

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- Yes No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- Yes No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- Yes No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- Yes No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- Yes No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- Yes No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- Yes No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- Yes No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- Yes No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)			
Street Address		City	State
			ZIP Code
Accountant Signature <i>Abraham & Jeffrey, P.C.</i> <i>Alan M. Stevens</i>			Date

**City of Laingsburg
Shiawassee County, Michigan**

FINANCIAL STATEMENTS

June 30, 2004

City of Laingsburg

Shiawassee County, Michigan

June 30, 2004

CITY COUNCIL AND ADMINISTRATION

Mr. Micheal Culpepper

Mayor

Mr. Brian Fredline

Council Member

Mr. David Hartman

Council Member

Mr. David Rhodabeck

Council Member

Mr. Robert Frank

Council Member

Mr. Thad Rose

Council Member

Mr. Timothy Leonard

Council Member

Ms. Paula Willoughby

Treasurer

Ms. Lana Kaiser

City Clerk

City of Laingsburg

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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Laingsburg, Michigan as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 financial position of the governmental activities, business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Laingsburg, Michigan as of June 30, 2004, 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.

As described in Note A, the City has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of July 1, 2003, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, 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 Laingsburg's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 1, 2004

New Financial Reporting

Starting with fiscal year 2004, the City of Laingsburg, Michigan (the "City") has revised and improved its financial reporting document. These changes are a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of these new standards is to provide citizens, taxpayers, customers, and investors with a better understanding of how the City's money and other assets are managed.

The new standards set by GASB are intended to give the reader of this annual financial report a better understanding of the financial status of the City. The new standards introduce accounting rules and systems that are common in the private sector. This report presents a much broader picture of the City's financial status. Through this comprehensive reporting of assets and liabilities, the reader should have a greater understanding of the City's financial health.

The discussion and analysis of the City's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2004:

- State shared revenue, our second largest revenue source in the General Fund, was reduced by the State of Michigan by approximately \$2,000 this year. This reduction was the result of reduced sales tax revenues collected by the State and changes in the distribution formula used by the State. Over the past few years, the State has overestimated its projected revenues to be shared with local governments.
- Property tax revenues increased approximately \$17,500 from the prior year. The increase is the net result of increased residential building that has increased the City's taxable value from approximately \$17 million to \$19 million.
- The City incurred costs of \$22,500 for a Sidewalk Projects that were not anticipated when the original budget was adopted.
- The City incurred costs of \$46,200 for a Street Projects that were not anticipated when the original budget was adopted.
- The City was approved for a \$307,000 DNR Grant that requires a fifty percent match.
- The City of Laingsburg made the following debt payments:
 - 3rd annual payment of five on the 2001 Police Car \$6,533
 - 3rd annual payment of four on the 2001 Case Backhoe \$15,554
 - Final annual payment of ten on the East Sewer Bonds \$26,525
- Total fund balances related to the City's governmental funds increased by \$20,222.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City of Laingsburg as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the City of Laingsburg in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City of Laingsburg acts solely as a trustee or agent for the benefit of those outside the government.

**Management's Discussion and Analysis
Year Ended June 30, 2004**

The City as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2004. A comparative analysis of data will be presented in future years when the information is available.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Assets			
Current assets	\$ 279,292	\$ 55,401	\$ 836,693
Noncurrent assets	<u>807,607</u>	<u>1,407,796</u>	<u>2,215,403</u>
Total assets	1,086,899	1,965,197	3,052,096
Liabilities			
Current liabilities	40,430	1,205	41,635
Long-term liabilities	<u>12,497</u>	<u>-</u>	<u>12,497</u>
Total liabilities	52,927	1,205	54,132
Net Assets			
Invested in capital assets, Net of related debt	753,141	1,407,796	2,160,937
Restricted for Streets	43,224	-	43,224
Unrestricted	<u>237,607</u>	<u>556,196</u>	<u>793,803</u>
Total net assets	<u>\$ 1,033,972</u>	<u>\$ 1,963,992</u>	<u>\$ 2,997,964</u>

The City's total net assets were \$2,997,964 at June 30, 2004. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$793,803 at the end of the fiscal year. The net asset invested in capital assets, net of related debt were at \$2,160,937. The management's discussion and analysis will present a condensed comparative statement of net assets next year when we have two years of statements in the GASB Statement No. 34 format.

**Management's Discussion and Analysis
Year Ended June 30, 2004**

The following table shows the changes in net assets during the current year. Future reports will provide comparative data for the statement of activities. Comparative data is not required during the first year of reporting under requirements of GASB Statement No. 34.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Revenue			
Program revenue:			
Charges for services	\$ 77,059	\$ 198,517	\$ 275,576
Operating grants and contributions	63,149	-	63,149
General revenue:			
Property taxes	290,601	-	290,601
State shared revenue	264,374	-	264,374
Investment earnings	1,517	1,176	2,693
Other revenue	<u>65,784</u>	<u>212</u>	<u>65,996</u>
Total revenue	762,484	199,905	962,389
Program Expenses			
General government	203,758	-	203,758
Public safety	189,473	-	189,473
Public works	271,020	-	271,020
Community and economic development	16,000	-	16,000
Recreation and cultural	97,720	-	97,720
Other	16,608	-	16,608
Interest on long-term liabilities	2,133	-	2,133
Sewer system	<u>-</u>	<u>174,689</u>	<u>174,689</u>
Total program expenses	796,712	174,689	971,401
Transfers	<u>7,777</u>	<u>(7,777)</u>	<u>-0-</u>
Change in Net Assets	<u>\$(26,451)</u>	<u>\$ 17,439</u>	<u>\$(9,012)</u>

Governmental Activities

The City's governmental revenues totaled \$762,484 with the greatest revenue source being property taxes. Property taxes make up approximately 38 percent of total governmental revenue. Over the past few years, state shared revenue and interest income have both declined.

The City incurred governmental expenses of \$796,712 during the year. The majority of governmental expense is associated with the public works function.

Business-type Activities

Net assets of the business-type activities increased by \$17,439 during Fiscal Year 2004. The overwhelming majority (99%) of the revenue of the business-type activities is generated through user charges. Depreciation of the sewer system's capital assets represents approximately 49% of the business-type activities' expenses. Of the total \$1.9 million of net assets of the business-type activities as of June 30, 2004, \$1.4 million is invested in capital assets net of related debt.

The City's Funds - Fund Level Financial Statements

The analysis of the City's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City of Laingsburg as a whole. The City of Laingsburg creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The City's major funds for the fiscal year ended June 30, 2004 include the General Fund, the Major Street Fund and the Sewer Fund.

The General Fund pays for most of the City's governmental services. The most significant service provided during the fiscal year was general government and public safety. General government includes City hall and grounds and regular City services and public safety includes the police department. The general government and public safety incurred expenditures of \$198,811 and \$192,547, respectively, for the fiscal year.

The Major Street Fund pays for most of the City's repairs and maintenance of the City's streets and incurred expenditures of \$98,125 for the fiscal year.

The Sewer Fund pays for the City's Sewer service to the public and incurred expenses of \$163,586 for the fiscal year, expenses are funded through sewer user charges.

Budgetary Highlights

Over the course of the fiscal year, the City Council made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to cover the costs of repairs to City Hall, as well as increasing the budget for sidewalk projects that were not expected to be financed this year. However, because all departments came in under budget at year end, there was an overall favorable variance of approximately \$17,330 from budget.

Capital Asset and Debt Administration

At the end of the fiscal year, the City had approximately \$4,781,005 invested in a broad range of capital assets, including buildings, land, equipment, and infrastructure. In addition, the City has made certain investments in roads and drains within the City limits of Laingsburg. During the current year the City paid \$45,263 in debt principal and paid off two (2) Revenue bonds that were recorded in the Sewer fund. The City has \$38,209 in debt outstanding as of June 30, 2004.

Current Economic Factors

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack. The governor's proposed budget for the State's 2003/04 fiscal year calls for a reduction of 3 percent of total revenue sharing. This should mean an additional reduction in revenue sharing of approximately \$8,000 to the City of Laingsburg.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City Clerk or Treasurer at the City Hall.

BASIC FINANCIAL STATEMENTS

City of Laingsburg

STATEMENT OF NET ASSETS

June 30, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 110,888	\$ 194,045	\$ 304,933	\$ 39,872
Investments	89,915	286,306	376,221	40,261
Receivables	7,918	77,112	85,030	-
Due from other governmental units	59,384	-	59,384	-
Internal balances	62	(62)	-0-	-
Due from fiduciary funds	11,125	-	11,125	-
Total current assets	279,292	557,401	836,693	80,133
Noncurrent assets				
Cash - restricted	27,854	-	27,854	-
Capital assets, net	779,753	1,407,796	2,187,549	-
Total noncurrent assets	807,607	1,407,796	2,215,403	-0-
TOTAL ASSETS	1,086,899	1,965,197	3,052,096	80,133
LIABILITIES				
Current liabilities				
Accounts payable	6,168	-	6,168	80,043
Other accrued liabilities	7,578	1,205	8,783	-
Accrued interest payable	972	-	972	-
Current portion of compensated absences	5,211	-	5,211	-
Current portion of long-term debt	20,501	-	20,501	-
Total current liabilities	40,430	1,205	41,635	80,043
Noncurrent liabilities				
Noncurrent portion of compensated absences	6,386	-	6,386	-
Noncurrent portion of long-term debt	6,111	-	6,111	-
Total noncurrent liabilities	12,497	-0-	12,497	-0-
TOTAL LIABILITIES	52,927	1,205	54,132	80,043
NET ASSETS				
Invested in capital assets, net of related debt	753,141	1,407,796	2,160,937	-
Restricted for streets	43,224	-	43,224	-
Unrestricted	237,607	556,196	793,803	90
TOTAL NET ASSETS	\$ 1,033,972	\$ 1,963,992	\$ 2,997,964	\$ 90

See accompanying notes to financial statements.

City of Laingsburg

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-type Activities	Total	
Primary government:							
Governmental activities							
General government	\$ 203,758	\$ 57,391	\$ 400	\$ (145,967)	\$ -	\$ (145,967)	\$ -
Public safety	189,473	12,485	33,178	(143,810)	-	(143,810)	-
Public works	271,020	-	-	(271,020)	-	(271,020)	-
Community and economic development	16,000	-	-	(16,000)	-	(16,000)	-
Recreation and cultural	97,720	7,183	29,571	(60,966)	-	(60,966)	-
Other	16,608	-	-	(16,608)	-	(16,608)	-
Interest on long-term debt	2,133	-	-	(2,133)	-	(2,133)	-
Total governmental activities	796,712	77,059	63,149	(656,504)	-0-	(656,504)	-0-
Business-type activities:							
Sewer system	174,689	198,517	-	-	23,828	23,828	-
Total primary government	<u>\$ 971,401</u>	<u>\$ 275,576</u>	<u>\$ 63,149</u>	(656,504)	23,828	(632,676)	-0-
Component unit:							
Downtown Development Authority	<u>\$ 108,086</u>	<u>\$ -</u>	<u>\$ 16,000</u>	-	-	-0-	(92,086)
General revenues:							
Property taxes				290,601	-	290,601	37,244
State shared revenues				264,374	-	264,374	-
Investment earnings				1,517	1,176	2,693	385
Penal fines				35,367	-	35,367	-
Miscellaneous				30,417	212	30,629	-
Transfers				7,777	(7,777)	-0-	-
Total general revenues and transfers				<u>630,053</u>	<u>(6,389)</u>	<u>623,664</u>	<u>37,629</u>
Change in net assets				(26,451)	17,439	(9,012)	(54,457)
Net assets, beginning of the year				1,060,423	2,051,519	3,111,942	54,547
Prior period adjustment				-	(104,966)	(104,966)	-
Net assets, end of the year				<u>\$ 1,033,972</u>	<u>\$ 1,963,992</u>	<u>\$ 2,997,964</u>	<u>\$ 90</u>

See accompanying notes to financial statements.

City of Laingsburg

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2004

	General	Major Street	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 67,994	\$ 13,726	\$ 29,168	\$ 110,888
Cash and cash equivalents - restricted	27,854	-	-	27,854
Investments	89,915	-	-	89,915
Receivables				
Accounts	7,830	-	-	7,830
Taxes	88	-	-	88
Due from other governmental units				
County	1,390	-	20,802	22,192
Federal/State	19,444	12,990	4,758	37,192
Due from other funds	11,206	-	24	11,230
TOTAL ASSETS	\$ 225,721	\$ 26,716	\$ 54,752	\$ 307,189
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Payables				
Accounts	\$ 6,168	\$ -	\$ -	\$ 6,168
Wages	5,466	398	1,300	7,164
Other accrued liabilities	-	-	80	80
Due to other funds	24	18	1	43
Due to individuals and agencies	334	-	-	334
TOTAL LIABILITIES	11,992	416	1,381	13,789
FUND BALANCES				
Unreserved				
Designated for community projects	67,441	-	-	67,441
Undesignated, reported in:				
General fund	146,288	-	-	146,288
Special revenue funds	-	26,300	53,371	79,671
TOTAL FUND BALANCES	213,729	26,300	53,371	293,400
TOTAL LIABILITIES AND FUND BALANCES	\$ 225,721	\$ 26,716	\$ 54,752	\$ 307,189

See accompanying notes to financial statements.

City of Laingsburg

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2004

Total fund balance - governmental funds \$ 293,400

Amounts reported for the 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 as assets in the governmental funds.

The cost of capital assets is	\$ 1,569,849	
Accumulated depreciation is	<u>(790,096)</u>	
Capital assets, net		779,753

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Long-term debt payable	\$ 26,612	
Accrued interest payable	972	
Compensated absences	<u>11,597</u>	
		<u>(39,181)</u>

Net assets of governmental activities \$ 1,033,972

See accompanying notes to financial statements.

City of Laingsburg

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2004

	General	Major Street	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 290,601	\$ -	\$ -	\$ 290,601
Licenses and permits	13,130	-	-	13,130
Intergovernmental	212,059	76,533	39,637	328,229
Charges for services	1,592	-	6,247	7,839
Fines and forfeits	10,538	-	36,303	46,841
Interest and rents	36,130	127	175	36,432
Other	38,006	96	1,310	39,412
TOTAL REVENUES	602,056	76,756	83,672	762,484
EXPENDITURES				
General government	198,811	-	-	198,811
Public safety	186,945	-	-	186,945
Public works	67,282	98,125	45,943	211,350
Community and economic development	16,000	-	-	16,000
Recreation and cultural	30,605	-	66,026	96,631
Capital outlay	1,607	-	-	1,607
Debt service	22,087	-	-	22,087
Other	16,608	-	-	16,608
TOTAL EXPENDITURES	539,945	98,125	111,969	750,039
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	62,111	(21,369)	(28,297)	12,445
OTHER FINANCING SOURCES (USES)				
Operating transfers in	7,777	-	31,000	38,777
Operating transfers out	(31,000)	-	-	(31,000)
TOTAL OTHER FINANCING SOURCES (USES)	(23,223)	-0-	31,000	7,777
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	38,888	(21,369)	2,703	20,222
Fund balances, beginning of year	174,841	47,669	50,668	273,178
Fund balances, end of year	<u>\$ 213,729</u>	<u>\$ 26,300</u>	<u>\$ 53,371</u>	<u>\$ 293,400</u>

See accompanying notes to financial statements.

City of Laingsburg

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

Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ 20,222

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 6,051	
Depreciation expense	<u>(73,539)</u>	
Excess of depreciation expense over capital outlay		(67,488)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Repayment of long-term debt	19,402
-----------------------------	--------

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

Decrease in accrued interest payable	552	
Decrease in accrued compensated absences	<u>861</u>	
		<u>1,413</u>

Change in net assets of governmental activities \$ (26,451)

See accompanying notes to financial statements.

City of Laingsburg
Proprietary Fund
STATEMENT OF NET ASSETS
June 30, 2004

	Sewer System
ASSETS	
Current	
Cash and cash equivalents	\$ 194,045
Investments	286,306
Accounts receivable	77,112
Total current assets	557,463
Noncurrent assets	
Capital assets, net	1,407,796
TOTAL ASSETS	1,965,259
LIABILITIES	
Current	
Accrued wages	1,205
Due to other funds	62
TOTAL LIABILITIES	1,267
NET ASSETS	
Investment in capital assets	1,407,796
Unrestricted	556,196
TOTAL NET ASSETS	\$ 1,963,992

See accompanying notes to financial statements.

City of Laingsburg

Proprietary Fund

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS

Year Ended June 30, 2004

	Sewer System
OPERATING REVENUES	
Charges for services	\$ 198,517
Other	212
	<hr/>
TOTAL OPERATING REVENUES	198,729
OPERATING EXPENSES	
Salaries and wages	34,154
Fringe benefits	9,175
Contractual services	12,988
Supplies	2,514
Utilities	3,538
Repairs and maintenance	8,656
Depreciation	85,266
Other	7,295
	<hr/>
TOTAL OPERATING EXPENSES	163,586
OPERATING INCOME	35,143
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	1,176
Loss on value of investments	(9,832)
Interest expense and fees	(1,271)
	<hr/>
TOTAL NONOPERATING REVENUES (EXPENSES)	(9,927)
INCOME BEFORE TRANSFERS	25,216
TRANSFERS OUT	
Transfers out	(7,777)
	<hr/>
NET INCOME	17,439
Net assets, beginning of year	2,051,519
Prior period adjustment	(104,966)
	<hr/>
Net assets, end of year	<u>\$ 1,963,992</u>

See accompanying notes to financial statements.

City of Laingsburg

Proprietary Fund

STATEMENT OF CASH FLOWS

Year Ended June 30, 2004

	<u>Sewer System</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 204,091
Cash paid to employees and vendors	(69,146)
Cash paid for employee benefits	<u>(9,175)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	125,770
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	(7,777)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest expense	(1,271)
Payments on borrowings	<u>(25,000)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(26,271)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(81,306)
Loss on value of investments	(9,832)
Interest revenue	<u>1,176</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(89,962)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,760
Cash and cash equivalents, beginning of year	<u>192,285</u>
Cash and cash equivalents, end of year	<u><u>\$ 194,045</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 35,143
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	85,266
Decrease in receivables	5,362
Increase in due to other funds	62
(Decrease) in accrued liabilities	<u>(63)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 125,770</u></u>

See accompanying notes to financial statements.

City of Laingsburg

Fiduciary Funds

STATEMENT OF NET ASSETS

June 30, 2004

	<u>Agency Funds</u>		
	<u>Trust and Agency</u>	<u>Current Tax Collection</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 7,673	\$ 16,548	\$ 24,221
Investments	15,998	-	15,998
TOTAL ASSETS	<u>\$ 23,671</u>	<u>\$ 16,548</u>	<u>\$ 40,219</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to individuals and agencies	\$ 17,771	\$ -	\$ 17,771
Due to other funds	5,900	5,225	11,125
Due to other governmental units			
County	-	2,006	2,006
State Education Tax	-	1,367	1,367
Fire Authority	-	245	245
Schools	-	7,705	7,705
TOTAL LIABILITIES	<u>\$ 23,671</u>	<u>\$ 16,548</u>	<u>\$ 40,219</u>

See accompanying notes to financial statements.

City of Laingsburg

Component Unit

STATEMENT OF NET ASSETS

June 30, 2004

	<u>Downtown Development Authority</u>
ASSETS	
Cash and cash equivalents	\$ 39,872
Investments	<u>40,261</u>
 TOTAL ASSETS	 80,133
LIABILITIES	
Accounts payable	<u>80,043</u>
NET ASSETS	
Unrestricted	<u><u>\$ 90</u></u>

Note: Reconciliation of the component unit governmental fund balance sheet to the statement of net assets for the component unit is not required as the component unit fund balance were equal to the component unit net assets as of June 30, 2004.

City of Laingsburg

Component Unit

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

	Downtown Development Authority
Program expenses	
Community and economic development	\$ 108,086
Program revenues	
Operating grants and contributions	<u>16,000</u>
NET PROGRAM EXPENSES	(92,086)
General revenues	
Property taxes	37,244
Investment earnings	<u>385</u>
TOTAL GENERAL REVENUES	<u>37,629</u>
CHANGE IN NET ASSETS	(54,457)
Net assets, beginning of the year	<u>54,547</u>
Net assets, end of the year	<u><u>\$ 90</u></u>

Note: Reconciliations of the statement of revenues, expenditures, and change in fund balance of the component unit governmental fund to the statement of activities for the component unit is not required as the net change in fund balance of the component unit governmental fund was equal to the change in net assets of the component unit for the year ended June 30, 2004.

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Laingsburg is located in Shiawassee County, Michigan and has a population of approximately 1,223. The City of Laingsburg operates with a Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The City has six (6) City Council members who are elected at large for overlapping four (4) year terms and a Mayor elected at large for a two (2) year term. The Council appoints the Treasurer, Clerk, Assessor, Chief of Police, and DPW Supervisor.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to City governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present the financial activities of the City of Laingsburg (primary government) and its component unit (Downtown Development Authority).

2. Discretely Presented Component Unit

The component unit is reported in a separate column to emphasize that, while legally separate, the City of Laingsburg remains financially accountable for this entity.

The governing body of the Downtown Development Authority is appointed by the City Council, the Authority's budget is subject to the approval of the City Council and the City temporarily relinquishes part of its tax base to the Authority (tax increment revenues).

3. Jointly Governed Organizations

The City participates in the following activity which is considered to be a jointly governed organization in relation to the City due to there being no ongoing financial interest or responsibility:

Laingsburg, Sciota, and Woodhull Emergency Services Authority - The City of Laingsburg, in conjunction with the Townships of Sciota and Woodhull, have entered into an agreement that created the Laingsburg, Sciota, and Woodhull Emergency Services Authority. The Emergency Services Authority is composed of two (2) members from each of the member municipalities. The City is responsible to pay a pro-rata portion of operating and construction costs based on the current taxable values of the member municipalities. The City did not contribute funds to the Emergency Services Authority for the year ended June 30, 2004.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated non-major funds. 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 the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the City are:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Street Fund is used to account for the financial resources that are used for repairs and maintenance of the City's streets.
- c. The Sewer System Fund is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) is financed or recovered primarily through user charges.

5. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting - continued

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. On the council meeting nearest but no later than the third Monday in May, the City Treasurer submits to City Council the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to July 1, the budget is legally adopted with passage by Council vote.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were appropriately approved by the City Council as required.

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Cash, Cash Equivalents, and Investments

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the City's investments. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less.

Investments include U.S. government securities and certificates of deposit with original maturities of greater than 90 days from the date of purchase. All certificates of deposit are stated at market value.

9. Property Tax

The City of Laingsburg bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the City of Laingsburg on July 1 and December 1 and are payable without penalty through September 15 and February 14, respectively. The July 1 levy is composed of the City's millage, special assessments and the State Education Tax. The December 1 levy is composed of county, fire authority, and schools taxes and special assessments. All real property taxes not paid to the City by March 1 are turned over to the Shiawassee County Treasurer for collection. The Shiawassee County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted to levy taxes up to 20 mills (\$20 per \$1,000 of taxable valuation) for general governmental services. For the year ended June 30, 2004, the City levied 16.2161 mills per \$1,000 of assessed valuation for general governmental services. The total Taxable Value for the 2003 levy for property within the City was \$19,027,621.

10. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

11. Compensated Absences

City employees are granted sick/personal leave in varying amounts. In the event of termination, an employee is paid for accumulated sick/personal time. Employees are not paid for accumulated vacation. All employees with accumulated unused sick/personal time pay at June 30, 2004 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Capital Assets

Capital assets include buildings and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment and furniture	5 - 30 years
Vehicles	2 - 8 years
Sewer system and improvements	15 - 40 years
Infrastructure	20 years

13. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the government-wide financial statements.

14. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. 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.

15. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

16. Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

17. Accounting Change

As of July 1, 2003, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Certain significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the City's activities have been provided. A reconciliation is presented between the fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$651,321, which were previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the City's capital assets.
- Long-term obligations reported on the statement of net assets include compensated absences of \$12,458 and contract and lease payables of \$46,014, which were previously reported in the General Long-term Debt Account Group.
- The governmental fund financial statements focus on major funds rather than fund types.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The City utilizes a pooled cash account for approximately three funds. The City's pooled cash account consists of a checking account.

The City's pooled cash accounts and investments are utilized by the General Fund, Special Revenue Funds, Enterprise Funds, and the Trust and Agency Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents and investments captions on the basic financial statements.

The other funds of the City utilize separate savings and interest bearing checking accounts.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of June 30, 2004, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Regular checking	\$ 312,373	\$ 346,491
Savings	<u>24,666</u>	<u>24,666</u>
Total Primary Government	337,039	371,157
COMPONENT UNIT		
Regular checking	23,872	64,163
Certificates of deposit	<u>40,261</u>	<u>40,261</u>
Total Component Unit	<u>64,133</u>	<u>104,424</u>
TOTAL REPORTING UNIT	<u>\$ 401,172</u>	<u>\$ 475,581</u>

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2004, the City accounts were insured by the FDIC for \$164,927, and the amount of \$310,654 was uninsured and uncollateralized.

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Investments

As of June 30, 2004, the carrying amounts and market values for the investment are as follows:

<u>Investment Type</u>	<u>Carrying Amount</u>
PRIMARY GOVERNMENT	
Insured or registered for which the securities are held by the City's agent not in the City's name	
U.S. Governmental Securities	\$ 276,964
Uncategorized pooled investment funds	<u>151,099</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 428,063</u>

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2004:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 320,933	\$ 23,872	\$ 24,221	\$ 369,026
Cash and cash equivalents - restricted	27,854	-	-	27,854
Investments	<u>376,221</u>	<u>40,261</u>	<u>15,998</u>	<u>432,480</u>
	<u>\$ 725,008</u>	<u>\$ 64,133</u>	<u>\$ 40,219</u>	<u>\$ 829,360</u>

The cash and cash equivalents captions in the basic financial statements include \$125 in imprest cash.

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2004, are as follows:

Due to general fund from:	
Major Street fund	\$ 18
Sewer System fund	62
Nonmajor governmental funds	1
Fiduciary funds	<u>11,125</u>
	<u>\$ 11,206</u>
Due to nonmajor governmental funds from:	
General fund	<u>\$ 24</u>

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business-type funds, and component units have been eliminated.

Transfers to general fund from:	
Sewer System fund	<u>\$ 7,777</u>
Transfers to nonmajor governmental funds from:	
General fund	<u>\$ 31,000</u>

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows:

Primary Government

	Restated Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2004</u>
Governmental activities				
Land	\$ 55,451	\$ -	\$ -	\$ 55,451
Buildings and improvements	138,538	-	-	138,538
Vehicles	174,202	6,051	-	180,253
Equipment and furniture	179,215	-	-	179,215
Infrastructure	<u>1,016,392</u>	<u>-</u>	<u>-</u>	<u>1,016,392</u>
Totals at historical cost	1,563,798	6,051	-0-	1,569,849
Less accumulated depreciation for:				
Buildings and improvements	(60,883)	(4,423)	-	(65,306)
Vehicles	(147,192)	(12,405)	-	(159,597)
Equipment and furniture	(80,451)	(11,238)	-	(91,689)
Infrastructure	<u>(428,031)</u>	<u>(45,473)</u>	<u>-</u>	<u>(473,504)</u>
Total accumulated depreciation	<u>(716,557)</u>	<u>(73,539)</u>	<u>-0-</u>	<u>(790,096)</u>
Capital assets, net	<u>\$ 847,241</u>	<u>\$(67,488)</u>	<u>\$ -0-</u>	<u>\$ 779,753</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 4,201
Public safety	8,579
Public works	59,670
Recreation and cultural	<u>1,089</u>
Total Depreciation Expense	<u>\$ 73,539</u>

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2004</u>
Business-type activities				
Buildings and improvements	\$ 3,152,823	\$ -	\$ -	\$ 3,152,823
Machinery and equipment	55,031	-	-	55,031
Office equipment	<u>3,302</u>	<u>-</u>	<u>-</u>	<u>3,302</u>
Totals at historical cost	3,211,156	-0-	-0-	3,211,156
Less accumulated depreciation for:				
Buildings and improvements	(1,681,653)	(78,958)	-	(1,760,611)
Machinery and equipment	(33,139)	(6,308)	-	(39,447)
Office equipment	<u>(3,302)</u>	<u>-</u>	<u>-</u>	<u>(3,302)</u>
Total accumulated depreciation	<u>(1,718,094)</u>	<u>(85,266)</u>	<u>-0-</u>	<u>(1,803,360)</u>
Capital assets, net	<u>\$ 1,493,062</u>	<u>\$(85,266)</u>	<u>\$ -0-</u>	<u>\$ 1,407,796</u>

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2004:

	Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2004</u>	Amount Due Within <u>One Year</u>
PRIMARY GOVERNMENT					
Governmental Activities					
Capital Lease - Police Car	\$ 17,176	\$ -	\$ 5,348	\$ 11,828	\$ 5,717
Loan Payable - Backhoe	28,838	-	14,054	14,784	14,784
Accumulated Sick/Personal	<u>12,458</u>	<u>-</u>	<u>861</u>	<u>11,597</u>	<u>5,211</u>
	58,472	-0-	20,263	38,209	25,712
Business-type Activities					
1993A Revenue Bonds No. 2	15,000	-	15,000	-0-	-
1993A Revenue Bonds No. 1	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>-0-</u>	<u>-</u>
	<u>25,000</u>	<u>-0-</u>	<u>25,000</u>	<u>-0-</u>	<u>-0-</u>
	<u>\$ 83,472</u>	<u>\$ -0-</u>	<u>\$ 45,263</u>	<u>\$ 38,209</u>	<u>\$ 25,712</u>

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE F: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Municipal Purchase Contract - Primary Government

The following loan is considered a municipal purchase contract under Public Act 99 of 1933, as amended, and is not subject to State of Michigan, Department of Treasury approval.

\$57,750 Installment purchase for a backhoe dated March 15, 2002, due in annual installments of \$15,553 that includes principal and interest at 5.20 percent, payable annually. \$ 14,784

The annual requirements to pay the debt principal and interest outstanding for the contract are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Municipal Purchase Contract</u>	
	<u>Principal</u>	<u>Interest</u>
2005	<u>\$ 14,784</u>	<u>\$ 769</u>

Capital Lease - Primary Government

The City has entered into a lease purchase agreement to finance the acquisition of a police car. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease term at bargain price) and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception. The cost of equipment acquired under the lease purchase agreement amounted to \$28,712.

Commitments under this lease agreement provide for minimum annual payments as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 5,717	\$ 816
2006	<u>5,717</u>	<u>816</u>
	<u>\$ 11,828</u>	<u>\$ 1,632</u>

Accrued Sick/Personal

Individual employees have vested rights upon termination of employment to receive payments for unused sick/personal time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$11,597 at June 30, 2004.

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE G: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules, the City's budgeted expenditures in the General and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2004, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Community and economic development			
DDA	\$ -	\$ 16,000	\$ 16,000
Debt Service			
Principal	11,625	19,402	7,777

NOTE H: RETIREMENT PLAN

Plan Description

The City of Laingsburg approved participation in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees of the City of Laingsburg, in October 2002. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for eligible employees was established by the City Council. The plan requires a three (3) percent contribution from the employees.

Annual Pension Cost

For year ended June 30, 2004, the City of Laingsburg's annual pension cost of \$11,043 for the plan was equal to the City of Laingsburg's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at May 1, 2002, using the entry actual age cost method. Actual contributions to the retirement system are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty (30) years.

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE H: RETIREMENT PLAN - CONTINUED

Trend information

	Period Ended May 1, <u>2002</u>	Year Ended December 31, <u>2002</u> <u>2003</u>	
Actuarial value of assets	\$ -	\$ 76,427	\$ 106,225
Actuarial accrued liability (AAL) (entry age)	80,609	105,957	111,152
Unfunded (overfunded) AAL	80,609	29,530	4,927
Funded ratio	- %	72 %	96 %
Covered payroll	200,867	239,363	176,968
UAAL as a percentage of covered payroll	40 %	12 %	3 %

	Year Ended June 30, <u>2003</u> <u>2004</u>	
Annual pension cost	\$ 9,553	\$ 11,043
Percentage of APC contributed	100 %	100 %
Net pension obligation	-	-

Trend information related to annual pension cost, percentage of annual pension cost contributed, and net pension obligation for the year ended June 30, 2002, has not been presented as required by GASB Statement No. 27, as this is only the third year of the plan. This trend information was obtained from the most recently issued actuarial reports.

NOTE I: RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal League Liability and Property Pool with other municipalities for property, casualty, law enforcement, automobiles, crime, employee benefit, and public official losses. The pool is organized under Public Act 138 of 1982, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

The City also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

NOTE J: FUND EQUITY DESIGNATIONS

Designated fund balance indicates that portion of the fund balance which the City has set aside for specific purposes.

The following is the fund balance designation as of June 30, 2004:

<u>Fund Balance</u>	
General Fund	
Designated for community projects	<u>\$ 67,441</u>

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE K: BUILDING AND ZONING FINANCIAL INFORMATION

The City elected to report the financial activities of the building and zoning department in the general fund. The following is the required information as it relates to this department for the year ended June 30, 2004:

REVENUES	
Building permits	\$ 8,204
EXPENDITURES	
Contractual services	2,161
Supplies and other	<u>5,101</u>
TOTAL EXPENDITURES	<u>7,262</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 942</u>

NOTE L: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2004:

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for streets	<u>\$ 43,224</u>

NOTE M: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustment was made during the year, which was the result of a correction of an accounting error. This adjustment was reported as a change to beginning net assets and the affects both the fund financial statements and the government-wide financial statements. The effect of operations and other affected balances for the current and prior year are as follows:

	<u>2004</u>	June 30, <u>2003</u>	<u>Description</u>
Sewer System fund			
Accounts receivable	\$ -	\$(9,597)	Correct overstatement of receivables
Special assessments receivable	-	(95,369)	
Net assets	(104,966)	-	
Business-type activities			
Accounts receivable	-	(9,597)	Correct overstatement of receivables
Special assessments receivable	-	(95,369)	
Net assets	(104,966)	-	

REQUIRED SUPPLEMENTARY INFORMATION

City of Laingsburg

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2004

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
Property taxes	\$ 289,593	\$ 285,593	\$ 290,601	\$ 5,008
Licenses and permits				
Cable television license	4,788	4,788	4,824	36
City licenses and permits	6,100	8,600	8,306	(294)
Total licenses and permits	10,888	13,388	13,130	(258)
Intergovernmental				
State				
State shared revenue	158,000	148,000	152,704	4,704
State liquor license	1,350	1,350	1,360	10
Michigan justice training	950	950	885	(65)
Metro act	5,271	4,480	4,480	-0-
Federal				
FEMA	-	23,000	20,249	(2,751)
COPS grant	-	32,381	32,381	-0-
Total intergovernmental	165,571	210,161	212,059	1,898
Charges for services				
Other fees	4,700	1,700	1,592	(108)
Fines and forfeits				
Parking	6,250	9,500	10,538	1,038
Interest and rents				
Interest	3,515	2,015	1,215	(800)
Rents	28,400	39,600	37,891	(1,709)
Net decrease in the fair value of investments	-	-	(2,976)	(2,976)
Total interest and rents	31,915	41,615	36,130	(5,485)
Other				
Refunds	450	2,600	11,943	9,343
Contributions	1,235	1,435	24,958	23,523
Other	500	1,100	1,105	5
Total other	2,185	5,135	38,006	32,871
TOTAL REVENUES	511,102	567,092	602,056	34,964

City of Laingsburg

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2004

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES				
General government				
Council, boards, and commissions	\$ 8,060	\$ 8,160	\$ 7,591	\$ 569
Chief executive	2,673	2,728	2,508	220
Treasurer	37,310	32,965	30,500	2,465
Clerk	24,839	25,739	23,316	2,423
Contractual services	24,000	24,200	23,423	777
Assessor	9,050	9,150	8,371	779
Elections	2,550	600	418	182
City hall and grounds	43,825	72,881	65,749	7,132
Board of review	300	300	252	48
City services	21,433	39,233	36,683	2,550
Total general government	174,040	215,956	198,811	17,145
Public safety				
Police department	169,584	187,112	181,844	5,268
Zoning & Planning commission	5,220	5,435	5,101	334
Total public safety	174,804	192,547	186,945	5,602
Public Works				
General services	57,669	66,195	63,999	2,196
Drains	3,750	4,750	3,283	1,467
Total public works	61,419	70,945	67,282	3,663
Community and economic development				
DDA	-	-	16,000	(16,000)
Recreation and cultural				
Parks maintenance	22,453	24,473	20,420	4,053
Library	28,250	11,850	10,185	1,665
Total recreation and cultural	50,703	36,323	30,605	5,718
Capital outlay	10,336	10,586	1,607	8,979
Debt service				
Principal	11,625	11,625	19,402	(7,777)
Interest	2,685	2,685	2,685	-0-
Total debt service	14,310	14,310	22,087	(7,777)

City of Laingsburg

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2004

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES - CONTINUED				
Other				
Insurance	\$ 19,490	\$ 16,608	\$ 16,608	\$ -0-
Contingencies	5,000	-	-	-0-
Total other	24,490	16,608	16,608	-0-
TOTAL EXPENDITURES	510,102	557,275	539,945	17,330
EXCESS OF REVENUES OVER EXPENDITURES	1,000	9,817	62,111	52,294
OTHER FINANCING SOURCES (USES)				
Operating transfer in	-	-	7,777	7,777
Operating transfers out	(1,000)	(31,000)	(31,000)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	(1,000)	(31,000)	(23,223)	7,777
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	(21,183)	38,888	60,071
Fund balances, beginning of year	174,841	174,841	174,841	-0-
Fund balances, end of year	<u>\$ 174,841</u>	<u>\$ 153,658</u>	<u>\$ 213,729</u>	<u>\$ 60,071</u>

City of Laingsburg

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2004

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental - State				
State gas and weight tax	\$ 72,803	\$ 72,803	\$ 76,533	\$ 3,730
Interest	650	150	127	(23)
Other	100	100	96	(4)
TOTAL REVENUES	73,553	73,053	76,756	3,703
EXPENDITURES				
Public works				
Highways and streets				
Construction	24,444	48,995	45,703	3,292
Routine maintenance	17,117	30,947	29,578	1,369
Traffic services	7,474	8,232	7,454	778
Winter maintenance	14,839	10,658	10,039	619
Other	8,679	9,479	5,351	4128
TOTAL EXPENDITURES	72,553	108,311	98,125	10,186
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,000	(35,258)	(21,369)	13,889
OTHER FINANCING USES				
Operating transfers out	(1,000)	-	-	-0-
EXCESS OF REVENUES (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	(35,258)	(21,369)	13,889
Fund balance, beginning of year	47,669	47,669	47,669	-0-
Fund balance, end of year	<u>\$ 47,669</u>	<u>\$ 12,411</u>	<u>\$ 26,300</u>	<u>\$ 13,889</u>

OTHER SUPPLEMENTARY INFORMATION

City of Laingsburg

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2004

	Special Revenue Funds		
	Local Street	Library	Total
ASSETS			
Cash and cash equivalents	\$ 12,421	\$ 16,747	\$ 29,168
Due from other governmental units			
State	4,758	-	4,758
County	-	20,802	20,802
Due from other funds	-	24	24
TOTAL ASSETS	\$ 17,179	\$ 37,573	\$ 54,752
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accrued wages	\$ 254	\$ 1,046	\$ 1,300
Other accrued liabilities	-	80	80
Due to other funds	1	-	1
TOTAL LIABILITIES	255	1,126	1,381
FUND BALANCES			
Unreserved - undesignated	16,924	36,447	53,371
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,179	\$ 37,573	\$ 54,752

City of Laingsburg

Nonmajor Governmental Funds

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

Year Ended June 30, 2004

	Special Revenue Funds		Total
	Local Street	Library	
REVENUES			
Intergovernmental			
State	\$ 27,996	\$ 7,141	\$ 35,137
Local	-	4,500	4,500
Charges for services	-	6,247	6,247
Fines and forfeits	-	36,303	36,303
Interest and rents	82	93	175
Other	-	1,310	1,310
TOTAL REVENUES	28,078	55,594	83,672
EXPENDITURES			
Public works	45,943	-	45,943
Recreation and cultural	-	66,026	66,026
TOTAL EXPENDITURES	45,943	66,026	111,969
EXCESS OF REVENUES (UNDER) EXPENDITURES	(17,865)	(10,432)	(28,297)
OTHER FINANCING SOURCES			
Operating transfers in	11,000	20,000	31,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(6,865)	9,568	2,703
Fund balances, beginning of year	23,789	26,879	50,668
Fund balances, end of year	\$ 16,924	\$ 36,447	\$ 53,371

City of Laingsburg

Component Unit

BALANCE SHEET

June 30, 2004

	<u>Downtown Development Authority</u>
ASSETS	
Cash and cash equivalents	\$ 39,872
Investments	<u>40,261</u>
TOTAL ASSETS	<u>\$ 80,133</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 80,043
FUND BALANCE	
Unreserved - undesignated	<u>90</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 80,133</u>

City of Laingsburg

Component Unit

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE

Year Ended June 30, 2004

	<u>Downtown Development Authority</u>
REVENUES	
Taxes	\$ 37,244
Intergovernmental - local	16,000
Interest	<u>385</u>
TOTAL REVENUES	53,629
EXPENDITURES	
Community and economic development	<u>108,086</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(54,457)
Fund balance, beginning of year	<u>54,547</u>
Fund balance, end of year	<u><u>\$ 90</u></u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

MANAGEMENT LETTER

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

As you know, we have recently completed our audit of the records of the City of Laingsburg, Michigan as of and for the year ended June 30, 2004. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. This suggestion is a result of our evaluation of the internal controls and our discussions with management.

1. The City should review its internal controls over the receipting, disbursements, and payroll processes.

During the course of our audit we noted two (2) instances in which employee timesheets were not approved by the applicable department supervisor. We also noted one (1) instance in which library deposits were not fully supported by the circulation logs retained by the library. The reason for the difference was not documented by library staff for future reference.

We suggest the City review its policies related to the receipting, disbursement, and payroll processes and make any changes approved by the Council. The City's management should also provide oversight to assure that all Council policies are followed.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report of the financial statements dated September 1, 2004.

This report is intended solely for the information of management and the Mayor and Members of the City Council of the City of Laingsburg and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 1, 2004