

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 DeWitt	County Clinton
Fiscal Year End 6/30/2007	Opinion Date 10/24/2007	Date Audit Report Submitted to State 11/6/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Not Applicable	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Zip 48823			
Authorizing CPA Signature 	Printed Name Aaron M. Stevens, CPA	License Number 1101024055	

**City of DeWitt
Clinton County, Michigan**

FINANCIAL STATEMENTS

June 30, 2007

City of DeWitt

Clinton County, Michigan

June 30, 2007

CITY COUNCIL AND ADMINISTRATION

Jim Rundborg	Mayor
Sue Erickson	Mayor Pro Tem
Sheryl Strouse	Council Member
Ray Knick	Council Member
Tim Kangas	Council Member
Dave Hunsaker	Council Member
Jim Lancaster	Council Member
Brian Vick	City Administrator
Lisa Grysen	City Treasurer
Denice Smith-Astalos	City Clerk

City of DeWitt

TABLE OF CONTENTS

June 30, 2007

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	i
MANAGEMENT'S DISCUSSION AND ANALYSIS	ii-vi
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds Balance Sheet	3-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6-7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Net Assets - Proprietary Funds	9
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
Notes to Financial Statements	12-26
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule	27-32
MAJOR STREET FUND	
Budgetary Comparison Schedule	33
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	34-35
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	36-37
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Special Revenue Funds	38-42
SCHEDULE OF DEBT OUTSTANDING	
Limited Tax General Obligation Building Authority - Park Improvements Bonds	43
2004 Michigan Transportation Fund Bonds	43

Principals

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



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of DeWitt 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 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 respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of DeWitt 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.

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 accounting principles generally accepted in the United States of America. 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 DeWitt'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

October 24, 2007

This section of the City of DeWitt annual report presents our discussion and analysis of the City of DeWitt's financial performance during the year ended June 30, 2007. Please read it in conjunction with the City's financial statements, which immediately follow this section.

The City of DeWitt is in its fourth year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the City of DeWitt's management's discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of DeWitt financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and longer-term view of the finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds - the General Fund, Major Street (Special Revenue Fund), Building Authority Bonds (Debt Service Fund) and other smaller funds collectively as non-major governmental funds.

Government-Wide Financial Statements

One of the most important questions asked about the City is, "As a whole, what is the City's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the basic financial statements, report information on the City as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets (page 1) presents all of the City of DeWitt's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the City of DeWitt's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the City of DeWitt's net assets changed during fiscal year 2007. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods.

Both statements report the following activities:

- **Governmental Activities** - Most of the City DeWitt's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. This also includes the activities such as the major and local street maintenance, and debt service.
- **Business-type Activities** - These activities operate like private businesses. The City of DeWitt charges fees to recover the cost of the services provided. The City of DeWitt Sewer System and refuse removal services are examples of such activities.
- **Discretely Presented Component Units** - Discretely Presented Component units are legally separate organizations for which the City of DeWitt Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the City of DeWitt. The City of DeWitt Downtown Development Authority (DDA) is a discretely presented component unit of the City.

As stated previously, the Government-wide financial statements are full accrual basis statements. However, the governmental funds report on a modified accrual basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources. Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 8 present reconciliations between the two statement types.

Fund Financial Statements

The fund level financial statements are reported on the modified accrual basis. Only those assets that are "measurable" and "available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City of DeWitt uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by bond or grant agreements. Funds are also utilized to track specific operations; these include the internal services fund (e.g. Motor pool) as well as enterprise funds such as the Water and Sewer Fund.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The City of DeWitt's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- **Governmental Funds** - Most of the City of DeWitt's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City of DeWitt's programs. Governmental funds include the General Fund, as well as special revenue, capital projects, debt service, and permanent funds.
- **Proprietary Funds** - Services for which the City of DeWitt charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same accrual basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. Enterprise funds report activities that provide supplies and/or services to the general public. Internal Service funds report activities that provide supplies or service to the City of DeWitt's other operations, such as the Motor Pool Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 12 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes budgetary comparison schedules for the General Fund and the major special revenue fund.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for non-major governmental funds. These funds are added together, by fund type, and are presented in a single aggregate column in the basic financial statements.

Summary of Net Assets:

The following summarizes the net assets as of June 30, 2007.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$1,903,961	\$1,506,842	\$2,620,403	\$2,414,401	\$4,524,364	\$3,921,243
Capital assets, net	4,506,792	4,524,055	4,076,155	4,223,437	8,582,947	8,747,492
Total assets	6,410,753	6,030,897	6,696,558	6,637,838	13,107,311	12,668,735
Liabilities						
Current	159,748	241,643	10,072	33,807	169,820	275,450
Noncurrent	780,754	903,473	-	-	780,754	903,473
Total liabilities	940,502	1,145,116	10,072	33,807	950,574	1,178,923
Net Assets						
Invested in capital assets-						
net of related debt	3,616,792	3,466,133	4,076,155	4,223,437	7,692,947	7,689,570
Restricted	772,200	530,489	1,003,975	936,460	1,776,175	1,466,949
Unrestricted	1,081,259	889,159	1,606,356	1,444,134	2,687,615	2,333,293
Total net assets	\$5,470,251	\$4,885,781	\$6,686,486	\$6,604,031	\$12,156,737	\$11,489,812

Results of Operations:

For the fiscal year ended June 30, 2007 and 2006, the Government-wide results of operations were:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenue:						
Charges for services	\$ 510,431	\$ 435,949	\$ 600,741	\$ 578,399	\$ 1,111,172	\$ 1,014,348
Operating grants and contributions	287,720	287,310	-	-	287,720	287,310
Capital grants and contributions	-	281,119	-	-	-	281,119
General revenues:						
Property taxes	1,724,144	1,630,282	-	-	1,724,144	1,630,282
State Revenue Sharing	388,938	394,093	-	-	388,938	394,093
Investment earnings	118,482	66,154	80,181	94,716	198,663	29,598
Equity in SCCMUA operations	-	-	94,593	80,517	94,593	80,517
Miscellaneous	179,043	204,081	2,398	61,216	181,441	265,297
Transfers	19,882	21,092	(19,882)	(21,092)	-0-	-0-
Total revenues and transfers	3,228,640	3,320,080	758,031	793,756	3,986,671	4,113,836
Expenses						
General government	1,029,010	1,013,341	-	-	1,029,010	1,013,341
Public safety	961,275	895,849	-	-	961,275	895,849
Public works	506,449	980,174	-	-	506,449	980,174
Community & economic development	-	26,907	-	-	-0-	-0-
Recreation and cultural	104,624	143,387	-	-	104,624	170,294
Water & Sewer	-	-	675,576	686,420	675,576	686,420
Interest on long-term debt	42,812	63,611	-	-	42,812	63,611
Total expenses	2,644,170	3,123,269	675,576	686,420	3,319,746	3,809,689
Change in net assets	584,470	196,811	82,455	107,336	666,925	304,147
Restated Net assets, beginning of year	4,885,781	4,688,970	6,604,031	6,496,695	11,489,812	11,185,665
Net assets, end of year	\$ 5,470,251	\$ 4,885,781	\$ 6,686,486	\$ 6,604,031	\$ 12,156,737	\$ 11,489,812

Analysis of Results of Operations:

During fiscal year ended June 30, 2007, the City's net assets increased by \$666,925. Several factors which contributed to this increase are discussed in the following sections.

A. Governmental Fund Operating Results

The City's revenues from governmental fund operations exceeded expenses by \$409,846 for the fiscal year ended June 30, 2007.

B. Long-Term Debt Activities

The City reduced its long-term debt obligation during 2006-2007 by making principal payments of \$167,922. This makes the ending long-term debt \$928,357 for 2006-2007 fiscal year.

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

The City made principal payments on long-term debt obligations that reduced the amount of the City's long-term liabilities as follows:

	<u>Principal Balance June 30, 2006</u>	<u>Principal Payments</u>	<u>Principal Balance June 30, 2007</u>
1978 Sanitary Sewer Bonds	\$ 18,665	\$ 18,665	\$ -0-
1999 Building Authority Bonds	555,000	70,000	485,000
2004 Transportation Bonds	450,000	45,000	405,000
Installment Purchase (Theil)	34,257	34,257	-0-
Compensated Absences	<u>33,682</u>	<u>-</u>	<u>38,357</u>
Total Long-Term Obligations	<u>\$ 1,091,604</u>	<u>\$ 167,922</u>	<u>\$ 928,357</u>

C. Net Investment in Capital Assets

The City's net investment in capital assets (Primary Government) decreased by \$204,708 during the fiscal year. This can be summarized as follows:

	<u>Balance June 30, 2006</u>	<u>Net Additions/ Deletions</u>	<u>Balance June 30, 2007</u>
Capital assets	\$ 5,601,337	\$ 216,888	\$ 5,818,225
Less: accumulated depreciation	<u>(1,774,983)</u>	<u>(234,151)</u>	<u>(2,009,134)</u>
	3,826,354	(17,263)	3,809,091
Add: Land (not depreciated)	<u>697,701</u>	<u>-</u>	<u>697,701</u>
Net investment in capital assets	<u>\$ 4,524,055</u>	<u>\$(17,263)</u>	<u>\$ 4,506,792</u>

Contacting the City's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the City's finances. If you have questions about this report or need additional information, contact the Lisa Gysen, City Treasurer, City of DeWitt, 414 East Main Street, DeWitt, Michigan 48820.

BASIC FINANCIAL STATEMENTS

City of DeWitt

STATEMENT OF NET ASSETS

June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 999,141	\$ 446,946	\$ 1,446,087	\$ 79,219
Investments	873,270	584,367	1,457,637	88,165
Receivables	113,694	320,342	434,036	-
Due from other governmental units	103,607	-	103,607	-
Total current assets	2,089,712	1,351,655	3,441,367	167,384
Noncurrent assets				
Investments in sewage treatment plant	-	1,082,997	1,082,997	-
Internal balances	(185,751)	185,751	-0-	-
Capital assets not being depreciated	697,701	40,093	737,794	-
Capital assets, net of accumulated depreciation	3,809,091	4,036,062	7,845,153	-
Total noncurrent assets	4,321,041	5,344,903	9,665,944	-0-
TOTAL ASSETS	6,410,753	6,696,558	13,107,311	167,384
LIABILITIES				
Current liabilities				
Accounts payable	5,265	10,072	15,337	5,229
Accrued interest payable	6,880	-	6,880	-
Current portion of compensated absences	32,603	-	32,603	-
Current portion of long-term debt	115,000	-	115,000	-
Total current liabilities	159,748	10,072	169,820	5,229
Noncurrent liabilities				
Noncurrent portion of compensated absences	5,754	-	5,754	-
Noncurrent portion of long-term debt	775,000	-	775,000	-
Total noncurrent liabilities	780,754	-0-	780,754	-0-
TOTAL LIABILITIES	940,502	10,072	950,574	5,229
NET ASSETS				
Invested in capital assets, net of related debt	3,616,792	4,076,155	7,692,947	-
Restricted for:				
SCCMUA operations	-	1,003,975	1,003,975	-
Debt service	43,388	-	43,388	-
Other purposes	728,812	-	728,812	-
Unrestricted	1,081,259	1,606,356	2,687,615	162,155
TOTAL NET ASSETS	\$ 5,470,251	\$ 6,686,486	\$ 12,156,737	\$ 162,155

See accompanying notes to financial statements.

City of DeWitt

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

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	\$ 1,029,010	\$ 213,523	\$ 1,162	\$ (814,325)	\$ -	\$ (814,325)	\$ -
Public safety	961,275	9,695	3,961	(947,619)	-	(947,619)	-
Public works	506,449	213,189	282,597	(10,663)	-	(10,663)	-
Community and economic development	-	66,192	-	66,192	-	66,192	-
Recreation and cultural	104,624	7,832	-	(96,792)	-	(96,792)	-
Interest on long-term debt	42,812	-	-	(42,812)	-	(42,812)	-
Total governmental activities	2,644,170	510,431	287,720	(1,846,019)	-0-	(1,846,019)	-0-
Business-type activities:							
Water and Sewer Fund	675,576	600,741	-	-	(74,835)	(74,835)	-
Total primary government	\$ 3,319,746	\$ 1,111,172	\$ 287,720	(1,846,019)	(74,835)	(1,920,854)	-0-
Component unit:							
Downtown Development Authority	\$ 44,054	\$ -0-	\$ -0-	-0-	-0-	-0-	(44,054)
General revenues:							
Property taxes				1,724,144	-	1,724,144	91,989
State shared revenues				388,938	-	388,938	-
Investment earnings				118,482	80,181	198,663	6,800
Equity in SCCMUA operations				-	94,593	94,593	-
Miscellaneous				179,043	2,398	181,441	2,536
Transfers				19,882	(19,882)	-0-	-
Total general revenues and transfers				2,430,489	157,290	2,587,779	101,325
Change in net assets				584,470	82,455	666,925	57,271
Restated net assets, beginning of the year				4,885,781	6,604,031	11,489,812	104,884
Net assets, end of the year				\$ 5,470,251	\$ 6,686,486	\$ 12,156,737	\$ 162,155

See accompanying notes to financial statements.

City of DeWitt

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2007

	General	Special Revenue Major Street	Debt Service Building Authority Bonds
ASSETS			
Cash and cash equivalents	\$ 520,686	\$ 132,459	\$ 7,913
Investments	411,638	110,054	41,278
Receivables			
Accounts	71,210	-	-
Special assessments	-	27,199	-
Interest	10,461	2,950	-
Net leasehold receivable	-	-	485,000
Due from other governmental units			
Local	428	-	-
Federal/State	56,778	32,800	-
TOTAL ASSETS	\$ 1,071,201	\$ 305,462	\$ 534,191
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Advance from other funds	185,751	-	-
Deferred revenue	-	24,819	485,000
TOTAL LIABILITIES	185,751	24,819	485,000
FUND BALANCES			
Reserved for			
Debt service	-	-	49,191
Cemetery maintenance	-	-	-
Unreserved			
Designated for subsequent year's expenditures	14,513	-	-
Undesignated, reported in:			
General fund	870,937	-	-
Special revenue funds	-	280,643	-
Capital projects funds	-	-	-
TOTAL FUND BALANCES	885,450	280,643	49,191
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,071,201	\$ 305,462	\$ 534,191

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 303,700	\$ 964,758
210,300	773,270
-	71,210
1,155	28,354
719	14,130
-	485,000
-	428
13,601	103,179
<u>\$ 529,475</u>	<u>\$ 2,440,329</u>
\$ 5,265	\$ 5,265
-	185,751
279	510,098
<u>5,544</u>	<u>701,114</u>
1,077	50,268
113,167	113,167
20,466	34,979
-	870,937
389,189	669,832
32	32
<u>523,931</u>	<u>1,739,215</u>
<u>\$ 529,475</u>	<u>\$ 2,440,329</u>

City of DeWitt

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

June 30, 2007

Total fund balance - governmental funds **\$ 1,739,215**

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	\$ 6,515,926	
Accumulated depreciation is	<u>(2,009,134)</u>	
Capital assets, net		4,506,792

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets.

Net assets of the governmental activities accounted for in the Internal Service Funds	310,663	
Net capital assets of the Internal Service Funds included in total capital assets above	<u>(176,280)</u>	
		134,383

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds.

Deferred revenue		25,098
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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	\$ 890,000	
Accrued interest payable	6,880	
Compensated absences	<u>38,357</u>	
		<u>(935,237)</u>

Net assets of governmental activities **\$ 5,470,251**

See accompanying notes to financial statements.

City of DeWitt

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2007

	General	Special Revenue Major Street	Debt Service Building Authority Bonds
REVENUES			
Taxes	\$ 1,803,030	\$ -	\$ -
Licenses and permits	37,807	-	-
Intergovernmental	391,717	200,007	-
Charges for services	319,151	-	-
Fines and forfeits	1,845	-	-
Interest and rents	90,758	16,682	2,082
Other	178,583	9,066	-
TOTAL REVENUES	2,822,891	225,755	2,082
EXPENDITURES			
Current			
General government	948,658	-	-
Public safety	889,895	-	-
Public works	367,600	235,612	-
Recreation and cultural	50,164	-	-
Debt service	43,361	57,810	95,240
TOTAL EXPENDITURES	2,299,678	293,422	95,240
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	523,213	(67,667)	(93,158)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	50,000	94,291
Transfers out	(311,890)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(311,890)	50,000	94,291
NET CHANGE IN FUND BALANCES	211,323	(17,667)	1,133
Fund balances, beginning of year	674,127	298,310	48,058
Fund balances, end of year	\$ 885,450	\$ 280,643	\$ 49,191

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,803,030
52,023	89,830
82,830	674,554
9,773	328,924
-	1,845
19,894	129,416
4,897	192,546
<u>169,417</u>	<u>3,220,145</u>
773	949,431
61,396	951,291
59,794	663,006
-	50,164
<u>19,878</u>	<u>216,289</u>
<u>141,841</u>	<u>2,830,181</u>
27,576	389,964
187,481	331,772
-	(311,890)
<u>187,481</u>	<u>19,882</u>
215,057	409,846
<u>308,874</u>	<u>1,329,369</u>
<u>\$ 523,931</u>	<u>\$ 1,739,215</u>

City of DeWitt

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

Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ 409,846

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	\$ 237,420	
Depreciation expense	<u>(254,683)</u>	
Excess of depreciation expense over capital outlay		(17,263)

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		167,922
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Internal service funds are used by management to charge the costs of certain activities to individual funds.

Change in Net Assets of Internal Service Funds	14,310	
Capital asset additions of Internal Service Funds included in the total above	(43,511)	
Depreciation expense of the Internal Service Funds included in the total above	<u>63,673</u>	
		34,472

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(11,387)
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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	5,555	
(Increase) in accrued compensated absences	<u>(4,675)</u>	
		<u>880</u>

Change in net assets of governmental activities \$ 584,470

See accompanying notes to financial statements.

City of DeWitt

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2007

	<u>Business-type Activities Enterprise (Water and Sewer)</u>	<u>Governmental Activities Internal Service (Motor Pool)</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 446,946	\$ 34,383
Investments	584,367	100,000
Accounts receivable	18,902	-
Special assessments receivable	292,147	-
Accrued interest receivable	9,293	-
	<u>1,351,655</u>	<u>134,383</u>
Total current assets		
Noncurrent assets		
Advance to other funds	185,751	-
Investment in SCCMUA	1,082,997	-
Capital assets not being depreciated	40,093	-
Capital assets, net of accumulated depreciation	4,036,062	176,280
	<u>5,344,903</u>	<u>176,280</u>
Total noncurrent assets		
	<u>6,696,558</u>	<u>310,663</u>
TOTAL ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	10,072	-
	<u>10,072</u>	<u>-</u>
NET ASSETS		
Investment in capital assets, net of related debt	4,076,155	176,280
Restricted for SCCMUA operations	1,003,975	-
Unrestricted	1,606,356	134,383
	<u>1,606,356</u>	<u>134,383</u>
	<u>\$ 6,686,486</u>	<u>\$ 310,663</u>
TOTAL NET ASSETS		

See accompanying notes to financial statements.

City of DeWitt

Proprietary Funds

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

Year Ended June 30, 2007

	Business-type Activities <u>Enterprise (Water and Sewer)</u>	Governmental Activities <u>Internal Service (Motor Pool)</u>
OPERATING REVENUES		
Charges for services	\$ 594,540	\$ -
Capital benefits	6,201	-
Equipment rental	-	137,014
Other	2,398	7,487
	<u>603,139</u>	<u>144,501</u>
OPERATING EXPENSES		
Public works		
Salaries and wages	42,680	-
Fringe benefits	29,022	-
Contractual services	337,698	725
Supplies	17,977	38,975
Insurance	2,304	12,080
Repairs and maintenance	15,906	15,254
Equipment rental	72,523	-
Depreciation	147,282	63,673
Other	9,577	462
	<u>674,969</u>	<u>131,169</u>
OPERATING INCOME (LOSS)	(71,830)	13,332
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	80,181	978
Interest expense and fees	(607)	-
Equity interest in SCCMUA operations	94,593	-
	<u>174,167</u>	<u>978</u>
INCOME BEFORE TRANSFERS	102,337	14,310
TRANSFERS		
Transfer out	(19,882)	-
CHANGE IN NET ASSETS	82,455	14,310
Net assets, beginning of year	<u>6,604,031</u>	<u>296,353</u>
Net assets, end of year	<u>\$ 6,686,486</u>	<u>\$ 310,663</u>

See accompanying notes to financial statements.

City of DeWitt

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2007

	Business-type Activities <u>Enterprise</u> (Water and Sewer)	Governmental Activities <u>Internal</u> Service (Motor Pool)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 712,753	\$ 8,844
Cash receipts from interfund activities	-	137,014
Cash paid to employees	(42,680)	-
Cash paid to vendors	(508,742)	(67,556)
Cash paid for interfund activities	<u>75,476</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	236,807	78,302
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out	(19,882)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital acquisitions	-	(43,511)
Interest expense	<u>(607)</u>	<u>-</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(607)	(43,511)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(584,367)	(100,000)
Maturity of investments	539,400	50,000
Interest revenue	<u>80,181</u>	<u>978</u>
NET CASH PROVIDED (USED) FROM INVESTING ACTIVITIES	35,214	(49,022)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	251,532	(14,231)
Cash and cash equivalents, beginning of year	<u>195,414</u>	<u>48,614</u>
Cash and cash equivalents, end of year	<u><u>\$ 446,946</u></u>	<u><u>\$ 34,383</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (71,830)	\$ 13,332
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	147,282	63,673
Decrease in receivables	109,614	1,357
Decrease in advance to other funds	75,476	-
(Decrease) in accounts payable	<u>(23,735)</u>	<u>(60)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 236,807</u></u>	<u><u>\$ 78,302</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

The City operates under an elected City Council, which consists of the Mayor and six (6) council members, with daily activities operated by the City Administrator, Clerk, and Treasurer. The City provides services to its more than 4,500 residents in many areas including law enforcement, fire protection, sewer, transportation, and parks and recreation.

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 No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the City of DeWitt (primary government), 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 are combined with data of the primary government. 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 City.

2. Blended Component Unit

The Building Authority is governed by a four (4) member board appointed by the City Council. Its purpose is to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities, and the necessary site or sites therefore for the use of the City.

3. Discretely Presented Component Unit

The Downtown Development Authority (component unit) is reported in a separate column to emphasize that, while legally separate, the City of DeWitt remains financially accountable for this entity or the nature and significance of the relationship between this entity and the City of DeWitt is such that exclusion of this entity would render the financial statements misleading or incomplete.

The governing body of the Downtown Development Authority (DDA) is appointed by the City Council, the Authority's budget is subject to the approval of the City Council, the City temporarily relinquishes part of its tax base to the Authority (tax increment revenues), and the City has pledged its full faith and credit toward payment of the Authority's debt. This component unit is audited individually and complete financial statements may be obtained from the City's administrative office.

4. Joint Ventures

The City of DeWitt is a member of the Southern Clinton County Municipal Utilities Authority (SCCMUA). The purpose of the Authority is to operate, maintain, administer, and manage a sewage disposal system for the benefit of the constituent municipalities.

The governing body of the Authority is appointed by the constituent municipalities, and representation is based upon the purchased capacity of each municipality. The City of DeWitt currently is represented by one (1) of the ten (10) members of the Authority board. The annual budget of the Authority is submitted to the constituent municipalities and must be approved by a 2/3 vote of the members-elect of the Authority. A copy of SCCMUA's audit can be obtained at their administrative offices.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

4. Joint Ventures - continued

The members of the Authority and approximate percentage of responsibility are as follows:

City of DeWitt	11%
DeWitt Charter Township	56%
Watertown Township	16%
Bath Charter Township	17%

For the year ended June 30, 2007, the City of DeWitt contributed \$306,416 to cover its share of operational costs and reserve activities.

Additionally, an investment in SCCMUA is recorded to reflect the current carrying value at June 30, 2007, of the cumulative effect of SCCMUA operations relating to the City's equity share in the joint venture from inception-to-date. The City of DeWitt had recorded their portion of the initial cost of construction of the Authority facilities as capital assets in the Sewer and Water System (Enterprise) Funds, however the portion of those costs relating to the Water System has been eliminated as the City of DeWitt transferred ownership of its water system to the Lansing Board of Water & Light during the fiscal year ended June 30, 2000.

The City of DeWitt is a member of the DeWitt Area Recreation Authority, which is a joint venture between the City of DeWitt and DeWitt Charter Township. The Authority was established in 2003 to provide recreation services. The Authority's activities are overseen by a six (6) member board of Directors, with each municipality appointing three (3) members. Each municipality provides annual appropriations to subsidize operations. The current funding formula approved by the Authority requires DeWitt Charter Township and the City of DeWitt to provide approximately 56 and 44 percent, respectively. In 2007 the City contributed \$29,808. A copy of the DeWitt Area Recreation Authority's audit can be obtained from DeWitt Charter Township's administrative offices.

The DeWitt Area Emergency Services Authority was created in 2001 by a joint venture agreement between the Townships of Olive and Riley and the City of DeWitt. Each municipality appoints two (2) members to the Board. The Fire Chief oversees the day-to-day operations of the Authority. In 2007 the City contributed \$126,399. A copy of the DeWitt Area Emergency Services Authority's audit can be obtained from the City of DeWitt's administrative offices.

5. 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:

Under Public Act 24 of 1989, the City of DeWitt, in conjunction with DeWitt Charter Township, created the DeWitt Public Library which is considered a District Library. The DeWitt Public Library board is composed of three (3) members appointed by each municipality. The City has no financial responsibility to the Library.

6. 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, 2007

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

6. Basis of Presentation - continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS - 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 nonmajor 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 major streets.
- c. The Building Authority Bond Fund is used to account for the financial resources that are used to retire the Building Authority Bonds.
- d. The Water and Sewer Fund is used to account for the operations required to provide water and sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

7. Measurement Focus

The government-wide and proprietary fund 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

8. 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.

All governmental 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"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. 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 agency 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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 non-operating 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.

9. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown as required and other supplementary information were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. The City Administrator submits to Mayor and 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 enacted through passage of resolution.
- d. The budget is legally adopted at the total expenditure level for the General Fund and the Special Revenue Funds; however, they are maintained at the account level for control purposes. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

9. Budgets and Budgetary Accounting - continued

- e. 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.

10. 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 pooled investment accounts. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less.

Investments include certificates of deposit with original maturities of greater than 90 days from the date of purchase. All certificates of deposit are stated at cost, which approximates market value. Investments are stated at cost.

11. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the City from special assessments, and taxes levied that have not been collected.

12. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNIT

Capital assets include land, buildings, equipment, vehicles, utility systems and infrastructure and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type columns. 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:

Structures and improvements	10 - 40 years
Machinery, furniture, and equipment	5 - 20 years
Vehicles	2 - 10 years
Infrastructure	20 - 25 years
Utility systems	25 - 100 years

13. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

13. Long-Term Obligations - continued

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund 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.

14. Accrued Vacation and Sick Leave

Substantially all City employees are granted vacation hours up to a maximum of 160 hours at the employee's anniversary date. In the event of termination, an employee is paid for accumulated vacation hours up to the maximum.

Substantially all City employees are allowed to accrue sick hours up to a maximum of 480 hours. Fifty percent of unused sick time for the preceding 12 months may be paid on or about December 1 of each year. Employees are not paid for accumulated sick time in the event of termination.

The cost of the accumulated vacation, including related payroll taxes, is recorded entirely in the government-wide financial statements.

15. Accrued Interest Payable

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

16. Deferred Revenue

Governmental funds report deferred revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

17. Property Tax

The City of DeWitt 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 DeWitt on July 1 and December 1 and are payable without penalty through September 30 and February 14, respectively. The July 1 levy is composed of the City's millage, 2/3 of the County's millage, special assessments, and school taxes. The December 1 levy is composed of 1/3 of the County's millage, school, and library taxes. All real property taxes not paid to the City by March 1 are turned over to the Clinton County Treasurer for collection. The Clinton County Treasurer remits pay-off payments to all taxing districts on any delinquent real property taxes. Delinquent personal property taxes receivable are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collection Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by ordinance to levy taxes up to 17.3135 mills (\$17.3135 per \$1,000 of taxable valuation) for general governmental services. For the year ended June 30, 2007, the City levied 13.0000 mills per \$1,000 of taxable valuation for general governmental services. The total taxable value for the 2006 levy for the property within the City was \$136,831,910.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

18. 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.

The Internal Service Fund (Motor Pool) records charges for services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

19. Comparative Data

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

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The City deposits consist of a common checking account and various savings accounts, checking accounts, pooled investment accounts, and certificates of deposit maintained by individual funds and are reported as cash and cash equivalents and investments on the basic financial statements.

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. 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 of 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.
- c. 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.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), and the National Credit Union Administration (NCUA) 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 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2007, the carrying amounts of the City's deposits were \$1,612,196 and the bank balance was \$1,776,297, of which \$919,631 was covered by federal depository insurance. The balance of \$856,666 was uninsured and uncollateralized. The City had \$1,275 of imprest cash on hand.

Investments

As of June 30, 2007, the City had the following investments:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Uncategorized pooled investment funds			
Government Cash Management Fund	\$ 657,637	\$ 657,637	101 days
MBIA - Michigan Class	<u>800,000</u>	<u>800,000</u>	160 days
	<u>\$ 1,457,637</u>	<u>\$ 1,457,637</u>	

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The City's investments in MBIA - Michigan Class and Government Cash Management Fund are not rated.

Interest rate risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements.

Concentration of credit risk

The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Council and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business in accordance with Council approved policy.

City of DeWitt

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

The cash, cash equivalents, and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the basic financial statements, based on criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2007.

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 1,446,087	\$ 79,219	\$ 1,525,306
Investments	<u>1,457,637</u>	<u>88,165</u>	<u>1,545,802</u>
	<u>\$ 2,903,724</u>	<u>\$ 167,384</u>	<u>\$ 3,071,108</u>

NOTE C: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between funds of the primary government at June 30, 2007:

Advance from Water and Sewer Fund to:	
General Fund	<u>\$ 185,751</u>

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 have been eliminated.

Transfer to Building Authority Bonds Fund from:	
General Fund	<u>\$ 94,291</u>
Transfer to Major Street Fund from:	
General Fund	<u>\$ 50,000</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 167,599
Water and Sewer Fund	<u>19,882</u>
	<u>\$ 187,481</u>

NOTE E: CAPITAL ASSETS

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

Primary Government

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 697,701	\$ -	\$ -	\$ 697,701

City of DeWitt

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
Governmental activities - continued				
Capital assets being depreciated				
Buildings	\$ 1,140,234	\$ -	\$ -	\$ 1,140,234
Vehicles	699,004	43,511	20,532	721,983
Machinery and equipment	379,005	-	-	379,005
Infrastructure	<u>3,383,094</u>	<u>193,909</u>	<u>-</u>	<u>3,577,003</u>
Total capital assets being depreciated	5,601,337	237,420	20,532	5,818,225
Less accumulated depreciation				
Buildings	(370,364)	(28,572)	-	(398,936)
Vehicles	(502,562)	(63,673)	(20,532)	(545,703)
Machinery and equipment	(322,551)	(18,014)	-	(340,565)
Infrastructure	<u>(579,506)</u>	<u>(144,424)</u>	<u>-</u>	<u>(723,930)</u>
Total accumulated depreciation	<u>(1,774,983)</u>	<u>(254,683)</u>	<u>(20,532)</u>	<u>(2,009,134)</u>
Net capital assets being depreciated	<u>3,826,354</u>	<u>(17,263)</u>	<u>-0-</u>	<u>3,809,091</u>
Total Net Capital Assets	<u>\$ 4,524,055</u>	<u>\$ (17,263)</u>	<u>\$ -0-</u>	<u>\$ 4,506,792</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

General government	\$ 111,296
Public safety	13,426
Public works	56,711
Recreation and cultural	<u>73,250</u>
Total Depreciation Expense	<u>\$ 254,683</u>

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 40,093	\$ -	\$ -	\$ 40,093
Capital assets being depreciated				
Buildings	1,400,000	-	-	1,400,000
Machinery and equipment	780,798	-	-	780,798
Infrastructure	<u>4,580,003</u>	<u>-</u>	<u>-</u>	<u>4,580,003</u>
Total capital assets being depreciated	6,760,801	-0-	-0-	6,760,801

City of DeWitt

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
Business-type activities - continued				
Less accumulated depreciation				
Buildings	\$(764,000)	\$(28,000)	\$ -	\$(792,000)
Machinery and equipment	(126,753)	(20,387)	-	(147,140)
Infrastructure	<u>(1,686,704)</u>	<u>(98,895)</u>	<u>-</u>	<u>(1,785,599)</u>
Total accumulated depreciation	<u>(2,577,457)</u>	<u>(147,282)</u>	<u>-0-</u>	<u>(2,724,739)</u>
Net capital assets being depreciated	<u>4,183,344</u>	<u>(147,282)</u>	<u>-0-</u>	<u>4,036,062</u>
Total Net Capital Assets	<u>\$ 4,223,437</u>	<u>\$(147,282)</u>	<u>\$ -0-</u>	<u>\$ 4,076,155</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, 2007.

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities					
1978 Sanitary Sewer Bonds	\$ 18,665	\$ -	\$ 18,665	\$ -0-	\$ -
1999 Building Authority Bonds	555,000	-	70,000	485,000	70,000
2004 Transportation Bonds	450,000	-	45,000	405,000	45,000
Installment Purchase	34,257	-	34,257	-0-	-
Compensated absences	<u>33,682</u>	<u>59,742</u>	<u>55,067</u>	<u>38,357</u>	<u>32,603</u>
TOTAL REPORTING ENTITY	<u>\$ 1,091,604</u>	<u>\$ 59,742</u>	<u>\$ 222,989</u>	<u>\$ 928,357</u>	<u>\$ 147,603</u>

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

PRIMARY GOVERNMENT

General Obligation Bonds

\$975,000 Building Authority Bonds, Series 1999, dated February 1, 1999, due in annual installments ranging from \$65,000 to \$70,000 through May 1, 2014, with interest ranging from 4.30 to 4.80 percent, payable semi-annually. \$ 485,000

\$450,000 2004 Michigan Transportation Fund Bonds dated December 1, 2004, due in annual installments ranging from \$45,000 to \$70,000 through October 1, 2013, with interest ranging from 2.50 to 3.70 percent, payable semi-annually. 405,000

\$ 890,000

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE F: LONG-TERM DEBT - CONTINUED

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused vacation. The dollar amounts of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$38,357 at June 30, 2007.

Annual Requirements for Bonded Debt and Installment Loans

The annual requirement to pay the debt principal and interest outstanding for the following bonds are as follows:

Primary Government

<u>Year Ending</u> <u>June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 115,000	\$ 34,275
2009	120,000	30,015
2010	125,000	25,437
2011	130,000	20,600
2012	130,000	15,501
2013-2014	<u>270,000</u>	<u>14,552</u>
	<u>\$ 890,000</u>	<u>\$ 140,380</u>

NOTE G: LONG-TERM LEASE

The Building Authority is a party to a long-term lease agreement for rental of land located behind City Hall, McGuire Park, Riverside Park, Sports Park, and River Trail Park, to the City of DeWitt, Michigan. The lease stipulates that fixed annual rentals will be paid to the Authority by the City of DeWitt, Michigan and such rentals are pledged exclusively for payment of principal and interest on the Building Authority bonds. In addition, the City pledges its unlimited tax, full faith, and credit as security under the lease. Fixed annual rental will cease after all bonds have been retired and advance rentals repaid on May 1, 2014. The lease agreement provides, further, that after all bonds are retired and advance rentals repaid, title to the land and buildings will vest to the City of DeWitt.

The long-term lease has been accounted for as a capital lease in the debt service fund. The net leasehold receivable represents the present value of future minimum lease payments due from the City. Revenue represented by the noncurrent portion of the receivable is deferred until it becomes a current receivable. Future minimum lease payments scheduled to be received by the Authority from the City are as follows:

2008	\$ 91,950
2009	88,940
2010	85,860
2011	82,780
2012	79,630
2013	76,410
2014	<u>68,120</u>
	573,690
Less: Interest portion	<u>(88,690)</u>
	<u>\$ 485,000</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE H: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balances are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance which the City has set aside for specific purposes.

The following are the various reserved fund balances as of June 30, 2007:

Fund Balances

Building Authority Bonds	
Reserved for debt service	\$ 49,191
Nonmajor governmental funds	
Reserved for debt service	1,077
Reserved for cemetery perpetual care	<u>113,167</u>
	<u>\$ 114,244</u>

The following are the various designated fund balances as of June 30, 2007:

Fund Balances

General Fund	
Designated for subsequent year's expenditures	\$ <u>14,513</u>
Nonmajor governmental funds	
Designated for subsequent year's expenditures	<u>\$ 20,466</u>

NOTE I: 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, 2007:

PRIMARY GOVERNMENT

Governmental activities	
Restricted for debt service	\$ 43,388
Restricted for other purposes	
Cemetery perpetual care	113,167
Drug law enforcement	2,460
Streets	<u>613,185</u>
	<u>728,812</u>
Total governmental activities	<u>\$ 772,200</u>
Business-type activities	
Restricted for SCCMUA operations	<u>\$ 1,003,975</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE J: POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note K, the City provides post-employment health care benefits to all of its retired employees who meet eligibility requirements. Currently, the City is paying the health care premium for three (3) retirees. During the year, approximately \$13,748 was paid for post retirement health care.

The Governmental Accounting Standards Board has recently released Statement No. 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 government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the new employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended June 30, 2009.

NOTE K: RETIREMENT PLAN

Plan Description

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City. 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 these employees was established by negotiation with the City's competitive bargaining units, and as of the December 31, 2006 valuation required contributions from the City of 20.15% of gross wages for the general government, 11.30% of gross wages for the police union, and 17.71% of gross wages for the Department of Public Safety.

Annual Pension Cost

For year ended June 30, 2007 the City's annual pension cost of \$204,991 for the plan was equal to the City's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Actual required contributions 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) 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 years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial value of assets	\$ 1,240,125	\$ 1,380,885	\$ 1,568,144
Actuarial accrued liability (AAL) (entry age)	2,764,318	2,841,106	3,018,640
Unfunded AAL	1,524,193	1,460,221	1,450,496
Funded ratio	45 %	49 %	52 %
Covered payroll	756,253	711,966	883,385
UAAL as a percentage of covered payroll	202 %	205 %	164 %

City of DeWitt

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE K: RETIREMENT PLAN - CONTINUED

Three (3) year trend information - continued

	Year Ended June 30,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 147,051	\$ 164,365	\$ 204,991
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the MERS actuarial reports as of December 31, 2004, 2005, and 2006.

NOTE L: RISK MANAGEMENT

The City 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. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

The City also participates in a State pool, the Michigan Municipal Liability and Property Pool, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

NOTE M: CONTRACTUAL COMMITMENTS

The City has entered into various contracts related to infrastructure improvements that were not completed at June 30, 2007. The contractual commitments outstanding at June 30, 2007 totaled \$45,917. The City plans to cover these commitments with existing fund equity.

The City has also entered into various contracts to design and construct restroom facilities at McGuire Park that were not completed at June 30, 2007. The contractual commitments outstanding at June 30, 2007 totaled \$91,900. The City plans to cover these commitments with existing fund equity.

REQUIRED SUPPLEMENTARY INFORMATION

City of DeWitt

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
Property taxes	\$ 1,780,511	\$ 1,722,511	\$ 1,724,144	\$ 1,633
Penalties and interest	4,000	10,000	10,327	327
Administration fees	68,350	68,750	68,559	(191)
Total taxes	1,852,861	1,801,261	1,803,030	1,769
Licenses and permits				
Franchise fees	24,500	28,000	36,307	8,307
Other permits	2,744	1,194	1,500	306
Total licenses and permits	27,244	29,194	37,807	8,613
Intergovernmental				
State				
State shared revenue	385,000	388,900	388,938	38
State liquor license	1,340	1,140	1,162	22
Michigan justice training	1,775	1,575	1,617	42
Total intergovernmental	388,115	391,615	391,717	102
Charges for services				
Sewer inspections	13,350	16,750	17,126	376
Refuse service	205,359	190,659	196,051	5,392
Site plan reviews	8,050	63,800	64,421	621
Park and recreation fees	2,200	4,800	4,898	98
Cemetery	27,200	34,900	35,345	445
Other fees	800	1,300	1,310	10
Total charges for services	256,959	312,209	319,151	6,942
Fines and forfeits				
Parking	1,525	1,625	1,695	70
Other	450	150	150	-0-
Total fines and forfeits	1,975	1,775	1,845	70
Interest and rents				
Interest	15,000	68,000	79,824	11,824
Rents	13,000	10,900	10,934	34
Total interest and rents	28,000	78,900	90,758	11,858

City of DeWitt

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES - CONTINUED				
Other				
Reimbursements	\$ 132,475	\$ 131,275	\$ 131,372	\$ 97
Other	16,000	44,000	47,211	3,211
Total other	148,475	175,275	178,583	3,308
TOTAL REVENUES	2,703,629	2,790,229	2,822,891	32,662
EXPENDITURES				
General government				
Legislative				
Salaries	13,200	10,800	10,690	110
Social Security	1,056	856	818	38
Sister city	3,000	2,500	2,355	145
Conference and travel	2,500	500	294	206
Memberships and dues	5,050	5,050	4,835	215
Miscellaneous	4,525	5,365	5,308	57
Total legislative	29,331	25,071	24,300	771
Administrator				
Salaries	157,613	155,913	155,712	201
Social security	12,609	12,559	12,555	4
Health/Dental	11,634	12,764	12,646	118
Life insurance	2,647	2,887	2,882	5
Retirement	39,216	41,941	41,928	13
Deferred compensation	12,750	13,175	13,171	4
Equipment rentals	5,100	5,100	5,100	-0-
Conference and travel	3,115	1,965	1,933	32
Memberships and dues	960	970	969	1
Miscellaneous	150	155	333	(178)
Total administrator	245,794	247,429	247,229	200
Elections				
Salaries	5,900	5,200	5,186	14
Supplies	3,900	1,600	1,536	64
Miscellaneous	600	500	496	4
Capital outlay	1,475	-	-	-0-
Total elections	11,875	7,300	7,218	82
Assessor				
Assessing services	30,260	33,620	33,608	12
Miscellaneous	3,557	1,932	1,915	17
Capital outlay	11,200	10,600	10,544	56
Total assessor	45,017	46,152	46,067	85

City of DeWitt

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2007

EXPENDITURES - CONTINUED	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
Clerk				
Salaries	\$ 54,621	\$ 56,046	\$ 56,026	\$ 20
Social security	4,370	4,270	4,265	5
Health insurance	9,280	9,875	9,764	111
Life insurance	1,163	963	944	19
Retirement	13,655	15,595	15,594	1
Conference and travel	1,000	1,300	1,298	2
Memberships and dues	405	615	614	1
Total clerk	84,494	88,664	88,505	159
Treasurer				
Salaries	54,621	56,711	56,704	7
Social security	4,370	4,295	4,278	17
Health insurance	9,280	10,500	10,355	145
Life insurance	1,000	1,000	944	56
Retirement	13,655	13,655	13,599	56
Conference and travel	1,000	775	760	15
Memberships and dues	232	375	375	-0-
Total treasurer	84,158	87,311	87,015	296
City Hall and Grounds				
Worker's compensation	12,119	13,130	13,130	-0-
Unemployment compensation	1,500	150	127	23
Supplies	24,500	24,725	24,555	170
Professional services	55,750	55,750	55,544	206
Refuse contract	125,670	129,370	129,285	85
Liability insurance	28,100	23,525	23,520	5
Recycling program	60,000	45,500	45,165	335
Telephone	7,200	7,000	6,992	8
Printing and publishing	12,000	11,000	9,943	1,057
Utilities	70,000	85,700	85,570	130
Repairs and maintenance	24,500	16,500	15,918	582
Equipment rental	950	960	957	3
Capital outlay	35,500	35,500	13,977	21,523
Total city hall and grounds	457,789	448,810	424,683	24,127

City of DeWitt

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES - CONTINUED				
Tree Commission				
Tree maintenance	\$ 6,250	\$ 7,250	\$ 7,250	\$ -0-
Tree programs	550	550	271	279
Capital outlay	6,250	2,750	2,372	378
Total tree commission	13,050	10,550	9,893	657
Cable Television				
Supplies	400	-	-	-0-
Miscellaneous	150	-	-	-0-
Capital outlay	300	-	-	-0-
Total cable television	850	-0-	-0-	-0-
Retiree benefits				
Health insurance	15,690	11,990	13,748	(1,758)
Total general government	988,048	973,277	948,658	24,619
Public safety				
Safety/Training				
Operating supplies	200	-	-	-0-
Conference and travel	150	-	-	-0-
Training	375	-	-	-0-
Total safety/training	725	-0-	-0-	-0-
Police department				
Salaries	389,284	411,684	411,174	510
Social security	31,143	31,843	31,790	53
Health insurance	58,085	58,485	57,772	713
Life insurance	5,810	6,335	6,328	7
Retirement	67,330	76,030	75,971	59
Deferred compensation	4,500	8,600	8,555	45
Uniforms	6,500	4,100	3,832	268
Operating supplies	6,500	3,500	1,875	1,625
Detective services	6,500	5,100	5,040	60
Liability insurance	12,900	12,650	12,644	6
Telephone	2,000	2,225	2,212	13
Radio	9,675	9,675	9,604	71
Equipment rental	51,000	51,000	51,000	-0-
Conference and travel	450	450	-	450
Repairs and maintenance	1,500	1,500	380	1,120
Memberships and dues	475	475	354	121

City of DeWitt

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES - CONTINUED				
Public safety - continued				
Police department - continued				
Police training	\$ 2,500	\$ 2,500	\$ 1,929	\$ 571
Miscellaneous	1,500	1,500	1,094	406
Capital outlay	5,000	5,000	3,508	1,492
Total police department	662,652	692,652	685,062	7,590
Fire department				
Professional services	126,399	126,409	126,399	10
Utilities	250	250	199	51
Repairs and maintenance	2,800	300	204	96
Capital outlay	2,000	-	-	-0-
Total fire department	131,449	126,959	126,802	157
Planning commission				
Professional services	50,000	78,000	77,460	540
Conference and travel	300	200	140	60
Operating supplies	200	-	-	-0-
Miscellaneous	150	450	431	19
Total planning commission	50,650	78,650	78,031	619
Total public safety	845,476	898,261	889,895	8,366
Public works				
Salaries	214,805	214,505	214,421	84
Social security	17,184	17,184	17,080	104
Health insurance	37,520	27,820	24,656	3,164
Life insurance	3,468	3,678	3,669	9
Retirement	53,701	57,901	57,895	6
Deferred compensation	9,825	9,925	9,902	23
Uniforms	4,600	4,000	3,743	257
Supplies	9,500	9,500	6,545	2,955
Telephone	3,200	3,375	3,367	8
Equipment	15,500	15,500	15,500	-0-
Conference and travel	150	-	-	-0-
Utilities	7,000	8,000	7,963	37
Repairs and maintenance	6,500	2,500	1,549	951
Membership	-	70	70	-0-
Miscellaneous	500	500	432	68
Capital outlay	3,000	1,000	808	192
Total public works	386,453	375,458	367,600	7,858

City of DeWitt

General Fund

BUDGETARY COMPARISON SCHEDULE - CONCLUDED

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES - CONTINUED				
Recreation and cultural				
Salaries	\$ 3,250	\$ 850	\$ 808	\$ 42
Social security	260	260	62	198
Operating supplies	9,300	9,300	9,188	112
Professional services	32,100	30,100	29,808	292
Utilities	4,100	4,500	4,470	30
Repairs and maintenance	8,250	6,250	5,780	470
Miscellaneous	-	50	48	2
Capital outlay	70,000	70,000	-	70,000
Total recreation and cultural	127,260	121,310	50,164	71,146
Debt service				
Principal	34,256	34,265	34,264	1
Interest and fiscal agent charges	9,725	9,725	9,097	628
Total debt service	43,981	43,990	43,361	629
TOTAL EXPENDITURES	2,391,218	2,412,296	2,299,678	112,618
EXCESS OF REVENUES OVER EXPENDITURES	312,411	377,933	523,213	(79,956)
OTHER FINANCING USES				
Transfers out	(311,890)	(311,890)	(311,890)	-0-
NET CHANGE IN FUND BALANCE	521	66,043	211,323	(79,956)
Fund balance, beginning of year	559,829	594,473	674,127	(79,654)
Fund balance, end of year	\$ 560,350	\$ 660,516	\$ 885,450	\$ (159,610)

City of DeWitt

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental - State	\$ 209,800	\$ 189,950	\$ 200,007	\$ 10,057
Interest				
Investments	1,600	14,200	15,204	1,004
Special assessments	-	1,226	1,478	252
Other				
Special assessments	-	9,218	9,066	(152)
TOTAL REVENUES	211,400	214,594	225,755	11,161
EXPENDITURES				
Public works				
Salaries	17,500	8,500	7,067	1,433
Fringe benefits	10,500	4,510	4,240	270
Supplies	9,115	5,865	5,670	195
Professional services	440	440	440	-0-
Repairs and maintenance	11,000	5,000	4,036	964
Construction	272,500	212,500	200,537	11,963
Equipment rental	22,700	14,700	13,615	1,085
Miscellaneous	250	250	7	243
Total public works	344,005	251,765	235,612	16,153
Debt service				
Principal	45,000	45,000	45,000	-0-
Interest and fiscal charges	13,000	13,000	12,810	190
Total debt service	58,000	58,000	57,810	190
TOTAL EXPENDITURES	402,005	309,765	293,422	16,343
EXCESS OF REVENUES (UNDER) EXPENDITURES	(190,605)	(95,171)	(67,667)	(5,182)
OTHER FINANCING SOURCES				
Transfer in	50,000	50,000	50,000	-0-
NET CHANGE IN FUND BALANCE	(140,605)	(45,171)	(17,667)	(5,182)
Fund balance, beginning of year	298,310	298,310	298,310	-0-
Fund balance, end of year	<u>\$ 157,705</u>	<u>\$ 253,139</u>	<u>\$ 280,643</u>	<u>\$ (5,182)</u>

OTHER SUPPLEMENTARY INFORMATION

City of DeWitt

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2007

	Local Street	Special Building Department	Public Improvement
ASSETS			
Cash and cash equivalents	\$ 113,187	\$ 26,971	\$ 33,543
Investments	210,300	-	-
Special assessment receivable	149	-	1,006
Interest receivable	719	-	-
Due from other governmental units			
State	13,601	-	-
TOTAL ASSETS	\$ 337,956	\$ 26,971	\$ 34,549
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 5,265	\$ -	\$ -
Deferred revenue	149	-	130
TOTAL LIABILITIES	5,414	-0-	130
FUND BALANCES			
Reserved for			
Debt service	-	-	-
Cemetery maintenance	-	-	-
Designated for subsequent year's expenditures	18,016	2,450	-
Unreserved			
Undesignated, reported in:			
Capital projects fund	-	-	-
Special revenue funds	314,526	24,521	34,419
TOTAL FUND BALANCES	332,542	26,971	34,419
TOTAL LIABILITIES AND FUND BALANCES	\$ 337,956	\$ 26,971	\$ 34,549

Revenue		Debt Service	Capital Projects	Permanent Fund	Total Nonmajor Governmental Funds
Drug Law Enforcement	Special Donations	1978 Sewer	Building Authority	Cemetery Perpetual Care	
\$ 2,460	\$ 13,263	\$ 1,077	\$ 32	\$ 113,167	\$ 303,700
-	-	-	-	-	210,300
-	-	-	-	-	1,155
-	-	-	-	-	719
-	-	-	-	-	13,601
<u>\$ 2,460</u>	<u>\$ 13,263</u>	<u>\$ 1,077</u>	<u>\$ 32</u>	<u>\$ 113,167</u>	<u>\$ 529,475</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,265
-	-	-	-	-	279
-0-	-0-	-0-	-0-	-0-	5,544
-	-	1,077	-	-	1,077
-	-	-	-	113,167	113,167
-	-	-	-	-	20,466
-	-	-	32	-	32
2,460	13,263	-	-	-	389,189
<u>2,460</u>	<u>13,263</u>	<u>1,077</u>	<u>32</u>	<u>113,167</u>	<u>523,931</u>
<u>\$ 2,460</u>	<u>\$ 13,263</u>	<u>\$ 1,077</u>	<u>\$ 32</u>	<u>\$ 113,167</u>	<u>\$ 529,475</u>

City of DeWitt

Nonmajor Governmental Funds

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

Year Ended June 30, 2007

	Special		
	Local Street	Building Department	Public Improvement
REVENUES			
Licenses and permits	\$ -	\$ 52,023	\$ -
Intergovernmental			
State	82,830	-	-
Charges for services	-	-	-
Interest and rents	11,842	1,267	1,272
Other			
Special assessments	149	-	1,944
Other	-	-	460
TOTAL REVENUES	94,821	53,290	3,676
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	61,061	-
Public works	59,794	-	-
Debt service			
Principal	-	-	-
Interest and fiscal agent fees	-	-	-
TOTAL EXPENDITURES	59,794	61,061	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	35,027	(7,771)	3,676
OTHER FINANCING SOURCES			
Transfers in	167,000	-	-
NET CHANGE IN FUND BALANCES	202,027	(7,771)	3,676
Fund balances, beginning of year	130,515	34,742	30,743
Fund balances, end of year	<u>\$ 332,542</u>	<u>\$ 26,971</u>	<u>\$ 34,419</u>

Revenue		Debt Service	Capital Projects	Permanent	Total Nonmajor
Drug Law Enforcement	Special Donations	1978 Sewer	Building Authority	Cemetery Perpetual Care	Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,023
-	-	-	-	-	82,830
-	-	-	-	9,773	9,773
124	530	601	-	4,258	19,894
-	-	-	-	-	2,093
-	2,344	-	-	-	2,804
124	2,874	601	-0-	14,031	169,417
-	-	-	599	174	773
18	317	-	-	-	61,396
-	-	-	-	-	59,794
-	-	18,665	-	-	18,665
-	-	1,213	-	-	1,213
18	317	19,878	599	174	141,841
106	2,557	(19,277)	(599)	13,857	27,576
-	-	19,882	599	-	187,481
106	2,557	605	-0-	13,857	215,057
2,354	10,706	472	32	99,310	308,874
<u>\$ 2,460</u>	<u>\$ 13,263</u>	<u>\$ 1,077</u>	<u>\$ 32</u>	<u>\$ 113,167</u>	<u>\$ 523,931</u>

City of DeWitt

Local Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental - State				
Gas and weight tax	\$ 84,050	\$ 75,850	\$ 82,830	\$ 6,980
Interest				
Investments	800	10,590	11,821	1,231
Special assessments	-	20	21	1
Other				
Special assessments	-	148	149	1
Other	325	-	-	-0-
TOTAL REVENUES	85,175	86,608	94,821	8,213
EXPENDITURES				
Public works				
Salaries	15,880	10,380	9,508	872
Fringe benefits	9,528	6,828	5,705	1,123
Supplies	10,050	6,550	5,652	898
Professional services	36,430	11,430	13,225	(1,795)
Construction	236,100	11,100	9,904	1,196
Equipment rental	21,450	17,450	15,800	1,650
Miscellaneous	125	125	-	125
TOTAL EXPENDITURES	329,563	63,863	59,794	1,775
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(244,388)	22,745	35,027	12,282
OTHER FINANCING SOURCES				
Transfers in	167,000	167,000	167,000	-0-
NET CHANGE IN FUND BALANCE	(77,388)	189,745	202,027	12,282
Fund balance, beginning of year	130,515	130,515	130,515	-0-
Fund balance, end of year	<u>\$ 53,127</u>	<u>\$ 320,260</u>	<u>\$ 332,542</u>	<u>\$ 12,282</u>

City of DeWitt

Building Department Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Licenses and permits	\$ 63,500	\$ 51,800	\$ 52,023	\$ 223
Interest	600	1,080	1,267	187
TOTAL REVENUES	64,100	52,880	53,290	410
EXPENDITURES				
Public Safety				
Salaries	19,500	19,500	19,500	-0-
Fringe benefits	11,700	11,700	11,700	-0-
Supplies	2,100	1,100	915	185
Professional services	50,000	30,000	27,896	2,104
Memberships and dues	300	300	300	-0-
Administration costs	500	500	500	-0-
Miscellaneous	250	250	250	-0-
TOTAL EXPENDITURES	84,350	63,350	61,061	2,289
NET CHANGE IN FUND BALANCE	(20,250)	(10,470)	(7,771)	2,699
Fund balance, beginning of year	24,092	32,052	34,742	2,690
Fund balance, end of year	<u>\$ 3,842</u>	<u>\$ 21,582</u>	<u>\$ 26,971</u>	<u>\$ 5,389</u>

City of DeWitt

Public Improvement Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Interest				
Investments	\$ 500	\$ 1,100	\$ 1,190	\$ 90
Special assessments	50	25	82	57
Other				
Special assessments	5,000	2,000	1,944	(56)
Other	2,500	400	460	60
TOTAL REVENUES	8,050	3,525	3,676	151
EXPENDITURES				
Community and economic development				
Miscellaneous	100	-	-	-0-
NET CHANGE IN FUND BALANCE	7,950	3,525	3,676	151
Fund balance, beginning of year	54,172	34,707	30,743	(3,964)
Fund balance, end of year	<u>\$ 62,122</u>	<u>\$ 38,232</u>	<u>\$ 34,419</u>	<u>\$ (3,813)</u>

City of DeWitt

Drug Law Enforcement Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest	\$ 50	\$ 100	\$ 124	\$ 24
EXPENDITURES				
Public safety				
Forfeitures	<u>-</u>	<u>18</u>	<u>18</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	50	82	106	24
Fund balance, beginning of year	<u>3,432</u>	<u>2,307</u>	<u>2,354</u>	<u>47</u>
Fund balance, end of year	<u><u>\$ 3,482</u></u>	<u><u>\$ 2,389</u></u>	<u><u>\$ 2,460</u></u>	<u><u>\$ 71</u></u>

City of DeWitt

Special Donations Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Interest on investments	\$ 125	\$ 450	\$ 530	\$ 80
Other				
Donations	-	2,300	2,344	44
TOTAL REVENUES	125	2,750	2,874	124
EXPENDITURES				
Public safety	-	317	317	-0-
NET CHANGE IN FUND BALANCE	125	2,433	2,557	124
Fund balance, beginning of year	9,993	10,638	10,706	68
Fund balance, end of year	<u>\$ 10,118</u>	<u>\$ 13,071</u>	<u>\$ 13,263</u>	<u>\$ 192</u>

City of DeWitt

SCHEDULE OF BONDED DEBT OUTSTANDING

June 30, 2007

Limited Tax General Obligation Building Authority - Park Improvement Bonds

Issue: \$ 975,000

Issue date: February 1, 1999

<u>Due Date</u>	<u>Interest Rate</u>	<u>Bonds Maturing</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
5/1/2008	4.30 %	\$ 70,000	\$ 21,950	\$ 91,950
5/1/2009	4.40	70,000	18,940	88,940
5/1/2010	4.40	70,000	15,860	85,860
5/1/2011	4.50	70,000	12,780	82,780
5/1/2012	4.60	70,000	9,630	79,630
5/1/2013	4.70	70,000	6,410	76,410
5/1/2014	4.80	65,000	3,120	68,120
		<u>\$ 485,000</u>	<u>\$ 88,690</u>	<u>\$ 573,690</u>

2004 Michigan Transportation Fund Bonds

Issue: \$ 450,000

Issue date: December 1, 2004

<u>Due Date</u>	<u>Interest Rate</u>	<u>Bonds Maturing</u>	<u>Interest Due</u>	<u>Total Amount Due</u>
10/1/2007	2.50 %	\$ 45,000	\$ 12,325	\$ 57,325
10/1/2008	2.75	50,000	11,075	61,075
10/1/2009	2.95	55,000	9,577	64,577
10/1/2010	3.15	60,000	7,820	67,820
10/1/2011	3.35	60,000	5,871	65,871
10/1/2012	3.50	65,000	3,727	68,727
10/1/2013	3.70	70,000	1,295	71,295
		<u>\$ 405,000</u>	<u>\$ 51,690</u>	<u>\$ 456,690</u>

Principals

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF THE FINANCIAL STATEMENTS**

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of DeWitt as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

PREPARATION OF FINANCIAL STATEMENTS

Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the City rests with the City's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

PREPARATION OF FINANCIAL STATEMENTS - CONTINUED

It has historically been common for many small to medium-sized governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at City of DeWitt. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the City's annual financial statements and notes to the financial statements in accordance with GAAP. The City relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We recommend the City consider obtaining the proper training for the appropriate staff members to assure that they are able to fully understand what goes into the preparation of the annual audited financial statements and so that they can take responsibility for the preparation of the annual audited financial statements, assure there are no material misstatements, and assure there are appropriate disclosures in accordance with accounting principles generally accepted in the United States of America.

MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries were proposed by the auditors. These misstatements were not detected by the City's internal control over financial reporting. Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

We recommend that the City take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We believe that the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

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

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 24, 2007