	51,564	-	51,564	-	-
	<u>\$ 8,298,219</u>	<u>\$ 1,000,581</u>	<u>\$ 1,250,742</u>	<u>\$ 8,048,058</u>	<u>\$ 748,402</u>
Business Type Activities:					
Rev. Bonds	\$ 2,275,000	\$ -	\$ 115,000	\$ 2,160,000	\$ 120,000
Bonds Payable	840,000	-	35,000	805,000	35,000
	<u>\$ 3,115,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 2,965,000</u>	<u>\$ 155,000</u>
Component Unit					
D.D.A.	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$ 525,000</u>	<u>\$ 250,000</u>

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the City as of June 30, 2007:

	<u>Number of</u> <u>Issues</u>	<u>Interest</u> <u>Rate</u>	<u>Maturing</u> <u>Through</u>	<u>Principal</u> <u>Outstanding</u>
Governmental Activities:				
General Obligation Bonds	4	2.00%-4.75%	2019	\$ 7,430,000
Landfill Closure Act 99	1	5.86%	2008	58,402
Municipal Building Authority	2	4.55%-5.25%	2009	300,000
Total Governmental Activities				<u>\$ 7,788,402</u>
Business Type Activities:				
Revenue Bonds Payable	4	4.70%-6.00%	2020	\$ 2,160,000
Bonds Payable	1	2.00%-5.00%	2024	805,000
Total Business Type Activities				<u>\$ 2,965,000</u>
Component Unit:				
Downtown Development Auth.	1	5.25%-5.70%	2010	<u>\$ 525,000</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS – Continued

D. Long Term Debt – Continued

The annual debt service requirements to maturity for debt outstanding as of June 30, 2007 are as follows:

<u>Year Ended</u>	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 748,402	\$ 143,054	\$ 155,000	\$ 149,632
2009	720,000	122,996	160,000	142,809
2010	605,000	104,651	170,000	135,544
2011	635,000	91,123	180,000	127,446
2012	675,000	76,843	185,000	118,835
2013-2017	3,150,000	189,499	1,080,000	443,621
2018-2022	1,255,000	-	970,000	145,450
2023-2024	-	-	65,000	1,625
	<u>\$ 7,788,402</u>	<u>\$ 728,163</u>	<u>\$ 2,965,000</u>	<u>\$ 1,264,962</u>

<u>Year Ended</u>	<u>Componet Units-DDA</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 250,000	\$ 22,738
2009	275,000	7,838
	<u>\$ 525,000</u>	<u>\$ 30,576</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS – Continued

E. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at June 30, 2007, is presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Cemetery Trust</u>
Reserved For:					
Capital Projects	\$ -	\$ -	\$ -	\$ 1,196,131	\$ -
Debt Service	-	-	99,403	-	-
Cemetery Trust	-	-	-	-	430,291
Total Reserved	-	-	99,403	1,196,131	430,291
Unreserved:					
Undesignated	<u>1,967,415</u>	<u>1,968,948</u>	-	-	-
Total Fund Balance	<u>\$ 1,967,415</u>	<u>\$ 1,968,948</u>	<u>\$ 99,403</u>	<u>\$ 1,196,131</u>	<u>\$ 430,291</u>

F. Property Taxes

Property taxes are assessed as of each December 31. The City tax levy is billed on July 1 of the following year, and payable in eight installments through February. Taxes are considered delinquent on March 1, at which time the applicable property is subject to lien and penalty and interest is assessed. The maximum authorized operating levy for the City is 15 mills prior to “rollback” required by State laws, and additional amounts for Solid Waste as provided by State law. The City also levies voter approved amounts for general obligation debt. The City's tax levy for the 2006 tax roll is as follows (tax rate per \$1,000 of assessed valuation):

	<u>Tax Rate</u>
General Operating	11.3834
Refuse	1.9700
General Obligation Debt	<u>2.4200</u>
Total	<u>15.7734</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

V. OTHER INFORMATION

A. Employee Retirement Systems and Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. Plan Description

The City of Plymouth participates in the Municipal Employees Retirement System (MERS), a multiple employer state-wide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefits provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

b. Funding Policy

The plan adopted by the City Commission requires no member contributions. The City is required to contribute at an actuarially determined rate. Since the plan is closed to new participants, rates are not at percentages of payroll, rather fixed amounts per division determined by actuarial valuations. The contribution requirements of plan members and the City are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

c. Annual Pension Costs

For fiscal year 2007, the City's annual pension cost of \$433,542 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% (b) projected salary increases of 5.0% per year compounded annually, attributable to inflation (c) additional projected salary increases ranging from 0.0% to 8.66% per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% annually for employees under benefit E-1 or E-2. The actuarial value of MERS assets was determined on the basis of an

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

1. Municipal Employees Retirement System Defined Benefit Plan – Continued

c. Annual Pension Costs – Continued

evaluation method that assumes the funds earn the expected rate of return an adjustment to reflect market value. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

Three-Year Trend Information

Fiscal Year Ended <u>June 30</u>	Annual Pension Costs (APC)	Percentage of APC <u>Contribution</u>	Net Pension <u>Obligation</u>
2005	252,266	100%	-
2006	173,069	100%	-
2007	433,542	100%	-

2. Defined Contribution Plan

a. Plan Description

The City of Plymouth contributes to the City of Plymouth defined contribution plan, which is a defined contribution money purchase pension plan. The plan is administered by the ICMA Retirement Corporation (ICMA) who sponsors the prototype plan. Amendments are developed by ICMA and submitted to the City Commission for approval.

A defined contribution money purchase pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. All employees hired on or after March 31, 1999 are eligible to participate in the plan. Contributions made by the City or an employee vest immediately.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans – Continued

2. Defined Contribution Plan – Continued

b. Contributions Required and Contributions Made

The City contributes 15% of gross pay for each eligible employee. During the year, the City's required and actual contributions amounted to \$482,589.

B. Post Retirement Health Care Benefits

In addition to providing pension benefits, the City provides certain health care insurance benefits to all full time employees of the City. All eligible full time employees who retire at normal retirement age are entitled to receive these benefits during their retirement. Currently 59 retirees are covered by this plan. These benefits are expensed in the year paid, on a pay-as-you-go basis. For the year ended June 30, 2007, these costs amounted to approximately \$551,712. The basis for these payments are the agreements with employee groups through collective bargaining as well as the City's personnel policy.

C. Risk Management

The City purchases insurance coverage through traditional means. The City's property and liability and workers compensation coverages are on file in the Risk Manager's office.

The City has contracted with Blue Cross and Blue Shield of Michigan to administer a self-funded health insurance program. Under the plan, the City pays a fixed administrative and reinsurance fee, and self-insures claims within plan limits. The plan has a \$50,000 specific stop-loss limit per insured (contract), and an annual aggregate stop-loss maximum (for the City as a total) in the amount of \$1,167,054, plus administrative cost on October 1 to September 30, year end, which represented the City's maximum cost exposure under the plan, subject to \$1,000,000 limitation. Claims in excess of the individual stop-loss or aggregate stop-loss limits are covered under the reinsurance coverage.

Changes in the balance of claim liability during the past year are as follows:

Unpaid claims at beginning of year	\$ 186,572
Incurred claims (including IBNRs)	1,229,434
Claims Paid	<u>(1,166,527)</u>
Unpaid claims, at end of year	<u>\$ 249,479</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2007

V. OTHER INFORMATION – Continued

D. Contingencies

1. Landfill Closure

The City of Plymouth owns a Solid Waste Landfill located in Salem Township. The landfill was closed and capped during the 1960's to meet the standards and requirements of that time period.

Since that time, post closure monitoring of the Landfill by the City and the Michigan Department of Natural Resources have identified problems with the deterioration of the clay cap and blockage of a storm drain that runs through the landfill. The City received a \$600,000 grant award to partially finance the costs of installing additional ventilation wells in the landfill and grouting out the 30 inch drainage pipe that runs through the landfill. In addition to this Landfill Closure DNR grant, the City borrowed \$750,000 to finance the total projected project costs of \$1,350,000.

During the procedure to eliminate the blockage to the drainage pipe, it was noted that the pipe had settled in certain sections making the grouting of the pipe impossible. The City and the DNR agreed upon a solution to route a storm sewer around the perimeter of the landfill. The project was completed in 1996 and the City was granted certification from the DNR.

The cumulative landfill closure costs incurred through June 30, 2007, amounts to \$2,286,127 reported within the Solid Waste (Special Revenue) Fund. Additionally cumulative interest expenditures of \$165,995 relating to the \$750,000 landfill closure loan through June 30, 2007, have been reflected in the Solid Waste Fund. The landfill closure obligation is considered to be satisfied at June 30, 2007. However, the City has the responsibility of monitoring the landfill site in the future and the potential for unforeseen closure costs could materialize. In the opinion of City Management the liability, if any, would not be material.

2. Other Matters

There are various other legal actions pending against the City. Due to the inconclusive nature of many of the actions, it is not possible to determine the probable outcome or a reasonable estimate of the City's potential liability, if any.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PLYMOUTH
Required Supplementary Information – (Unaudited)
Defined Benefit Pension Plans – Trend Information
For the Year Ended June 30, 2007

Municipal Employees Retirement System
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/97	\$12,702,595	\$15,985,089	\$3,282,494	79%	\$2,921,890	112%
12/31/98	14,063,485	17,028,501	2,965,016	83%	2,895,219	102%
12/31/99	11,907,602	14,165,659	2,258,057	84%	1,226,401	184%
12/31/00	10,365,016	14,556,753	4,191,737	71%	975,470	430%
12/31/01	10,538,432	14,748,826	4,210,394	71%	980,579	429%
12/31/02	10,271,793	15,032,157	4,760,364	68%	945,511	503%
12/31/03	10,396,593	15,571,073	5,174,480	67%	747,597	692%
12/31/04	10,261,033	16,451,988	6,190,955	62%	640,031	967%
12/31/05	9,980,974	16,610,385	6,629,411	60%	474,546	1397%
12/31/06	9,869,612	16,616,983	6,747,371	59%	408,626	1651%

The information presented above was determined as part of the actuarial valuations at the dates indicated.

Additional information as of December 31, 2006, the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	4.50%
Includes inflation at 4.5%	
Cost of living adjustments	None

CITY OF PLYMOUTH
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ 4,763,090	\$ 4,929,660	\$ 4,941,881	\$ 12,221
Licenses and Permits	3,100	2,300	2,333	33
Intergovernmental - State	877,770	863,870	864,028	158
Charges for Services	728,450	694,420	734,107	39,687
Fines and Forfeitures	43,500	79,000	107,069	28,069
Interest Earnings	150,000	240,000	254,496	14,496
Other Revenues	634,990	707,600	637,106	(70,494)
Total Revenues	<u>7,200,900</u>	<u>7,516,850</u>	<u>7,541,020</u>	<u>24,170</u>
Expenditures:				
General Government:				
City Commission	61,020	63,520	54,709	8,811
City Manager	246,910	290,410	271,822	18,588
Attorney	135,470	160,470	132,471	27,999
Finance	519,750	525,130	479,676	45,454
Clerk/Elections	233,470	234,720	201,650	33,070
Management Information Services	141,750	144,350	136,769	7,581
City Hall and Grounds	355,450	315,410	308,824	6,586
Cemetery	147,040	204,310	197,636	6,674
	<u>1,840,860</u>	<u>1,938,320</u>	<u>1,783,557</u>	<u>154,763</u>
Public Safety:				
Police	2,579,980	2,736,210	2,556,983	179,227
Fire	1,019,160	978,660	914,228	64,432
	<u>3,599,140</u>	<u>3,714,870</u>	<u>3,471,211</u>	<u>243,659</u>
Public Works	548,940	633,990	539,490	94,500
Recreation and Cultural-Special Events	87,060	114,840	97,225	17,615
Other	292,230	348,030	442,124	(94,094)
Capital Outlay	219,440	176,940	109,615	67,325
Reserve for Contingencies	166,570	31,650	-	31,650
Total Expenditures	<u>6,754,240</u>	<u>6,958,640</u>	<u>6,443,222</u>	<u>515,418</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>446,660</u>	<u>558,210</u>	<u>1,097,798</u>	<u>539,588</u>
<u>Other Financing Sources (Uses):</u>				
Operating Transfers In	-	20,000	19,628	(372)
Operating Transfers Out	(446,660)	(578,210)	(555,210)	23,000
Total Other Financing Sources (Uses)	<u>(446,660)</u>	<u>(558,210)</u>	<u>(535,582)</u>	<u>22,628</u>
Net Change in Fund Balance	-	-	562,216	562,216
Fund Balance - Beginning	<u>1,405,199</u>	<u>1,405,199</u>	<u>1,405,199</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,405,199</u>	<u>\$ 1,405,199</u>	<u>\$ 1,967,415</u>	<u>\$ 562,216</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF PLYMOUTH
Combining Balance Sheet
Non Major Governmental Funds
June 30, 2007

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Funds Cemetery Care</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 1,879,623	\$ 125,899	\$ 1,211,184	\$ 370,366	\$ 3,587,072
Investments	-	-	-	59,925	59,925
Accounts Receivable	113,883	-	-	-	113,883
Due from Other Governmental Units	131,908	-	-	-	131,908
Inventory	52,294	-	-	-	52,294
Prepaid Expenditures	3,786	250	-	-	4,036
	<u>3,786</u>	<u>250</u>	<u>-</u>	<u>-</u>	<u>4,036</u>
Total Assets	<u>\$ 2,181,494</u>	<u>\$ 126,149</u>	<u>\$ 1,211,184</u>	<u>\$ 430,291</u>	<u>\$ 3,949,118</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ 99,906	\$ 26,746	\$ 26,580	\$ -	\$ 153,232
Accrued and Other Liabilities	82,577	-	-	-	82,577
Due to Other Funds	30,063	-	-	-	30,063
	<u>30,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,063</u>
Total Liabilities	<u>212,546</u>	<u>26,746</u>	<u>26,580</u>	<u>-</u>	<u>265,872</u>
Fund Balance:					
Reserved for :					
Capital Projects	-	-	1,184,604	-	1,184,604
Debt Service	-	99,403	-	-	99,403
Other	-	-	-	430,291	430,291
Unreserved	1,968,948	-	-	-	1,968,948
Total Fund Balance	<u>1,968,948</u>	<u>99,403</u>	<u>1,184,604</u>	<u>430,291</u>	<u>3,683,246</u>
Total Liabilities and Fund Balance	<u>\$ 2,181,494</u>	<u>\$ 126,149</u>	<u>\$ 1,211,184</u>	<u>\$ 430,291</u>	<u>\$ 3,949,118</u>

CITY OF PLYMOUTH
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non Major Governmental Funds
For the Year Ended June 30, 2007

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Funds Cemetery Care</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:					
Property Taxes	\$ 846,989	\$ 1,044,232	\$ -	\$ -	\$ 1,891,221
Licenses and Permits	261,096	-	-	-	261,096
Intergovernmental	591,118	-	-	-	591,118
Charges for Services	1,244,859	-	-	13,251	1,258,110
Interest and Rent	58,951	284,556	62,322	19,628	425,457
Other	67,495	-	-	-	67,495
Total Revenues	<u>3,070,508</u>	<u>1,328,788</u>	<u>62,322</u>	<u>32,879</u>	<u>4,494,497</u>
Expenditures:					
General Government	200	-	2,823	-	3,023
Public Safety	356,236	-	-	-	356,236
Public Works	1,375,961	-	-	-	1,375,961
Recreation and Cultural	1,284,453	-	-	-	1,284,453
Debt Service:					
Principal	69,178	1,130,000	-	-	1,199,178
Interest and Other Charges	6,330	361,739	-	-	368,069
Capital Outlay	22,214	-	430,778	-	452,992
Total Expenditures	<u>3,114,572</u>	<u>1,491,739</u>	<u>433,601</u>	<u>-</u>	<u>5,039,912</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(44,064)</u>	<u>(162,951)</u>	<u>(371,279)</u>	<u>32,879</u>	<u>(545,415)</u>
Other Financing Sources (Uses):					
Operating Transfers In	568,520	230,492	-	-	799,012
Operating Transfers Out	(121,500)	(83,302)	(84,000)	(19,628)	(308,430)
Proceeds from Long Term Debt	-	-	995,000	-	995,000
Total Other Financing Sources (Uses)	<u>447,020</u>	<u>147,190</u>	<u>911,000</u>	<u>(19,628)</u>	<u>1,485,582</u>
Net Change in Fund Balances	402,956	(15,761)	539,721	13,251	940,167
Fund Balance, July 1	<u>1,565,992</u>	<u>115,164</u>	<u>644,883</u>	<u>417,040</u>	<u>2,743,079</u>
Fund Balance, June 30	<u>\$ 1,968,948</u>	<u>\$ 99,403</u>	<u>\$ 1,184,604</u>	<u>\$ 430,291</u>	<u>\$ 3,683,246</u>

CITY OF PLYMOUTH
Non Major Special Revenue Funds
Combining Balance Sheet
June 30, 2007

	<u>Major Street</u>	<u>Local Street</u>	<u>Recreation Fund</u>	<u>Solid Waste</u>	<u>Budget Stabilization</u>	<u>Public Improvement</u>
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 536,401	\$ 58,670	\$ 87,054	\$ 213,222	\$ 568,477	\$ 97,250
Accounts Receivable	-	-	22,080	77,352	3,586	5,000
Due From Other Governmental Units	57,910	23,551	16,525	6	-	-
Inventory	14,437	34,654	2,459	744	-	-
Prepaid Expenditures	-	-	3,786	-	-	-
Total Assets	<u>\$ 608,748</u>	<u>\$ 116,875</u>	<u>\$ 131,904</u>	<u>\$ 291,324</u>	<u>\$ 572,063</u>	<u>\$ 102,250</u>
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities:						
Accounts Payable	\$ 2,295	\$ 2,999	\$ 30,121	\$ 59,766	\$ -	\$ -
Accrued and Other Liabilities	803	3,372	10,670	4,301	-	-
Due to Other Funds	-	-	-	-	22,063	-
Total Liabilities	<u>3,098</u>	<u>6,371</u>	<u>40,791</u>	<u>64,067</u>	<u>22,063</u>	<u>-</u>
Fund Balance:						
Unreserved:						
Undesignated	605,650	110,504	91,113	227,257	550,000	102,250
Total Fund Balance	<u>605,650</u>	<u>110,504</u>	<u>91,113</u>	<u>227,257</u>	<u>550,000</u>	<u>102,250</u>
Total Liabilities and Fund Balance	<u>\$ 608,748</u>	<u>\$ 116,875</u>	<u>\$ 131,904</u>	<u>\$ 291,324</u>	<u>\$ 572,063</u>	<u>\$ 102,250</u>

<u>Parking</u>	<u>Neighborhood Services</u>	<u>Drug Enforcement</u>	<u>Building</u>	<u>Youth Advisor</u>	<u>OVI Forfeiture</u>	<u>Total</u>
\$ 180,953	\$ 2,241	\$ 9,157	\$ 91,637	\$ 1,851	\$ 32,710	\$ 1,879,623
-	5,865	-	-	-	-	113,883
-	33,916	-	-	-	-	131,908
-	-	-	-	-	-	52,294
-	-	-	-	-	-	3,786
<u>\$ 180,953</u>	<u>\$ 42,022</u>	<u>\$ 9,157</u>	<u>\$ 91,637</u>	<u>\$ 1,851</u>	<u>\$ 32,710</u>	<u>\$ 2,181,494</u>
\$ -	\$ 105	\$ -	\$ 4,620	\$ -	\$ -	\$ 99,906
-	1,016	-	62,415	-	-	82,577
-	8,000	-	-	-	-	30,063
-	9,121	-	67,035	-	-	212,546
180,953	32,901	9,157	24,602	1,851	32,710	1,968,948
<u>180,953</u>	<u>32,901</u>	<u>9,157</u>	<u>24,602</u>	<u>1,851</u>	<u>32,710</u>	<u>1,968,948</u>
<u>\$ 180,953</u>	<u>\$ 42,022</u>	<u>\$ 9,157</u>	<u>\$ 91,637</u>	<u>\$ 1,851</u>	<u>\$ 32,710</u>	<u>\$ 2,181,494</u>

CITY OF PLYMOUTH
Non Major Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2007

	<u>Major Street</u>	<u>Local Street</u>	<u>Recreation Fund</u>	<u>Solid Waste</u>	<u>Budget Stabilization</u>	<u>Public Improvement</u>
Revenues:						
Property Taxes	\$ -	\$ -	\$ -	\$ 846,989	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	352,650	143,392	7,735	-	-	-
Charges for Services	-	-	932,806	241,796	-	-
Interest and Rent	20,670	2,469	-	21,825	-	3,884
Other	-	-	-	3,720	-	33,492
Total Revenues	<u>373,320</u>	<u>145,861</u>	<u>940,541</u>	<u>1,114,330</u>	<u>-</u>	<u>37,376</u>
Expenditures:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Public Works	134,007	280,222	-	961,732	-	-
Recreation and Cultural	-	-	1,133,748	-	-	-
Debt Service:						
Principal	-	-	-	69,178	-	-
Interest and Other Charges	-	-	-	6,330	-	-
Capital Outlay	-	-	-	-	-	18,126
Total Expenditures	<u>134,007</u>	<u>280,222</u>	<u>1,133,748</u>	<u>1,037,240</u>	<u>-</u>	<u>18,126</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>239,313</u>	<u>(134,361)</u>	<u>(193,207)</u>	<u>77,090</u>	<u>-</u>	<u>19,250</u>
Other Financing Sources (Uses):						
Operating Transfers In	25,000	185,080	250,000	-	-	-
Operating Transfers Out	(89,400)	(3,600)	(14,850)	(9,900)	-	-
Total Other Financing Sources (Uses)	<u>(64,400)</u>	<u>181,480</u>	<u>235,150</u>	<u>(9,900)</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	174,913	47,119	41,943	67,190	-	19,250
Fund Balance, July 1	<u>430,737</u>	<u>63,385</u>	<u>49,170</u>	<u>160,067</u>	<u>550,000</u>	<u>83,000</u>
Fund Balance, June 30	<u>\$ 605,650</u>	<u>\$ 110,504</u>	<u>\$ 91,113</u>	<u>\$ 227,257</u>	<u>\$ 550,000</u>	<u>\$ 102,250</u>

<u>Parking</u>	<u>Neighborhood Services</u>	<u>Drug Enforcement</u>	<u>Building</u>	<u>Youth Advisor</u>	<u>OVI Forfeiture</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 846,989
-	-	-	261,096	-	-	261,096
-	87,341	-	-	-	-	591,118
-	70,257	-	-	-	-	1,244,859
8,339	(872)	400	1,075	77	1,084	58,951
-	-	5,401	-	311	24,571	67,495
<u>8,339</u>	<u>156,726</u>	<u>5,801</u>	<u>262,171</u>	<u>388</u>	<u>25,655</u>	<u>3,070,508</u>
-	-	-	-	200	-	200
-	-	4,511	350,302	-	1,423	356,236
-	-	-	-	-	-	1,375,961
-	150,705	-	-	-	-	1,284,453
-	-	-	-	-	-	69,178
-	-	-	-	-	-	6,330
-	-	-	-	-	4,088	22,214
<u>-</u>	<u>150,705</u>	<u>4,511</u>	<u>350,302</u>	<u>200</u>	<u>5,511</u>	<u>3,114,572</u>
<u>8,339</u>	<u>6,021</u>	<u>1,290</u>	<u>(88,131)</u>	<u>188</u>	<u>20,144</u>	<u>(44,064)</u>
-	12,650	-	95,790	-	-	568,520
-	-	-	(3,750)	-	-	(121,500)
<u>-</u>	<u>12,650</u>	<u>-</u>	<u>92,040</u>	<u>-</u>	<u>-</u>	<u>447,020</u>
8,339	18,671	1,290	3,909	188	20,144	402,956
<u>172,614</u>	<u>14,230</u>	<u>7,867</u>	<u>20,693</u>	<u>1,663</u>	<u>12,566</u>	<u>1,565,992</u>
<u>\$ 180,953</u>	<u>\$ 32,901</u>	<u>\$ 9,157</u>	<u>\$ 24,602</u>	<u>\$ 1,851</u>	<u>\$ 32,710</u>	<u>\$ 1,968,948</u>

CITY OF PLYMOUTH
Non Major Debt Service Funds
Combining Balance Sheet
June 30, 2007

	<u>1997 General Obligation</u>	<u>Motor Vehicle Highway</u>	<u>Municipal Building Authority</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ -	\$ 11,885	\$ 2,432
Prepaid Expenditure	<u>-</u>	<u>-</u>	<u>250</u>
Total Assets	<u>\$ -</u>	<u>\$ 11,885</u>	<u>\$ 2,682</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities - Accounts Payable	\$ -	\$ -	\$ -
Fund Balance:			
Reserved for Debt Service	<u>-</u>	<u>11,885</u>	<u>2,682</u>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ 11,885</u>	<u>\$ 2,682</u>

<u>1998 General Obligation</u>	<u>2002 General Obligation</u>	<u>2002 Capital Improvement</u>	<u>2004 General Obligation</u>	<u>2006 L.T.G.O Debt</u>	<u>Total</u>
\$ -	\$ 26,463	\$ 6,522	\$ 78,398	\$ 199	\$ 125,899
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250</u>
<u>\$ -</u>	<u>\$ 26,463</u>	<u>\$ 6,522</u>	<u>\$ 78,398</u>	<u>\$ 199</u>	<u>\$ 126,149</u>
\$ -	\$ 6,713	\$ -	\$ 20,033	\$ -	\$ 26,746
<u>-</u>	<u>19,750</u>	<u>6,522</u>	<u>58,365</u>	<u>199</u>	<u>99,403</u>
<u>\$ -</u>	<u>\$ 26,463</u>	<u>\$ 6,522</u>	<u>\$ 78,398</u>	<u>\$ 199</u>	<u>\$ 126,149</u>

CITY OF PLYMOUTH
Non Major Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2007

	1997 General Obligation	Motor Vehicle Highway	Municipal Building Authority
<u>Revenues:</u>			
Property Taxes	\$ 637,286	\$ -	\$ -
Interest and Rent	20,005	551	252,031
Total Revenues	<u>657,291</u>	<u>551</u>	<u>252,031</u>
<u>Expenditures:</u>			
Debt Service:			
Principal Retirement	610,000	-	225,000
Interest and Fiscal Charges	29,525	275	26,025
Total Expenses	<u>639,525</u>	<u>275</u>	<u>251,025</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>17,766</u>	<u>276</u>	<u>1,006</u>
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	-	-	-
Operating Transfers Out	(72,132)	-	-
Total Other Financing Sources (Uses)	<u>(72,132)</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over Expenditures	(54,366)	276	1,006
Fund Balance, July 1	<u>54,366</u>	<u>11,609</u>	<u>1,676</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 11,885</u>	<u>\$ 2,682</u>

1998 General Obligation	2002 General Obligation	2002 Capital Improvement	2004 General Obligation	2006 L.T.G.O Debt	Total
\$ 101,785	\$ 161,452	\$ -	\$ 143,709	\$ -	\$ 1,044,232
<u>3,281</u>	<u>4,553</u>	<u>715</u>	<u>3,310</u>	<u>110</u>	<u>284,556</u>
<u>105,066</u>	<u>166,005</u>	<u>715</u>	<u>147,019</u>	<u>110</u>	<u>1,328,788</u>
100,000	100,000	95,000	-	-	1,130,000
<u>4,900</u>	<u>71,625</u>	<u>25,065</u>	<u>177,233</u>	<u>27,091</u>	<u>361,739</u>
<u>104,900</u>	<u>171,625</u>	<u>120,065</u>	<u>177,233</u>	<u>27,091</u>	<u>1,491,739</u>
<u>166</u>	<u>(5,620)</u>	<u>(119,350)</u>	<u>(30,214)</u>	<u>(26,981)</u>	<u>(162,951)</u>
-	11,170	120,010	72,132	27,180	230,492
<u>(11,170)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(83,302)</u>
<u>(11,170)</u>	<u>11,170</u>	<u>120,010</u>	<u>72,132</u>	<u>27,180</u>	<u>147,190</u>
(11,004)	5,550	660	41,918	199	(15,761)
<u>11,004</u>	<u>14,200</u>	<u>5,862</u>	<u>16,447</u>	<u>-</u>	<u>115,164</u>
\$ <u>-</u>	\$ <u>19,750</u>	\$ <u>6,522</u>	\$ <u>58,365</u>	\$ <u>199</u>	\$ <u>99,403</u>

CITY OF PLYMOUTH
Non Major Capital Project Funds
Combining Balance Sheet
For the Year Ended June 30, 2007

	<u>Motor Vehicle Highway</u>	<u>2006 L.T.G.O. Cap. Imp.</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ <u>581,637</u>	\$ <u>629,547</u>	\$ <u>1,211,184</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ 7,589	\$ 18,991	\$ 26,580
Fund Balance :			
Reserved for Construction	<u>574,048</u>	<u>610,556</u>	<u>1,184,604</u>
Total Liabilities and Fund Balance	\$ <u>581,637</u>	\$ <u>629,547</u>	\$ <u>1,211,184</u>

CITY OF PLYMOUTH
Non Major Capital Project Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2007

	<u>Motor Vehicle Highway</u>	<u>2006 L.T.G.O. Cap. Imp.</u>	<u>Total</u>
<u>Revenues:</u>			
Interest Income	\$ 29,040	\$ 33,282	\$ 62,322
<u>Expenditures:</u>			
Construction	13,052	417,726	430,778
Other	2,823	-	2,823
Total Expenditures	<u>15,875</u>	<u>417,726</u>	<u>433,601</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>13,165</u>	<u>(384,444)</u>	<u>(371,279)</u>
<u>Other Financing Sources (Uses):</u>			
Operating Transfers Out	(84,000)	-	(84,000)
Proceeds from Long Term Debt	-	995,000	995,000
Total Other Financing Sources (Uses)	<u>(84,000)</u>	<u>995,000</u>	<u>911,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over Expenditures	(70,835)	610,556	539,721
Fund Balance - July 1	<u>644,883</u>	<u>-</u>	<u>644,883</u>
Fund Balance - June 30	\$ <u>574,048</u>	\$ <u>610,556</u>	\$ <u>1,184,604</u>

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October 23, 2007

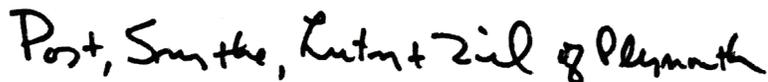
Honorable Mayor and City Commission
City of Plymouth
Plymouth, Michigan

In planning and performing our audit of the City of Plymouth for the year ended June 30, 2007, we have considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions in these areas. This letter does not affect our report dated October 23, 2007 on the financial statements of the City of Plymouth.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City officials, and we will be pleased to discuss them in further detail at your convenience, to perform any additional studies or assist in their implementation.

Respectfully,



Post, Smythe, Lutz and Ziel of Plymouth LLP
Certified Public Accountants

Cash Controls

The City administration is currently reviewing the cost benefit relationship of these suggestions:

- Consider establishing a separate accounts payable checking account for larger transactions, and limit the dollar amount of the "typical" payable and payroll checks to a specific amount. Banks offer a service which automatically returns checks unpaid if they exceed a given dollar limit.
- Use of regional "lock box" services offered by banks could speed up cash flow and improve internal control. Generally, the banks will also work with your accounting software to update customer accounts in an automated fashion.
- Separate depository accounts from disbursing accounts, and use ACH filters and blocks on all accounts.

Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Post employment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post employment benefits (other than pensions). The new rules will cause the City as a whole to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid, in the "Entity Wide" financial statements. The new pronouncement is effective for the year ending June 30, 2008, and will require actuarial valuations of the liability at least tri-annually.

Interest on Property Tax Collections

P.A. 169 of 1988 requires tax collecting agencies to share investment income earned in the property tax fund with other taxing authorities, unless an agreement between the parties (which contains consideration) provides for retention of the interest. We suggest that the City enter into such agreements, or share the interest as required.

Delinquent Personal Property Taxes Receivable

The City should follow the processes outlined in MCL 211.56a to remove delinquent personal property uncollected after five years. Currently, taxes going back to 1987 remain on the books. The net impact to fund balance will be nominal, as the asset property taxes receivable, is offset by a "contra account", allowance for doubtful accounts. Any parcels in the DDA, which are petitioned to the Circuit Court as "uncollectible", should be refunded to the other taxing agencies, as the DDA capture generally reflected 100% of the taxes levied.